Annual report 2018/19

Shropshire County Pension Fund

Introduction

Welcome to the 2018/19 annual report and accounts of the Shropshire County Pension Fund

This year's fund information

£81 million	£1.915 billion	5.4 %	2.1 %
Fund value increase	Total fund value	Fund value increase	Below benchmark

During the year the Shropshire County Pension Fund increased in value by £81 million to be valued at £1.915 billion at the end of the year. The fund increased in value by 5.4% over the year but underperformed its benchmark by 2.1%. Over the last three years the fund has returned 9% per annum which was 0.6% above benchmark. Longer term performance of the fund over the last five and ten years is also positive. The main reason fund performance was below benchmark for the year was due to below benchmark returns generated from the fund's active equity managers during the last financial year. The combined fixed income portfolios also delivered below benchmark returns for the year.

The fund had positive investment returns in a number of other asset classes which offset the underperformance of equities during the year. The strongest returns were generated in private equity where the fund's investments increased in value by 27.3%. The fund's infrastructure manager produced returns of 21.1% which was 7.4% above benchmark and the property portfolio increased by 8.4% which was 2% above benchmark. The combined fixed income portfolios delivered a return of 0.7% which was 2.8% below benchmark. The fund's other managers produced positive returns which resulted in overall increase in value of £81 million during the year.

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

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

The fund undergoes an independent actuarial valuation every three years. The last actuarial valuation was conducted at the end of March 2016, identifying that the fund had a funding level (the relationship between estimated future pension payments and the funds held to pay for these pensions) of 84% which was an increase from 76% at the previous valuation in March 2013. As a local government pension scheme, the fund is able to take a long-term view to the recovery of any funding deficit and is able to phase in any changes in the employer contribution rate in a manageable way. The March 2019 actuarial valuation process is currently being undertaken with the results being known in November 2019.

During 2018/19, Aon Hewitt, our advisors, undertook a review of the movements in the funding level since the last valuation and presented the results to the Pension Committee.

Due to a strong rally in equity markets, particularly in 2016/17, and a significant increase in the asset value of the fund, this resulted in the funding level increasing to above 90% which is positive news. A large proportion of the pension fund is invested in equities, which represents the riskiest asset class within the fund. A decision was made to increase the level of equity protection from £280 million which had been in place since September 2017, to £580 million during the year. This will help to protect the fund if there are significant equity market falls over the next 12 to 18 months.

The Shropshire County Pension Fund continued to work with eight other funds in the Midlands region during the year. LGPS Central Ltd has been established to manage investment assets on behalf of its nine Local Government Pension Scheme (LGPS) funds across the Midlands region. It is a multi-asset manager, investing approximately £45 billion of assets from 2018 onwards (£17 billion as at March 2019), on behalf of 900,000 LGPS members and 2,500 employers.

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

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

The governance structure for LGPS Central has been agreed by all partner funds and appointments for key individuals has progressed well during the year. The LGPS Central Board and Executive Committee are in place. There are currently 50 permanent staff with further recruitment to come over the course of 2019. Regular investment pooling meetings continue to be held with representatives from each of the eight LGPS funds. The Practitioners Advisory Forum, which is made up of s151 officers and pension managers from each fund, are updated regularly on the progress made and key developments of LGPS Central. Meetings of the Shareholders Forum, which is made up of one elected member from each fund, have been held during the year to approve key decisions. The Joint Committee, which is also made up of one elected member from each fund, has also met twice during the year to discuss any client related investors issues.

LGPS Central Ltd opened for business on the 3 April 2018 with the launch of three new pooled funds. In addition to these funds, LGPS Central is responsible for eight advisory and discretionary mandates on behalf of its partner funds. Together, these new funds and mandates see LGPS

Central Ltd responsible for £20 billion of assets as at March 2019. Working with our partners to develop and implement our investment strategy will continue to be a major strategic focus for the fund over the next year. The first assets transferred from Shropshire County Pension Fund to LGPS Central Ltd in March 2019, when £237 million was transitioned into their active global equity sub-fund.

The issue of Brexit has still not been resolved at the time of writing and therefore has caused uncertainties with equity markets and markets in general.

There have been two principal market effects of Brexit uncertainty. One has been that listed UK equities have fallen out of favour with institutional investors, particularly those overseas. The other is that Sterling has been weak. However, at the corporate level, companies operating in the UK are carrying on with business as usual. UK corporate profits are in fact rising. This healthy backdrop, and the attractive opportunity to invest in the UK at a discount, have encouraged a wide range of overseas companies to acquire UK businesses.

The possibility remains of a no-deal Brexit and the potential economic disruption that it could cause. However, even in this worst-case scenario, it is believed that quoted businesses should in general be able to trade through any short-term disruption. Regardless of the form Brexit takes, it is not anticipated to have any major impact on overseas markets. For the UK specifically, it is expected that the strong underlying fundamentals of a range of businesses to ensure that their value – and that of the broader UK market as a whole, ultimately proves robust. The UK market should remain an attractive prospect for the long-term equity investor.

We will continue to monitor, along with our fund managers and advisors, the situation and its potential impact on the fund.

The Pensions Administration Team have had another busy year to ensure the benefits it looks after for scheme members are paid accurately and on time. In order to effectively administer the LGPS, the data received by fund employers has continued to be collected monthly and checked to ensure accuracy. Employer engagement is important to ensure the fund meets its administration responsibilities and during 2018/19 the fund used a range of methods to communicate with employers to help them understand and fulfil their role. The number of employers joining the fund has continued to grow throughout the year and the latest figures are covered in this report. During the year, there were some changes specifically to the LGPS regulations but also to wider pensions legislation which meant updates were required to the pension administration system; as well as changes to scheme documentation, processes and member guides. The team also undertook two major projects throughout the year to change the payroll system used to pay retired members' pensions and to upgrade the 'My Pension Online' area of the website. Updates on both these projects and the other work undertaken by the Pensions Administration Team, over the past twelve months, can be found on pages 26-33.

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

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

James Walton

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

Thomas Biggins

Chair of Pensions Committee
Shropshire Council

Scheme management & advisors

Administering authority

Shropshire Council
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Scheme administrator

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

Shropshire Council officers

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

Investment managers

Aberdeen Asset Management
Bow Bells House
1 Bread Street
LONDON EC4M 9HH

BlackRock
12 Throgmorton Avenue
LONDON EC2N 2DL

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

DRC Capital
6 Duke Street
St. James's
LONDON SW1Y 6BN

GAM
20 King Street
LONDON SW1Y 6QY

Global Infrastructure Partners
The Peak
5 Wilton Road
LONDON SW1V 1AN

HarbourVest Partners (U.K.) Limited
3rd Floor
33 Jermyn Street
LONDON SW1Y 6DN

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

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

Legal & General
One Coleman Street
LONDON EC2R 5AA

LGPS Central Ltd
Mander House
WOLVERHAMPTON WV1 3NB

Majedie Asset Management
10 Old Bailey
LONDON EC4M 7NG

MFS Investment Management
One Carter Lane
LONDON EC4V 5ER

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

Securis Investment Partners
12th Floor
110 Bishopsgate
LONDON EC2N 4AY

Custodian

Northern Trust
50 Bank Street
Canary Wharf
LONDON E14 5NT

Independent advisors

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

Roger Bartley

Banker

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

Auditor

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

Legal advisor

Shropshire Council
Legal Services

Actuary

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

AVC providers

Prudential Assurance Company Ltd
Lancing
BN15 8GB

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

Responsible engagement advisor

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

Performance measurement

Northern Trust
50 Bank Street
Canary Wharf
LONDON E14 5NT

Risk management

Risk management is the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods of controlling or responding to them. Shropshire Council has a formal risk management strategy and risk registers for pension fund investment, investment pooling and pension administration are included within this overall strategy.

Please see below a summary of the pension fund's key risks which were identified for 2018/19.

Risks	Controls in place
The insolvency of an employer places additional liabilities on the fund and ultimately the remaining employers.	Admission agreements, employer covenant check across fund employers, some bonds in place. Shorter deficit recovery periods for some employers. Funding strategy statement approved by Pension Committee.
Failure of pension fund investment managers to meet expected returns resulting in increased costs to the council and other employers.	Rigorous selection process established. Rigorous and continual investment manager monitoring arrangements. Diversification of managers. External expert advice. Reporting & monitoring arrangements. Investment strategy statement and funding strategy statement published. Clear and relevant mandates. Audit of investment managers.
Savings from pooling are not realised as fully or as quickly as planned for due to market factors or inaccurate assumptions in LGPS Central's business plan.	Research is being undertaken to ensure predictive savings are realistic. Plan for reviewing progress against the business plan has been agreed with the board. Prudent assumptions have been used when estimating fee reductions and transition timescales. Financial model is continually updated.
Investments in LGPS Central not delivering the required investment return which could result in the need for increased employer contributions.	Investment performance will be regularly reported and monitored by the Pension Committee and action taken to report any concerns via the Joint Committee and Shareholders Forum.
Insufficient range of asset classes or investment styles being available through the investment pool.	Investment workstream set up to create sub-funds to implement participating funds' investment strategies. Participating fund data gathered and analysed in detail at Officer Practitioner Advisory Forum meetings.
Inappropriate investment strategy	Funding strategy statement published following consultation with scheme employers outlining how the fund plans to meet its liabilities. External expert advice. Trained and experienced staff. Three yearly actuarial valuation. Investment strategy statement. Regular review of investment strategy with Aon Hewitt.
Failure to meet good governance	Compliance against Myners Principles considered on an annual basis as part of the review and updating of the investment strategy statement. The fund has produced a governance compliance statement. Audit of governance arrangements.

Risks	Controls in place
Continued decrease in UK government bond yields resulting in future reduction in returns from government bonds, increase in the value placed on liabilities through the reduction in the discount rate and deterioration in funding position which results in an increase in employer contribution rates	Monitoring of investment performance relative to the estimated growth in liabilities on an annual basis. Some investment in bonds (and similar investments) helps to mitigate this risk. Implemented liability driven investment (LDI) strategy in order to further hedge liabilities against changes in interest rates and inflation. Change in methodology agreed with actuary to calculate liability values rather than using gilt yields. The equity protection strategy implemented in September 2017, increased in 2018/19.
Pay and price inflation significantly higher than anticipated and pensioners in receipt of pensions for longer resulting in an increase in the fund's liabilities, deterioration in funding position and increase in employer contribution rates.	Actuarial valuation process focuses on real returns on assets. Monitoring of investment performance in relation to the estimated growth in liabilities. Some investment in index-linked bonds (and other inflation linked investments) and LDI helps to mitigate this risk. Triennial strategic asset allocation review considers appropriateness of assets. Mortality assumptions are set with some allowance for future increases in life expectancy as part of the valuation process which the fund actuary monitors. LDI manager appointed to further hedge liabilities against changes in inflation rates. Equity protection strategy in place.
Incorrect information/benefits provided to members of the scheme.	Benefits calculations are checked. All supporting calculations are provided to the member. Team training, Employer training.
Late payment of contributions by fund employers leading to the pension fund having to report to the pension regulator and possibly be fined.	Employer training/guidance on website. Employer newsletter. Contributions check and balance. Adhere to internal governance compliance statement. Adhere to Pension Regulator code of practice. Breaches log monitoring. Engage with employers to ensure contributions received on time.
Failure of employers to provide accurate data leading to incorrect benefit statement/payments or fund valuations.	Employer training. Administration strategy statement. Team training. Introduction of i-Connect has resulted in improvement of data. Employers trained on the Pension Regulator code. Breaches log records any issues which are reported to Pension Committee/Pension Board.
Loss or inappropriate disclosure of personal data leading to fines and reputational loss.	ICT security used such as data encryption, secure mail and document management software with strict security profiles. Secure working environment. Protecting information training undertaken by all staff annually.
Not undertaking work to reconcile guaranteed minimum pension (GMP) data in line with ending of contracting out legislation resulting in possible overpayments and additional costs to the pension fund.	GMP's have historically been processed when received and leavers notified to HM Revenue and Customs (HMRC). Reconciliation process currently being undertaken by the Pension Administration team. A contract with a company called ITM has been signed to assist in this process. Possibly use Local Government (LG) framework to appoint a third party to complete the project during 2019.
Failure to identify and report breaches of law, in accordance with the requirements of the Pensions Regulator leading to reputational damage & potential fines.	Breaches policy in place together with a breaches log which is reported to the Pension Committee, Pension Board and Scheme Administrator. Training undertaken by key staff.
Non-compliance with the law around LGPS benefit administration leading to fines by the Pensions Regulator.	The use of a good LGPS administration software solution together with experienced trained staff mitigates the risks to the council.

Financial performance

The following tables show the forecasts for the fund account and the net assets statement for the next three years to 31 March 2022. It also identifies the 2018/19 actuals against the 2018/19 budget.

Forecast v actual report on fund cash flows

Pension Fund Account	2018-19 Budget £m	2018-19 Actual £m	2019-20 Budget £m	2020-21 Budget £m	2021-22 Budget £m
Contributions (employees and employers)*	56.631	59.130	59.425	81.725	60.031
Transfers in	5.000	6.350	5.100	5.200	5.300
Pensions paid	(58.210)	(59.051)	(60.823)	(62.647)	(64.527)
Lump sums paid	(10.500)	(9.366)	(10.000)	(10.500)	(11.000)
Lump sum death benefits	(1.500)	(1.661)	(1.600)	(1.700)	(1.800)
Refund of contributions	(0.250)	(0.191)	(0.300)	(0.350)	(0.400)
Transfers to other funds	(4.800)	(8.060)	(4.900)	(5.000)	(5.100)
Net additions from dealings with scheme members	**(13.629)**	**(12.849)**	**(13.098)**	**6.728**	**(17.496)**
Management expenses	(14.968)	(13.975)	(15.572)	(15.964)	(16.260)
Investment income	20.000	25.788	20.500	21.000	21.500
Gain/(loss) on cash and currency hedging **	0.000	12.614	0.000	0.000	0.000
Taxes on income	(0.300)	(0.412)	(0.400)	(0.410)	(0.420)
Change in market value	119.477	70.319	118.058	105.169	136.707
Surplus/(deficit) on the pension fund for the year	**110.580**	**81.485**	**109.488**	**116.523**	**124.031**
Opening net assets of the scheme	**1,833.816**	**1,833.816**	**1,915.301**	**2,024.789**	**2,141.312**
Closing net assets of the scheme	**1,944.396**	**1,915.301**	**2,024.789**	**2,141.312**	**2,265.343**

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. // * 2020/21 budget includes upfront deficit contributions for three employers normally paid over three years. // ** A budget has not been included for a gain/(loss) on cash as the movement year on year would be too difficult to account for as it is mainly based on FX currency movements.

Forecast v actual report on fund asset values

Net Assets Statement	2018-19 Budget £m	2018-19 Actual £m	2019-20 Budget £m	2020-21 Budget £m	2021-22 Budget £m
UK Equities	146.450	120.220	128.034	136.357	145.220
Global Equities - Unconstrained	486.568	253.077	273.576	295.736	319.691
Global Equities - Passive	393.354	601.716	643.234	687.618	735.063
Unconstrained Bonds	447.986	301.439	312.894	324.784	337.125
Hedge Funds	130.573	126.304	131.356	136.610	142.075
Private Equity	80.892	96.989	104.457	112.500	121.163
Infrastructure	53.718	72.501	77.431	82.696	88.320
Property	99.664	94.784	99.902	105.297	110.983
Liability Driven Investments (LDI)	70.341	76.646	77.336	78.032	78.734
Property Debt	0.000	18.729	19.684	20.688	21.743
Insurance-Linked Securities	0.000	31.135	32.567	34.065	35.632
Cash and net current assets	34.850	121.761	124.318	126.929	129.594
Total investment assets	**1,944.396**	**1,915.301**	**2,024.789**	**2,141.312**	**2,265.343**

Forecast for total investment assets

The forecast for total investment assets are based on actual allocations at 31 March 2019, multiplied by the forecast long term returns for each asset class, as provided by the fund's investment strategy statement. These forecasts will need to be adjusted for any future investment decisions formally approved by the Pensions Committee.

Asset Class	Return
UK Equities	6.50%
Global Equities - Unconstrained	8.10%
Global Equities - Passive	6.90%
Unconstrained Bonds	3.80%
Hedge Funds	4.00%
Private Equity	7.70%
Infrastructure	6.80%
Property	5.40%
LDI	0.90%
Property Debt	5.10%
Insurance-Linked Securities	4.60%
Cash	2.10%

Management expenses forecast

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

The budget forecasts for 2019/20 to 2021/22 have been revised and are based on the 2018/19 actual costs which are analysed to agree with the CIPFA guidance on management costs. (see note 8)

Operational Expenses	2018-19 Budget £m	2018-19 Actual £m	2019-20 Budget £m	2020-21 Budget £m	2021-22 Budget £m
Administrative costs					
Employee costs	0.668	0.742	0.779	0.818	0.859
IT costs	0.170	0.323	0.325	0.330	0.335
Office accommodation	0.024	0.026	0.028	0.030	0.032
Consultants	0.030	0.137	0.140	0.140	0.140
Printing, postage and design	0.055	0.045	0.055	0.060	0.065
Subscriptions	0.015	0.015	0.015	0.016	0.016
Other costs	0.040	0.039	0.040	0.042	0.044
TOTAL	**1.002**	**1.327**	**1.382**	**1.436**	**1.491**
Investment management expenses					
Management fees	8.700	8.423	8.500	8.600	8.600
Performance fees	1.600	0.185	1.500	1.600	1.700
Other fees	2.408	2.257	2.325	2.394	2.466
Transaction costs	0.490	0.612	0.600	0.620	0.640
Custody fees	0.065	0.060	0.065	0.068	0.070
TOTAL	**13.263**	**11.537**	**12.990**	**13.282**	**13.476**
Oversight and governance costs					
Investment advice	0.321	0.362	0.370	0.380	0.390
Employee costs (pensions investment)	0.165	0.167	0.175	0.184	0.193
Actuarial advice	0.055	0.009	0.055	0.060	0.065
Responsible engagement overlay	0.052	0.051	0.052	0.054	0.056
LGPS Central pooling costs	0.000	0.432	0.445	0.458	0.472
External audit	0.027	0.020	0.022	0.024	0.026
Performance analysis	0.026	0.025	0.026	0.027	0.028
Internal audit	0.018	0.017	0.018	0.019	0.020
Legal and committee	0.016	0.016	0.017	0.018	0.019
Other costs	0.023	0.012	0.020	0.022	0.024
TOTAL	**0.703**	**1.111**	**1.200**	**1.246**	**1.293**
Total management expenses	**14.968**	**13.975**	**15.572**	**15.964**	**16.260**

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 2018/19 97% of contributions were received on time. No interest was charged on those payments that were late as the individual amounts chargeable were insignificant.

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

Employer Name	Employees contributions: £	Employers contributions: £
Scheme employer		
Abraham Darby Academy	51,765.48	117,133.92
Abraham Darby School	No active members	
HAFT Adams Grammar School	35,799.47	147,966.19
Adams Grammar School	No active members	
Alveley Primary School	6,639.85	23,164.17
Barrow 1618 Free School	4,845.09	13,389.86
Belvidere School	9,743.71	42,261.77
Bishop Anthony Educational Trust	24,647.21	59,834.44
Bishops Castle Primary School	5,696.97	30,169.90
Bitterley C.E Primary School	8,079.85	34,774.75
Bridgnorth Endowed School	27,029.72	104,448.29
Bridgnorth District Council	No active members	
Burford Primary School	7,322.03	18,185.17
Castlefields Primary School	19,579.36	51,906.47
Charlton School	31,875.45	103,080.81
Church Stretton School	36,849.89	141,519.12
Clee Hill Community Academy	9,465.96	32,579.38
Cleobury Mortimer Primary School	18,314.73	60,785.36
Communities Academies Trust	198,243.60	688,578.50
Condover CE Primary School	10,168.03	46,288.59
Corbet School	No active members	
Corbet School (Academy)	39,407.31	144,099.12
Dawley C.E Primary Academy	12,935.74	56,379.99
Ellesmere Primary School	24,807.66	104,480.98
Empower Trust	115,658.93	512,943.46
Ercall Wood School	10,589.14	36,910.14
Fields Multi-Academy Trust	19,429.83	79,235.49
Grange Junior School	No active members	
Greenacres Primary School	2,191.94	9,524.35
Holy Trinity Academy (BRJ)	25,202.47	86,703.96
Holy Cross C.E School	No active members	
Idsall School	49,749.72	190,330.37
Kickstart Academy	3,855.06	9,512.40
Lacon Childe School	25,248.54	103,480.58
Lakelands Academy	37,496.24	143,011.36
Lawley Village Academy	6,865.87	9,836.83

Employer Name	Employees contributions: £	Employers contributions: £
Learning Community Trust	150,533.99	538,881.64
Ludlow CE School	30,553.23	123,578.60
Ludlow College	No active members	
Ludlow Infant School	17,991.02	67,539.95
Ludlow Junior School	13,593.13	60,020.08
Madeley Academy Trust Ltd	47,505.65	142,738.68
Marches Academy Trust	94,963.26	360,051.03
Mary Webb School and Science College	6,339.25	28,833.30
Meole Brace School	14,083.75	59,251.93
Moorfield Primary School	15,317.93	53,555.59
Morville C.E Primary School	2,162.41	5,975.32
National Health Service	No active members	
New College Telford	No active members	
Newport Girls High School Academy Trust	17,560.11	57,605.12
North Shropshire College	66,219.72	251,133.35
North Shropshire College (Pre 02)	No active members	
North Shropshire District Council	No active members	
North West Education Action Zone	No active members	
Oswestry Borough Council	No active members	
Oldbury Wells School	38,125.38	135,911.21
Priorslee Primary Academy Trust	26,631.77	85,650.26
The Priory School Trust	98,317.80	362,884.02
Redhill Primary School	13,639.56	50,051.66
Severndale Specialist Academy	154,483.64	514,032.94
Severn Bridges MAT	57,663.06	239,361.62
Shrewsbury & Atcham Borough Council	No active members	
Shrewsbury Academies Trust	91,743.75	371,687.55
Shropshire Career Service Ltd	No active members	
Shrewsbury College of Arts & Technology	No active members	
Shrewsbury Colleges Group	289,038.20	877,719.16
Shropshire & Wrekin Fire Authority	147,176.25	419,349.83
Shropshire Council	5,220,599.57	11,922,419.07
Shropshire County Council	No active members	
Shropshire Magistrates Court	No active members	
Shropshire Probation Committee	No active members	

Employer Name	Employees contributions: £	Employers contributions: £
South Shropshire District Council	No active members	
St Chads MAT/Holy Trinity School	13,483.34	55,365.27
St Edward's C.E. School	3,168.16	12,429.87
St George's CE Primary School, Clun	5,681.23	25,867.61
St Leonards CE School	19,641.44	76,741.83
Stokesay Primary School	8,180.82	32,365.51
Stottesdon C.E Primary School	8,356.07	29,702.14
Telford & Wrekin Council	4,200,920.92	13,096,497.16
Telford and Wrekin Education Action Zone	No active members	
Telford College of Arts & Technology	321,077.36	853,505.38
West Mercia Energy	28,072.64	45,330.68
Walford College Shropshire	No active members	
West Mercia Supplies	No active members	
Whitchurch Infant and Nursery School	1,974.31	8,880.57
Whitchurch Junior School	1,685.22	6,341.34
William Brookes School	56,991.20	177,575.40
Woodside Primary School	44,648.88	155,795.54
Woodside Start Centre	No active members	
Wrekin District Council	No active members	
Admission bodies		
Accord Housing Association	7,186.20	64,841.21
Addaction	6,873.03	21,139.13
Age Uk Shropshire, Telford & Wrekin	3,975.60	17,310.19
Alliance in Partnership- Grange Primary School	1,091.39	3,968.44
Alliance in Partnership- Grange Secondary School	No active members	
Alliance in Partnership (Ludlow School)	3,197.11	12,439.32
Alliance in Partnership (Oldbury Wells)	718.49	2,530.28
Alliance in Partnership (Priory School)	1,795.95	6,497.99
Alliance in Partnership (SAT)	729.73	2,852.67
Alliance in Partnership - Thomas Adams School	3,701.77	13,046.31
Aquarius	2,461.49	8,572.51
ARCH Initiatives	11,196.34	33,244.78
Aspens Services Ltd	383.84	1,508.54
Association of Local Councils	3,550.65	13,325.17
Bethphage - Ellesmere Day Service and Library	7,544.24	31,538.09

Employer Name	Employees contributions: £	Employers contributions: £
Bethphage - Oak Farm and Innage Grange Day	8,045.75	33,595.05
Care Quality Commission	2,801.80	60,864.62
Catering Academy Ltd (Coleham)	1,707.73	6,212.60
Catering Academy Ltd (NGHS)	No active members	
Catering Academy Ltd (Priory)	611.56	2,001.36
Caterlink (Castlefields)	791.26	3,064.62
Caterlink (Oldbury Wells)	1,292.21	4,966.65
Caterlink (St Leonards)	589.93	2,531.37
Churchill Contract Services	No active members	
Compass (UK) Ltd	No active members	
Connexions	No active members	
County Training	No active members	
Coverage Care Crowmoor House	19,604.57	57,260.31
Coverage Care Ltd	9,227.59	188,235.86
CRI	No active members	
Energize	4,364.04	12,424.56
Enterprise South West Shropshire	602.80	1,928.92
Fastrack Maintenance Ltd	No active members	
Funeral Services Ltd	No active members	
Halo Leisure Services Ltd	10,771.04	37,585.78
Harper Adams University College	510,420.75	1,352,335.94
HMM Arts Ltd (The Hive)	No active members	
Interserve Catering Services Ltd	1,267.80	5,693.81
Interserve Ltd	No active members	
Ironbridge Gorge Museum Trust	5,416.25	67,717.37
Kier Highways Ltd	135,124.28	455,471.57
Landau Consultants	No active members	
Liveability	1,617.01	5,510.42
Mencap	No active members	
Meres & Mosses Housing Association	49,790.64	139,825.74
Midland Heart Ltd	No active members	
NIC Group	438.47	1,785.84
Perthyn	13,434.40	50,258.89
The Forward Trust (previously RAPT)	2,193.12	5,656.80
Relate	No active members	
Ringway Infrastructure Ltd	4,081.52	6,751.06
Sanctuary Group	16,896.73	57,010.14
Severn Gorge Countryside Trust	7,430.88	23,093.35
Severnside Housing Association	148,933.04	708,118.60

Employer Name	Employees contributions: £	Employers contributions: £
Shropshire County Leisure Trust	29,176.69	78,438.71
Shropshire Disability Consortium	No active members	
South Shropshire Housing Association	5,287.39	162,608.89
South Shropshire Leisure Ltd	14,089.22	11,878.15
Strettons Mayfair Trust	1,213.20	5,335.89
Taylor Shaw (Bridgnorth Endowed)	161.32	428.20
Taylor Shaw (Priory)	No active members	
Telford & Wrekin Services Ltd	72,673.70	56,890.80
Telford Development Corporation	No active members	
Telford Trust	No active members	
The Boathouse Ellesmere Ltd	0.00	600.00
Transforming Telford	No active members	
Veolia Environmental Services (UK) Plc	104,856.77	206,889.22
Veolia TWC	3,205.52	9,359.55
Womens Royal Voluntary Service	No active members	
Wrekin Housing Trust	794,590.83	2,225,534.91
WSP UK Ltd (previously Mouchel)	22,427.89	65,971.56
Designated bodies		
Albrighton Parish Council	2,803.21	9,383.89
Bayston Hill Parish Council	2,161.71	6,967.18
Bishops Castle Town Council	1,852.28	5,919.13
Bridgnorth Town Council	22,029.15	85,356.18
Broseley Town Council	3,095.94	9,990.19
Church Stretton Town Council	7,405.97	30,121.05
Condover Parish Council	No active members	
Cressage, Harley and Sheinton Parish Council	309.21	607.12
Dawley Hamlets Parish Council	560.10	2,688.68
Donnington and Muxton Parish Council	3,638.52	10,951.68
Ellesmere Town Council	3,622.52	10,176.59
Ford Parish Council	335.26	612.98
Great Dawley Parish Council	11,928.94	22,107.27
Great Hanwood Parish Council	358.60	645.55
Great Ness and Little Ness Parish Council	343.56	674.64
Hadley & Leegomery Parish Council	4,667.83	12,051.06
Hollinswood & Randlay Parish Council	6,062.00	18,670.63
Ketley Parish Council	No active members	
Ludlow Town Council	16,931.64	52,334.85

Employer Name	Employees contributions: £	Employers contributions: £
Madeley Town Council	8,530.49	31,050.16
Market Drayton Town Council	7,439.52	26,096.80
Much Wenlock Town Council	2,826.45	11,869.48
Newport Town Council	5,858.55	17,480.05
Oakengates Town Council	5,781.59	13,636.01
Oswestry Town Council	30,976.32	85,807.70
Pontesbury Parish Council	997.80	3,234.40
Rodington Parish Council	206.09	389.60
Shifnal Town Council	3,164.06	13,101.30
Shrewsbury Town Council	88,203.99	213,315.70
Shropshire Towns & Rural Housing	186,208.23	413,620.71
St Georges and Priorslee Parish Council	1,270.51	4,266.56
Stirchley & Brookside Parish Council	4,682.25	12,202.19
The Gorge Parish Council	595.29	2,088.82
Wellington Town Council	9,474.49	32,894.35
Wem Town Council	4,151.94	7,448.92
Whitchurch Town Council	10,231.98	17,671.91
Wrockwardine Parish Council	516.68	3,130.51
Wrockwardine Wood & Trench Parish Council	1,112.10	3,969.20
	14,727,507.17	**42,046,330.72**

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 previous one undertaken in March 2016, the results of which were communicated to employers and contribution rates were set for the following three financial years commencing 1 April 2017. The 2019 valuation process is currently being undertaken with results due later in the year.

The fund's strategic allocation 2018/19

Equities	Fixed interest stocks	Liability driven investment	Alternatives
47 % of fund	24 % of fund	3.5 % of fund	25.5 % of fund

Fixed interest stocks (also known as bonds) are generally considered to be less risky, as returns are less volatile than equities. Over longer periods, investment returns achieved by bonds are expected to be lower than those achieved by equities.

During 2018/19, the Pension Committee together with officers and Aon Hewitt started the process of reviewing the fund's investment strategy due to the increase in the funding level since the last valuation. Aon Hewitt undertook a review of the movements in the funding level since the last valuation and presented the results to the Pension Committee.

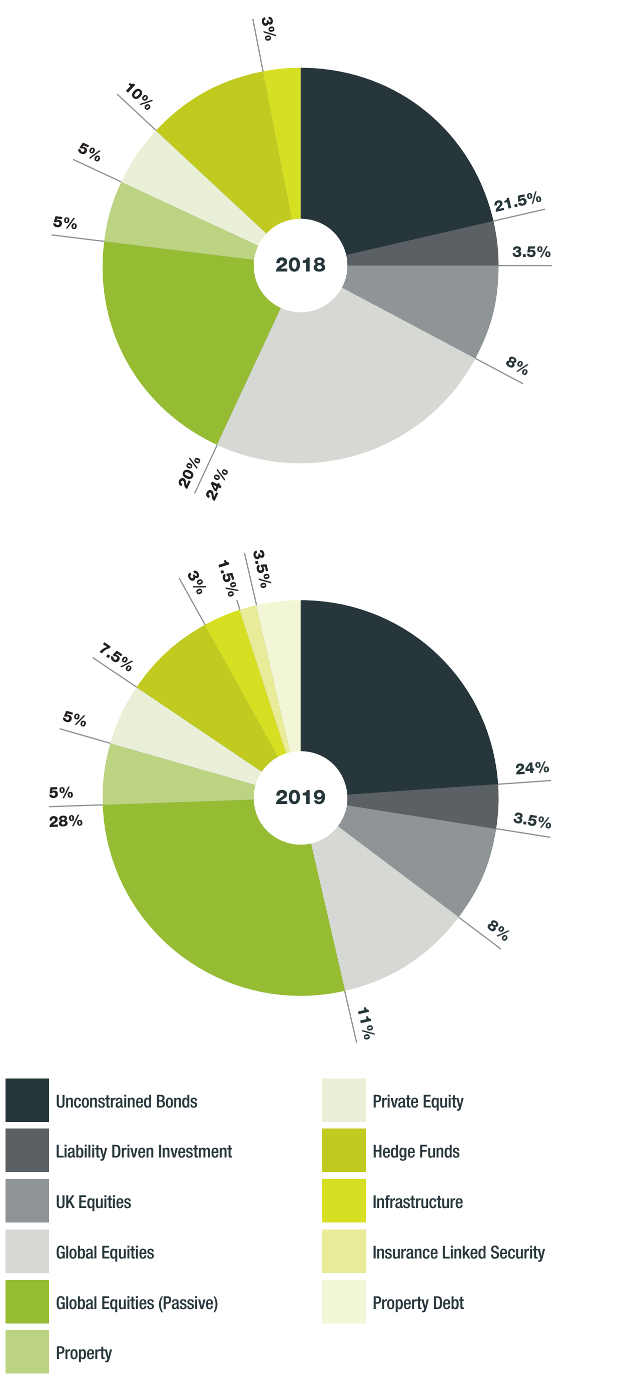
Due to a strong rally in equity markets, particularly in 2016/17, and a significant increase in the asset value of the fund, this resulted in the funding level increasing from 84% at the last valuation to above 90% at the time the review was carried out which is positive news. A large proportion of the pension fund is invested in equities which represents the riskiest asset class within the fund. A decision was made to increase the level of equity protection from £280 million which had been in place since September 2017, to £580 million. This was implemented with Legal & General one of the fund's existing managers during the year with the protection in place until 2020/21.

The equity protection strategy protects the fund against potential falls in equity markets over the next 12 to 18 month period and locks in previous gains made whilst the overall investment strategy continues to be reviewed. Further investment strategy discussions were held with Pension Committee during 2018/19. At the Pension Committee in March 2018, due to the improvement in the funding level over the previous two years, a decision was made to reduce the overall equity allocation by 5% and make new allocations to property debt and insurance linked securities. These changes were implemented in 2018/19. In addition to this, GAM was replaced with another absolute return bond manager, T Rowe Price and assets transferred in April 2019. The fund's first assets also transferred to LGPS Central in March 2019 when £237 million was transitioned into their active global equity sub-fund and the legacy mandates the fund had previously held with Investec, MFS and Harris were terminated.

The fund continued to work with eight other funds in the Midlands region during the year. LGPS Central Ltd is jointly owned on an equal share basis by eight pension funds and is a collective portfolio management investment firm (CPMI) regulated by the Financial Conduct Authority (FCA). The majority of assets under management will be structured in an authorised contractual scheme (ACS), itself regulated by the FCA, in addition to other pooled investments held in alternative structures. LGPS Central Ltd is a multi-asset manager, investing approximately £45 billion of assets on behalf of its member funds from 2018 onwards. The aims of LGPS Central will be to deliver cost savings, to build on the existing investment expertise of its member funds through increased scale, resilience, and sharing of knowledge. It will also aim to make use of a blend of internal and external investment management and a key objective will be to improve risk adjusted investment returns after cost.

Following FCA approval, LGPS Central Ltd opened for business in line with the government's timetable on the 3 April 2018 with the launch of three new pooled funds managed via an authorised contractual scheme. In addition to these funds, LGPS Central Ltd are responsible for eight advisory and discretionary mandates on behalf of its partner funds. Together, these new funds and mandates see LGPS Central Ltd currently being responsible for £17 billion of assets. Working with our partners to develop and implement our investment strategy will continue to be a major strategic focus for the fund over the next year.

Strategic asset allocation at the start and end of the year



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

Spread of assets between fund managers as at 31 March 2019

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
Investments managed by LGPS Central Ltd				
	LGPS Central - Global equity sub fund	12.41	237.737	Global Equities (Active)
	LGPS Central - Share capital	0.07	1.315	UK Equities (unquoted)
			239.052	
Investments managed outside LGPS Central Ltd				
	Legal & General	31.42	601.716	Global Equities (Passive)
	PIMCO Europe Ltd	7.59	145.309	Unconstrained Bonds
	Global Asset Management	0.81	15.571	Unconstrained Bonds
	Majedie Asset Management	7.43	142.228	UK Equities
	Blackrock	7.34	140.568	Unconstrained Bonds
	Blackrock	6.59	126.304	Hedge Fund
	Aberdeen Property Investors	5.41	103.662	Property Unit Trusts
	HarbourVest Partners Ltd	5.06	96.989	Private Equity
	BMO Global Asset Management	4.00	76.646	LDI
	Global Infrastructure Partners	3.79	72.501	Infrastructure
	DRC Capital	0.98	18.729	Property Debt
	Securis Investment Partners	1.62	31.135	Insurance Linked Securities
Other		5.27	100.927	Other
Total Assets Held by Fund Managers		99.79	1,911.337	
Net Current Assets		0.21	3.964	Net Current Assets
Total Fund		**100.00**	**1,915.301**	

Major shareholdings as at 31 March 2019

UK Equities	Sector	Value £m	% of Fund
Royal Dutch Shell	Energy	14.340	0.749
BP Ord	Energy	13.280	0.693
GlaxoSmithKline	Health Care	8.384	0.438
Tesco	Consumer Staples	7.932	0.414
HSBC	Banks	6.573	0.343
Lloyds	Banks	6.533	0.341
Diageo	Consumer Staples	4.646	0.243
WM Morrison	Consumer Staples	4.062	0.212
Centrica	Energy	3.436	0.179
Astrazeneca	Health Care	3.142	0.164
Overseas Equities	**Country**	**Value £m**	**% of Fund**
Microsoft Corp	United States	17.633	0.921
Alphabet	United States	15.780	0.824
Apple Inc	United States	14.535	0.759
Amazon	United States	12.504	0.653
JP Morgan	United States	8.449	0.441
Facebook	United States	8.155	0.426
Nestle	Switzerland	7.819	0.408
Proctor & Gamble	United States	6.556	0.342
United Health	United States	6.473	0.338
Johnson & Johnson	United States	6.221	0.325
Total Fund Value		**1,915.301**	

Investment performance

During the year the Shropshire County Pension Fund increased in value by £81 million to be valued at £1.915 billion at the end of the year.

This year's fund performance:

The fund increased in value by 5.4% over the year but underperformed its benchmark by 2.1%. Over the last three years the fund returned 9% per annum which was 0.6% above benchmark. The reason the fund performance was below benchmark for the year was largely due to the negative returns generated from equity markets during the last quarter of the financial year. Performance of the fund's active equity managers were all below benchmark during the year.

The fund invests in a range of asset classes so as to diversify risk and provide more stable returns. The pension fund had positive investment returns in a number of other asset classes which offset the underperformance of equities during the year. The strongest returns were generated in private equity where the fund's investments increased in value by 27.3%. The fund's infrastructure manager produced returns of 21.1% and the property portfolio increased by 8.4% which was 2% above benchmark. The combined fixed income portfolios delivered a slightly positive return of 0.7% but this was 2.1% below benchmark. The fund's other managers produced positive returns which is the reason for the increase in value of £81 million during the year.

Graph 01: Whole fund performance

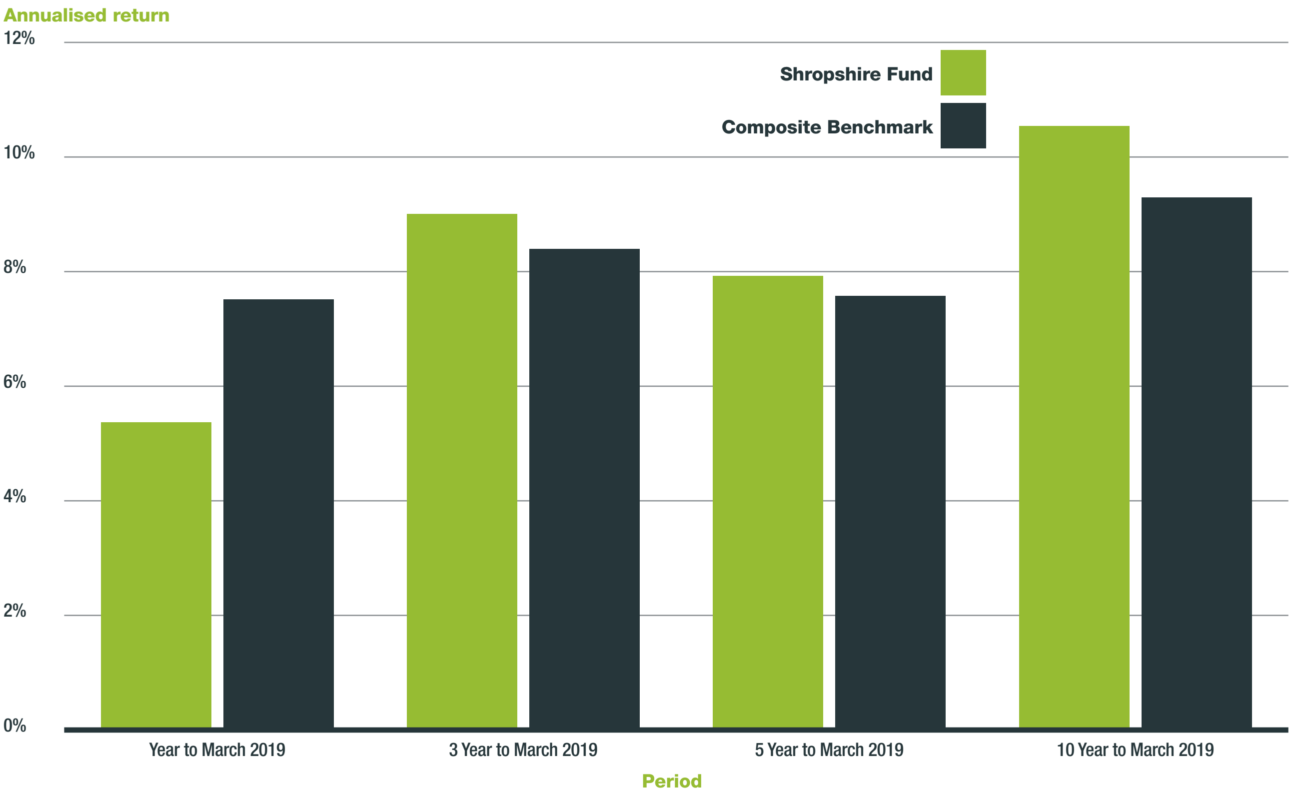
Graph 01 shows total fund investment returns compared with the benchmark. The stock markets that make up the benchmark showed positive returns in 2018/19 of 7.5%. The fund increased in value by 5.4% over the year underperforming its benchmark by 2.1%. Overall the fund has increased in value by 9% per annum over the last three years which is 0.6% above benchmark, 7.9% per annum over the last five years which is 0.3% above benchmark and by 10.5% per annum over the last ten years which is above the benchmark by 1.2%.

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.

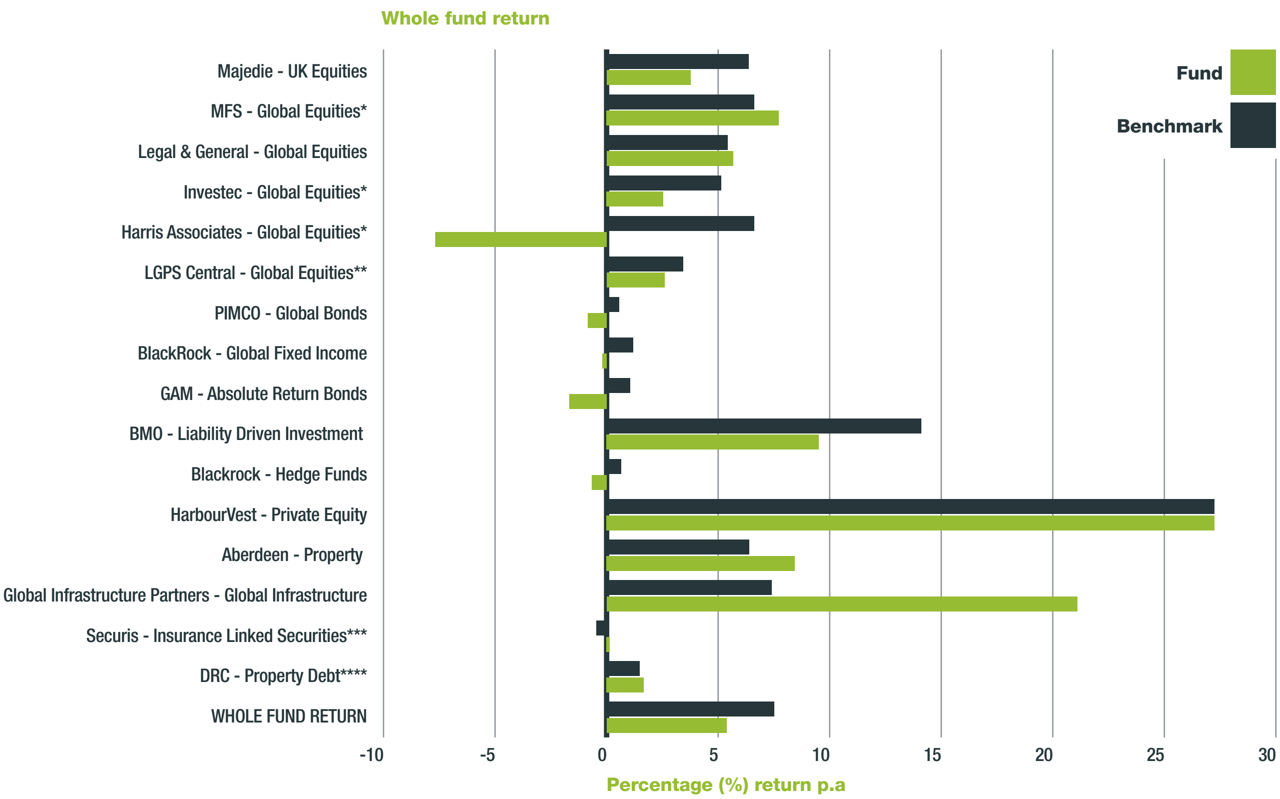
Graph 02: Individual fund manager peformance

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



* Performance Apr 18 - Feb 19 // ** Performance Mar 19 // *** Performance June 18 - Mar 19 // **** Performance Nov 18 - Mar 19

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 County Pension 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 seventeen years. The individual fund managers vote on the fund's behalf on all equity portfolios.

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

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

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

Socially responsible engagement

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

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

For example, BMO have been engaging with companies on the topic of ocean plastics. More than 8 million tonnes of plastic are discarded into the oceans each year; by 2050 it is estimated there could be more plastic than fish. One major contributor are single serve plastic bottles, where more than 480 billion are sold per year, with only a small proportion being made from recycled materials. Other plastic litter is also getting into the oceans. Companies are feeling the impact as 'branded litter' becomes increasingly problematic. The objectives of this project would be to engage with the relevant food and beverage companies to encourage the sale of drinks within bottles made from recycled materials, get commitments to phase out single serve plastic, incentivise value creation from the waste and find alternatives to plastic packaging. The fund is also considering including a select number of relevant household and personal care companies.

In 2018, BMO engaged with 27 companies on the topic of ocean plastics. This issue has rapidly moved up the agenda for companies and consumers alike given the increased attention it has received in the media and at national and international policy levels. All 193-member states of the UN signed a resolution to assess domestic plastic footprints and committing to develop and implement legislative measures. The G7 leaders, apart from the US and Japan, have also adopted the Ocean Plastics Charter in order to speed up change by governments and other stakeholders. The EU and China are taking a strong position on plastic waste and policy directions such as these will have a significant impact on companies. Whilst many companies have cited China's ban on plastic waste imports as a key reason for concern, BMO think most of them are not well prepared to deal with the challenges this or other regulatory developments might bring. On a more positive note, BMO have seen encouraging work being done, such as the UK Plastic Pact to create a circular economy for plastic. They have also supported The New Plastics Economy Global Commitment, led by the Ellen MacArthur Foundation in collaboration with UN Environment. Aligned with this commitment, BMO have asked companies to reduce the amount of unnecessary single use plastic, improve the recyclability of plastic, be creative in redesign of packaging, implement a circular economy model and improve recycling infrastructure. All companies BMO have spoken to are aware of this issue and most have plans in place to reduce impacts, with some having set ambitious targets. Going forward, they will monitor implementation of packaging and plastic waste/use strategies. BMO recently joined the PRI Plastic Investor Working Group and look forward to work together with other investors to assess current and emerging practices and engage accordingly.

Local authority pension fund forum

Shropshire remains a committed member of the Local Authority Pension Fund Forum (LAPFF). The LAPFF brings together 79 public sector pension funds (as at 31 March 2019) and is the UK's leading collaborative shareholder engagement group with combined assets of over £230 billion. 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 County Pension Fund has a stronger voice in influencing the companies in which it invests. Over the last twelve months the work of the forum has included the following areas:

Environmental and carbon risk
LAPFF has long been concerned about the climate and carbon-related risks to the underlying investment portfolios of member funds.

LAPFF members are interested in investment opportunities afforded by a low-carbon future which increase asset diversification and provide long-term returns. LAPFF considers that companies should report on their approach to carbon management in the context of how they are factoring climate change into their business strategy.

When engaging, LAPFF encourages companies to align their business models with a 2°C scenario to push for an orderly transition to a low-carbon economy. For some oil and gas companies, a focus has been on value at risk, particularly from high-cost projects and support has been given to returning capital to investors where appropriate.

LAPFF is a member of the Ceres Investor Network on Climate Risk and Sustainability, is a participant in the Climate Action 100+ initiative and is in partnership with the Climate Majority Project.

Human rights
LAPFF believes companies that respect the human rights of their stakeholders, including their employees, workers and the members of the communities in which they operate, perform better over the long-term. This is especially true as laws such as the UK's Modern Slavery Act increasingly take effect.

LAPFF has undertaken human rights-related engagements with companies in a range of industries. LAPFF engaged during 2014 with aerospace and defence companies on the eradication of cluster munitions; this resulted in one company's withdrawal from the production and sale of these weapons.

The forum has also looked at human rights issues in relation to the Israeli-Palestinian conflict. LAPFF often asks human rights-related questions at extractives companies' AGMs too, and the forum has begun to engage companies on their efforts to comply with the Modern Slavery Act.

Human rights law includes some core labour rights, and much of LAPFF's collaborative engagement on human rights thus far has taken the form of work on fundamental labour rights – no child labour, no forced labour, non-discrimination and freedom of association and collective bargaining.

LAPFF has engaged with other investors to promote safe working conditions in Bangladeshi factories and good non-discriminatory working conditions in the supply chains of UK companies operating in Qatar ahead of the 2022 World Cup

Scheme administration report

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

The LGPS is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972. The LGPS was contracted out of the State Second Pension scheme (S2P) until 5 April 2016; from 6 April 2016 the ‘contracted out’ status ceased to exist for all pension schemes due to the introduction of the single tier State Pension.

The LGPS is a qualifying scheme under the automatic enrolment provisions of the Pensions Act 2008. From 1 April 2014 benefits for active members build up in the career average revalued earnings (CARE) scheme. Benefits for members with service pre April 2014 are calculated under the final salary scheme.

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

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

- External audit
- Internal audit
- Pensions Committee
- Pensions Board
- Reporting breaches policy
- Quarterly performance reporting
- The Pensions Regulator annual scheme return

As at 31 March 2019, the Shropshire County Pension Fund had 16,340 active members, 17,913 deferred members, 12,228 pensioners and survivors, 1219 undecided leavers, and 199 employers (151 with active members). All looked after by 25 members of staff in the Pensions Administration Team.

Value for money statement

To ensure the effectiveness of the fund the administration service is monitored and reviewed through external and internal audits. To demonstrate the efficiency of the administration, the fund takes part in the Annual CIPFA benchmarking club. This provides a comparison of key performance indicators over time against a national average. Taking into consideration the investment in additional resources the fund has made in recent years, to increase staffing and improve technology, it is shown later in this report that the fund continues to operate at a net cost per member which is below the benchmark national average. The additional investment meant the fund could meet monthly data requirements required for a care average revalued earnings scheme introduced by the 2014 Scheme Regulations and also the increased governance responsibilities. It is also currently working with no processing backlogs. This demonstrates the commitment and focus of the fund to ensure value for money for all stakeholders.

The fund is part of a communications working group, which provides the opportunity for LGPS funds to share knowledge and experience in this area. The priorities of the group include the identification of best practice within pension communications and producing collaborative communications to save individual LGPS funds financial resources and staff time.

The fund has measured the quality of both the common and scheme specific data it holds to ensure both presence and accuracy. The member data held is fundamental in the valuation of the fund's liabilities that are used to determine future employer contribution rates. The latest results of the data quality review are covered in this report.

Summary of activity in 2018/19

The Pensions Administration Team have had another busy year to ensure the benefits it looks after for scheme members are paid accurately and on time. To effectively administer the Local Government Pension Scheme, the data received by employers is collected monthly and checked to ensure accuracy and balanced to the contribution payment received. Three major projects were undertaken over the year by the team; guaranteed minimum pension reconciliation/rectification exercise; changing the system software used to pay retired members' pensions; and an upgrade of the member self-service system and fund website.

Guaranteed minimum pension (GMP) reconciliation exercise

During 2018/19 the project to reconcile the GMP amounts held by the fund with the records held by HMRC continued. The reconciliation activity is taking longer than expected due to delays in responses from HMRC. The next stage of the project is to rectify any incorrect GMP amounts being held by the fund for pensions in payment. This part of the project has started using the information from the reconciliation stage. Any corrections will be identified and corrected in 2019/20. Any cost to the fund is as present unknown but when identified will be reported.

New payroll system implemented

During 2018/19, the pensions team undertook a project to change the system software used to pay pension benefits. The new system software went live in October 2018 with testing having been undertaken from June and three parallel runs reconciled successfully. The change in payroll system software also meant a change in how retired members access their pension information including their monthly payment. Retired members were kept up to date throughout the year on the changes, given instructions on how to register for the new system and further communication is planned for 2019/20.

Developments to the fund website and 'My Pension Online'

More members are using a smartphone or tablet to access pension information and it is important that the fund continues to adapt its communication platforms to increase member engagement.

During 2018/19, work took place to upgrade the current 'My Pension Online' system and the existing website. The new look website went live in November 2018. The new website allows the team to have greater control of the information held and provides a larger platform for the pensions website as it continues to grow. The new website does provide better usability when being accessed by members via a smart phone or tablet.

The project to upgrade 'My Pension Online' is ongoing and due to be completed in early 2019/20.

Data collection

As at 31 March 2019 the fund had 151 active employers with 19 new employers joining the fund in the last twelve months.

Employer engagement is an important part of scheme administration as the data received by scheme employers is integral in ensuring the fund continues to meet its administration responsibilities. To ensure employers are kept up to date with the latest pension news, regular updates were provided during 2018/19 via email bulletins, website updates and face-to-face presentations. At the employers meeting, which was held in October 2018, presentations were given by fund officers, Aquilla Heywood (pension administration system supplier) and the Pensions Regulator.

Positive feedback was received from the Pensions Regulator regarding the updates provided to employers, and the fund has had monthly data collection in place since the CARE scheme was introduced in 2014. All employers in the fund are required to submit monthly data and all employers have provided twelve monthly submissions during

2018/19. The timeliness of employer data is recorded, with any late payments being put on the fund's breaches log and dealt with immediately. A summary of the amount of member data received during 2018/19 is below:

Key monthly data collection facts for 2018/19

11,194	198,230	409,202
address updates	contributions postings	pay data postings

6,049	5,182
notifications of starters	notifications of leavers

Data quality

Data quality requirements were embedded in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations in 2014 and The Pensions Regulator now has oversight of the LGPS. The Pension Regulator expects funds to provide an annual "data score" in respect of common and scheme specific data, with a statutory requirement to hold 100% accurate and complete data.

The fund measures these two types of data; common and scheme-specific data. When the fund measures data it looks not only at whether the key data is present but whether it is accurate. A data score is then calculated based on the percentage of members that have fully present and accurate common and scheme specific data. The fund last measured its data quality levels in 2017 and scored 92.7% for common data and 80.9% for scheme specific data. A data improvement plan has been in place since the last data review. This plan sets out the steps the fund is taking to improve the data it holds. It has been regularly reviewed since implementation to ensure the objectives of the plan are being met. Further data quality tests are planned during 2019 to track the improvement in the fund's data scores.

Data protection

Like many organisations in the UK the fund took steps to ensure it was compliant with the new General Data Protection Regulations (GDPR) which came into force on the 25 May 2018. This was later incorporated into the Data Protection Act 2018. To explain the relationship between the fund and its participating employers a memorandum of understanding (MOU) was provided by the LGA which sets out the fund's rights and obligations in relation to the member data held and shared. The MOU was shared with all employers participating in the fund.

Full and summary privacy notices were published on the fund's website. The notices explain how and why member data is held, and what rights a member has in relation to this data. All fund correspondence has been updated with a data protection notice.

Data security

The fund has strong internal controls in place to ensure the security of the personal data it holds. Systems, processes, and people are all used to build cyber resilience.

In the last 18 months, changes were made to the server which hosts the pensions administration system to ensure the hosting of the systems was future proofed and robust. Disaster recovery tests had highlighted weaknesses in the previous set-up. External hosting was explored but it was decided that the best solution would be to stay in house but to move to a virtual environment. This was successfully undertaken and went live during February 2018.

Following the move to a virtual server environment the fund undertook a disaster recovery exercise with Shropshire Council's IT department. The purpose of this exercise was to ensure the pensions administration system can be moved to a back-up server in the event of the main server being unavailable. The disaster recovery exercise was completed successfully and the pension administration team could work as normal on the back-up server.

All members of the Pensions Administration Team have completed data protection online training and the council is fully compliant with the standards set out in the Public Services Network.

Updated pensions administration strategy

The Shropshire County Pension Fund introduced its pension administration strategy in June 2012 and the latest version was approved by committee in 2018/19. The administration strategy was updated taking into account the new practices introduced as a result of now receiving monthly data from all employers. It has also been reviewed alongside the most recent legislation and best practice guidance. A consultation was undertaken with all fund employers and following approval the updated policy was issued to all employers and published on the fund's website.

Annual benefit statements 2018

The fund issued annual benefit statements to all active members as at 31 March 2018 by the statutory deadline of the 31 August. Annual benefit statements are made available to view online via 'My Pension Online' unless a member has requested a paper copy. During 2018/19, only 234 members elected to receive their statement in paper format posted to their home addresses.

Key performance data

Performance indicators

Process		No. of cases commenced in year	No. of cases completed in year	No. cases outstanding at year-end	% completed in year
Deaths – initial letter acknowledging death of member		391	323	68	83%
Deaths – letter notifying amount of dependants pension		507	416	91	82%
Retirements – letter notifying estimate of retirement benefits	Active	687	645	42	94%
Retirements – letter notifying estimate of retirement benefits	Deferred	511	471	40	92%
Retirements – letter notifying actual retirement benefits	Active	331	297	34	90%
Retirements – letter notifying actual retirement benefits	Deferred	383	215	168	56%
Retirements – process and pay pension benefits on time	Active	331	297	34	90%
Retirements – process and pay pension benefits on time	Deferred	383	215	168	56%
Deferment – calculate and notify deferred benefits		1384	1247	137	90%
Transfers in – letter detailing transfer in quote		101	93	8	92%
Transfers in – letter detailing transfer in		175	152	23	87%
Transfers out – letter detailing transfer out quote		340	223	117	66%
Transfers out – letter detailing transfer out		44	43	1	98%
Refund – process and pay a refund		459	439	20	96%
Divorce quote – letter detailing cash equivalent value and other benefits		60	59	1	98%
Divorce settlement – letter detailing implementation of pension sharing order		21	17	4	81%
Joiners – notification of date of enrolment		3835	3835	0	100%
Aggregation - Send notification of aggregation options		1113	594	519	53%

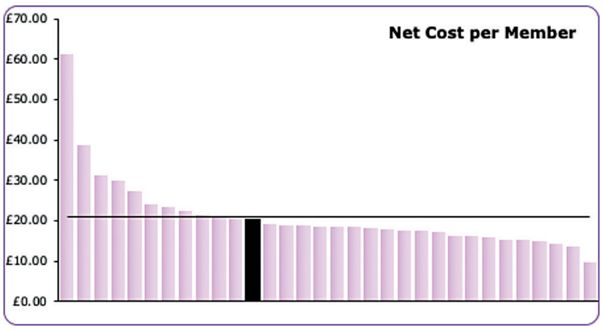
Process		Total	Out KIP	Within KPI	KPI	%	Out legal	Within legal	Legal	%
Deaths – initial letter acknowledging death of member		355	93	262	5 Days	74%	7	348	2 Month	98%
Deaths – letter notifying amount of dependants pension		410	41	369	10 Days	91%	10	400	2 Month	98%
Retirements – letter notifying estimate of retirement benefits	Active	655	75	580	15 Days	89%	20	635	2 Month	97%
Retirements – letter notifying estimate of retirement benefits	Deferred	609	92	517	15 Days	85%	23	586	2 Month	96%
Retirements – letter notifying actual retirement benefits	Active	314	4	310	15 Days	99%	0	314	2 Month	100%
Retirements – letter notifying actual retirement benefits	Deferred	192	10	182	15 Days	95%	3	189	2 Month	98%
Retirements – process and pay pension benefits on time	Active	305	29	276	15 Days	90%	0	305	2 Month	100%
Retirements – process and pay pension benefits on time	Deferred	189	22	167	15 Days	88%	0	189	2 Month	100%
Deferment – calculate and notify deferred benefits		1264	393	871	30 Days	69%	257	1007	2 Month	80%
Transfers out – letter detailing transfer quote		84	35	49	10 Days	58%	5	79	2 Month	94%
Transfers in – letter detailing transfer quote		246	12	234	10 Days	95%	4	242	2 Month	98%
Refund – Process and pay a refund		431	3	428	10 Days	99%	0	431	2 Month	100%
Divorce quote – letter detailing cash equivalent value and other benefits		59	1	58	45 Days	98%	0	59	3 Month	100%
Divorce settlement – letter detailing implementation of pension sharing order		15	6	9	15 Days	60%	3	12	3 Month	80%
Joiners – notification of date of enrolment		3835	0	3835	40 Days	100%	0	3835	2 Month	100%

Financial indicators

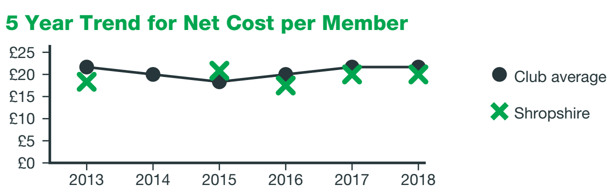
The fund continues to participate in the Charted Institute of Public Finance and Accountancy (CIPFA) annual benchmarking survey. The results of the net cost per member comparison against other funds participating in the most recent survey published in 2018 showing data from 2017/18 are shown in Graph 1.

Graph 1 illustrates the net cost per member of providing a service to active, retired and deferred members. In 2017/18, the fund had a net cost of £20.39 per member. The average cost per member for all authorities was £21.67. **Graph 2** shows the five year trend for net cost per member for Shropshire and the average across other funds participating in the same benchmarking exercise. We use this data to target areas for improvement in our service plan, to understand the specific service pressures that the fund faces and to operate as efficiently and effectively as possible.

Graph 1: CIPFA pensions benchmarking club 2018 – net cost per member



Graph 2: CIPFA pensions benchmarking club 2018 – five year trend for net cost per member



Graph 2 demonstrates that the average net cost per member for the fund has not adversely been affected in five years even though the fund has invested in staffing and systems to ensure workloads are not backlogged and data collection is now undertaken monthly rather than annually.

Staffing

23.17
Full time equivalent staff in the Pension Administration Team

47,700
Scheme members

2,059
Members to members of staff

2,666
Average cases per member of staff

New pensioners in year 2018/19 by type of retirement

Retirement type	Number of cases
Early	514
Ill Health	5
Late Retirement	76
Normal	7
Total	602

Employer summary as at 31 March 2019

90
Scheme employers

71
Admission bodies

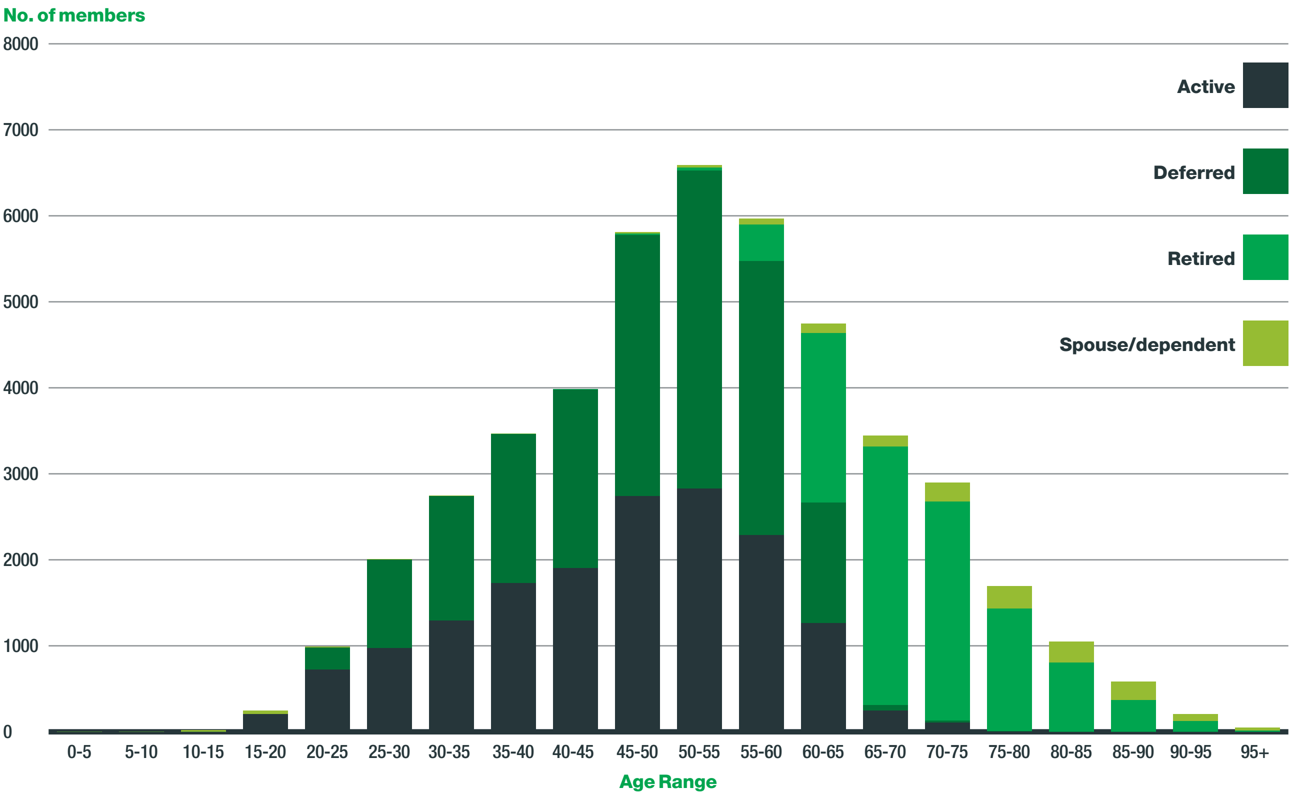
38
Designated bodies

199
Total

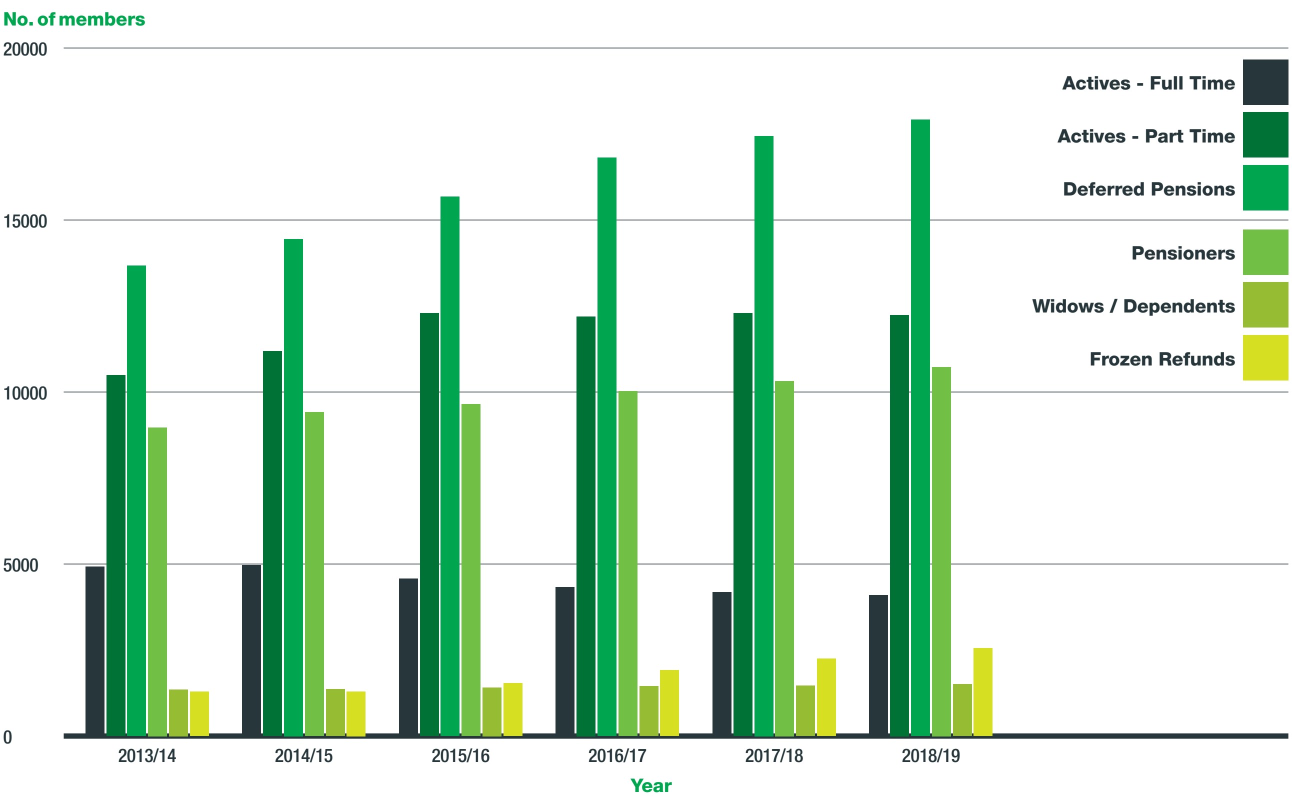
A summary of the number of employers in the fund analysed by scheme employers, Admission bodies and designated bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities) as at 31 March 2019.

Employers	Active	Ceased	Total
Scheme Employers	65	25	90
Admission Bodies	50	21	71
Designated Bodies	36	2	38
Total	**151**	**48**	**199**

Age profile of membership as at 31 March 2019



Membership numbers and trends



Feedback from members and employers

- 5 complaints received in 2018/19
- 36 compliments received in 2018/19

'Thank you so much for your swift reply. It's a rare and wonderful thing these days to have such good customer service'

'Thank you for all your help. Everyone I have spoken to has always been very helpful and I used to work in customer service! Very impressed with the team'

'Thank you for the excellent support that you and your team have provided us, and especially me, over the last twelve months. We obviously wouldn't be able to do it without you!'

'It is a pleasure – you and the Pensions Team are always so helpful – I really appreciate all of your support.'

How our service is delivered

Communications policy

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

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

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

Use of technology:

Website

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

The website holds scheme guides, forms and information for members and employers to view. Employer responsibilities are set out in the employer's section of the website. All participating employers in the fund are encouraged to use this area to ensure they meet their responsibilities.

The fund also provides videos for both members and employers to view on the website.

Electronic data transfer

The fund has continued to use a service called i-Connect for employers to transfer their data to the fund. Member data is transferred from an employer's payroll system monthly into the pension administration system. The fund engages with all employers to ensure good quality, accuracy and timeliness of their data. Training is also provided to all new employers joining the fund on using the i-Connect service.

'My Pension Online'

For a number of years, the fund has provided members with access to their pension benefits via 'My Pension Online'.

As at 31 March 2019:

- 40% active members
- 33% deferred
- 17% pensioners

registered for 'My Pension Online'.

Email updates

The fund has continued to utilise email to provide scheme updates to members and employers. Emails were sent monthly to both members and employers during 2018/19 to inform them of the latest news and events.

Helpdesk
The fund has a dedicated helpdesk which is the first point of contact for members and employers contacting the fund. The helpdesk deals with all incoming calls to the helpline, emails to the pensions email address, and face-to-face enquiries. 2018/19 overview of helpdesk activities:

- 8,936 calls received
- 5,890 emails received
- 694 face-to-face drop enquiries

Internal dispute resolution procedure

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

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

The complaint procedure's official name is the internal dispute resolution procedure (IDRP) and the procedure is outlined in regulation 72 of the LGPS Regulations 2013. A scheme member, pensioner, deferred pensioner or potential beneficiary can all make an appeal under the IDRP procedure.

There are two stages to IDRP with the first stage of the dispute going to the body that made the original decision requesting a review of that decision.

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

If after the stage 2 decision the member or beneficiary is still dissatisfied, they can contact The Pensions Advisory Service (TPAS) and ask for their assistance. Where the complaint or dispute cannot be resolved after the intervention of TPAS, the member or beneficiary has three years in which to apply to the Pensions Ombudsman for a decision. The Pensions Ombudsman can investigate any type of complaint about a member's or beneficiary's pension, but they must have been through stages 1 and 2 of the IDRP before they contact the Ombudsman.

Fortunately such instances are few and far between. The table below is a summary of the IDRP cases the fund has received directly, or has been made aware of, that have been raised directly with an employer.

The Pensions Advisory Service
www.pensionsadvisoryservice.org.uk
0800 011 3797

The Pensions Ombudsman
https://www.pensions-ombudsman.org.uk
0800 917 4487

IDRP cases reported 2018/19

Stage	Cases submitted	Dismissed	Upheld	Ongoing
1st	3	2	0	1
2nd	3	2	1	0

Pensions Administration Team

Scheme Administrator, Head Of Treasury & Pensions & Treasury Team

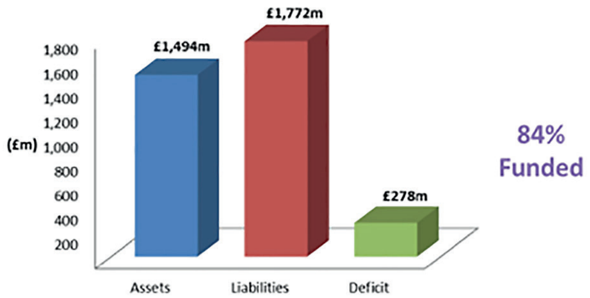
Statement by the Consulting Actuary

Accounts for the year ended 31 March 2019

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

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

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



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

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

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period is 22 years, and the total initial recovery payment (the "Secondary rate") for 2019/20 is approximately £15.6 million (this allows for some employers to phase in any increases or prepay in April 2017). For most employers, the Secondary rate will increase at 3.7% per annum. Other employers have opted to pay a higher non-increasing contribution over the recovery period. With the agreement of the Administering Authority employers may also opt to pay some of their employer contributions early (after suitably agreed reductions), with either all three years being paid in April 2017 or payment being made in the April of the year in question.

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

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

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process. The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Funding Target)	**For future service liabilities** (Primary rate of contribution)
Rate of return on investments (discount rate)	4.55% per annum	4.95% per annum
Rate of pay increases (long term)*	3.7% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.2% per annum	2.2% per annum

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

The assets were assessed at market value.

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

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2019 (the 31 March 2018 assumptions are included for comparison):

	31 March 2018	**31 March 2019**
Rate of return on investments (discount rate)	2.6% per annum	2.4% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.1% per annum	2.2% per annum
Rate of pay increases*	3.6% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.2% per annum	2.3% per annum

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

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

During the year, corporate bond yields decreased slightly, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.4% p.a. versus 2.6% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.2%. Both of these factors combined served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2018 was estimated as £2,659 million. Interest over the year increased the liabilities by c£69 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£17 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). We have also included an amount of £16 million by way of an estimate of the effect of the McCloud judgement (see note below for further details). There was an increase in liabilities of £145 million due to "actuarial gains" (i.e. the effect of the changes in the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2019 is therefore £2,906 million.

The McCloud Case

In December 2018 the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to "McCloud"), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. The Government attempted to appeal the cases, but it was announced on 27 June 2019 that the appeal had been refused by the Supreme Court. Remedial action in the form of increases in benefits for some members of the Firefighter and Judicial arrangements will almost certainly be required. There may well also be knock-on effects for the other public service schemes, and the LGPS might therefore also be required to take some action. At this stage it is uncertain whether remedial action will be required, nor is it clear what the extent of any potential remedial action might be.

We have carried out some costings of the potential effect of McCloud as at 31 March 2019, based on the individual member data as supplied to us for the 2016 actuarial valuation, and this results in an additional liability of £16 million using the IAS26 assumptions outlined above. The approach to the calculations is as instructed by the administering authority after consideration of the categories of members potentially affected, but in very broad terms calculates the cost of applying a "final salary underpin" (on a member by member basis) to those active members who joined the Fund before 1 April 2012 and who would not otherwise have benefited from the underpin.

GMP Equalisation

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the "Barber" judgment) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, but the 26 October 2018 Lloyds Bank court judgement has now provided further clarity in this area. However, in response to this judgement HM Treasury stated that "public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgment", clearly implying that the Government (who have the overall power to determine benefits provision) believe the judgement itself will not affect the benefits. Therefore, the natural conclusion for the main public service pension schemes including the Local Government Pension Scheme is that it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgment, at least at the present time, and so we have not made any allowance for any additional liabilities within the above figures at this stage. However, in due course there may be a further cost to the LGPS in connection with equalisation/indexation, when the Government confirms the overall approach which it wishes to adopt in this area following its consultation.

John Livesey
Fellow of the Institute and Faculty of Actuaries

Mark Wilson
Fellow of the Institute and Faculty of Actuaries

Mercer Limited
May 2019

Governance structure

Shropshire Council, as an administering authority is required to prepare, publish and maintain a governance compliance statement under regulation 55 of The Local Government Pension Scheme Regulations 2013.

Outline of the governance structure

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

The governance compliance statement includes details of compliance against the best practice guidelines on pension fund governance that have been issued by the Ministry of Housing, Communities and Local Government. The governance arrangements of the Shropshire County Pension Fund adhere to these best practice guidelines.

Under the cabinet structure in local government, management of the pension fund is a non-executive function and this is reflected in Shropshire Council's governance structure as administering authority.

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

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

The latest version of the governance compliance statement was approved by the Pensions Committee in March 2019. Please see appendix 1 on page 75 for the latest copy.

Pensions Board Chairs Report 2018/19

This has been another active year for the Shropshire County Pension Board. Set against a background of the development of LGPS Central (which is the pool of funds set up by nine Midlands Local Authorities) alongside a set of very challenging economic conditions, ringed by all the uncertainties of Brexit we nevertheless had a clear view of a well administered Shropshire County Pension Fund.

The Pensions Board members 2018/19

Mike Morris (Chair)

Member representative

John Hall

Member representative

Philip Ingle

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

Liz Furey

Employer representative
Harper Adams University College

The development of the systems used to pay pensions and the improvements delivered through the 'My Pension Online' log-in facility should prove useful to members.

The way the Pension Board works is to review the administration of the pension fund across a range of activities - including the scheme's response to changes to relevant legislation, as well as looking at how it has performed in its record keeping. We also receive updates on actuarial valuations, and reports on complaints and appeals and their outcomes. In addition, we receive reports on any breaches of administration by scheme employers - together with the reasons for those breaches and what is being done to make sure they don't keep reappearing.

Over the past year members of the Pension Board have attended (as observers) the Pension Committee meetings and this helps to keep the board in touch with the scheme's investment strategy and performance.

In addition in September 2018 we received a detailed presentation from AON Hewitt who are one of the scheme's investment consultants and technical advisers - and in May this year we had a presentation from the Chief Executive of LGPS Central. The AON Hewitt presentation set out the higher level investment strategy and the investment governance approach. It looked at the objectives of the fund and its approach towards strategic asset allocation. Put simply as - what are we trying to do and how can we best invest our money to ensure we achieve it! The complexities of investment can be bewildering and we need such experts to help us along the way.

LGPS Central gave us an update on the shared objectives of the nine partner Local Authorities who are working through the pool to achieve economies of scale in investment efficiency. LGPS is also aiming to use its overall size to influence better outcomes for shareholders. This can include challenging company directors remuneration packages as well as seeking more responsible investment.

Training is an important element for all Pension Board members and this has continued over the past year - not least for our newest board member John Hall.

Finally, we would welcome any questions or feedback from members about the work of the Pension Board - and remind you that you have an open invitation to our meetings and a dedicated email address of pensionsboard@shropshire.gov.uk

Mike Morris
Chair of the Pensions Board
2018/19

Committee members 2018-19

Thomas Biggins
(Chairman)

Shropshire Council
VOTING

Malcolm Smith
(Vice Chairman)

Telford & Wrekin Council
VOTING

Chris Mellings

Shropshire Council
VOTING

Brian Williams

Shropshire Council
VOTING

Michael Wood

Shropshire Council
VOTING

Dave Wright

Telford & Wrekin Council
VOTING

Jean Smith

Pensioner Representative
NON-VOTING

Overall responsibility for the Shropshire County Pension Fund lies with Shropshire Council, however, this responsibility has been delegated to, James Walton, Director of Finance, Governance and Assurance (Section 151 Officer) who is the Scheme Administrator for the fund.

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

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

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

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

Training policy (members and officers)

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

Training policy

The fund has adopted a training policy which sets out how the fund intends to meet its training responsibilities. The current training policy can be found in appendix 07 on page 145.

Pensions Committee

The Pensions Committee meets quarterly or more often if required and before each meeting there is a training session usually delivered by the fund investment advisors, Aon Hewitt, investment fund managers or officers.

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

- LGPS Central investment pooling updates
- Absolute return investing
- Hedge fund and alternatives
- Investment strategy and equity options
- Fixed income
- Private equity
- Infrastructure

As well as specific training completed at each Pensions 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 2018/19 received training. The training was either provided by the Local Government Association (LGA), Aon Hewitt, CIPFA or was provided by officers in-house. Each Pension Board member and senior officers have completed the Pensions Regulator's eLearning programme and a skills assessment to identify areas where further training may be required in the future.

Pensions AGM: Presentations were given on Insurance Linked Securities by Securis, 'up and running' by LGPS Central, responsible investment by LGPS Central and fund administration.

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

As Director of Finance, Governance and Assurance (Section 151 Officer) 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
Director of Finance, Governance and Assurance
(Section 151 Officer and Scheme Administrator)
24 July 2019

Pension fund account

Pension fund account for the year ended 31 March 2019

2017/18 £m		Notes (pgs 44-61)	2018/19 £m	
	Contributions & Benefits			
	Contributions			
64.083	Employers	7	44.402	
14.049	Employees	7	14.728	
6.005	Transfers In from other pension funds	3,7	6.350	
84.137	Total income			65.480
	Benefits payable			
56.515	Pensions	7	59.051	
8.337	Commutation of pensions and lump sum retirement benefits	7	9.366	
1.272	Lump sum death benefits	7	1.661	
	Payment to & acccount of leavers			
0.218	Refund of contributions	7	0.191	
5.249	Transfer to other funds	3,7	8.060	
71.591	Total expenditure			78.329
12.546	Net additions/(withdrawals) from dealings with scheme members			(12.849)
(14.607)	Management expenses	8		(13.975)
	Returns on investments			
24.935	Investment income	3,9	25.788	
10.669	Gain/(loss) on cash and currency hedging		12.614	
(0.344)	Taxes on Income	10	(0.412)	
32.347	Profits and losses on disposal of investments and changes in value of investments	11a	70.319	
67.607	Net increase (decrease) in the net assets available for benefits during the year			108.309
65.546	Surplus / (deficit) on the pension fund for the year			81.485
1768.270	Opening net assets of the scheme			1833.816
1833.816	Closing net assets of the scheme			1915.301

Net assets statement

Net assets statement as at 31 March 2019

31/03/2018 £m		Notes (pgs 44-61)	31/03/2019 £m	%
	Long term investments			
0.000	**Equities**	11b	1.315	0.07
	Investment Assets			
264.509	**Equities**	11b	125.939	6.57
	Pooled Investment Vehicles			
1532.234	Other Managed Funds	11b	1667.601	87.07
	Other Investment Balances			
0.685	Loans	11b	0.685	0.04
	Cash Deposits			
33.081	Deposits	11a	115.796	6.05
2.000	Temporary Investments	27	2.000	0.10
1832.509	**Total Investment Assets**		**1913.336**	**99.90**
	Current Assets			
2.292	Contributions due from Employers/Employees	18	2.407	0.13
2.204	Other Current Assets	18	1.583	0.08
0.000	Cash Balances	27	0.987	0.05
	Current Liabilities			
(0.163)	Unpaid Benefits	19	(0.243)	(0.01)
(2.807)	Other Current Liabilities	19	(2.769)	(0.15)
(0.219)	Cash Balances	27	0.000	0.000
1833.816	**Net Assets of the Scheme - Available to Fund Benefits as at 31 March**		**1915.301**	**100.00**

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in the statement by the consulting actuary.

Notes

To the Shropshire County Pension Fund accounts for the year ending 31 March 2019

Note 1: Description of fund

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

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

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

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

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Shropshire County Pension Fund include:

- Scheduled bodies, which are automatically entitled to be members of the fund.
- Admitted bodies, which participate in the fund under the terms of an admission agreement between the fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 199 employers within the Shropshire County Pension Fund including Shropshire Council itself, as detailed below.

Shropshire County Pension Fund	31 March 2019	31 March 2018
No of employers with active members	151	138
Number of employees in the scheme		
Shropshire Council	6,066	6,690
Other employers	10,274	9,787
Total	**16,340**	**16,477**
Number of pensioners in the scheme		
Shropshire Council	5,220	5,048
Other employers	5,507	5,273
Total	**10,727**	**10,321**
Number of deferred pensioners in the scheme		
Shropshire Council	8,667	8,561
Other employers	9,246	8,882
Total	**17,913**	**17,443**

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 ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2019. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was as at 31

March 2016. Currently, employer contribution rates range from 6.9% to 28.0% of pensionable pay.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. 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 uprated annually in line with the Consumer Price Index.

A range of other benefits are also provided including early retirement, disability pensions and death benefits.

Note 2: Basis of preparation

The statement of accounts summarises the fund's transactions for the 2018/19 financial year and its position at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

There were no significant changes to the CIFPA Code of Practice on Local Authority accounting, the key change in International Financial Reporting Standards was the adoption of IFRS9 Accounting Standard for the 2018/19 accounts. IFRS9 requires the investment assets to be accounted for at fair value within the accounts. The adoption of IFRS9 had little impact on the accounts for pension funds as the investment assets were already held at fair value through profit and loss as directed by the code. As a consequence there was no requirement to change the measurement or classification of these assets.

Paragraph 3.3.1.2 of the code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2018/19.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information within the statement by the consulting actuary.

The accounts have been prepared on a going concern basis.

Note 3: Summary of significant accounting policies

Fund account – revenue recognition

Contribution income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the fund. Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (see note 7). Bulk (group) transfers are accounted for 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 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, provided that payment has been approved.

Taxation

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

Management expenses

The fund discloses its pension fund management expenses in accordance with CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

Administrative expenses	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.
Oversight and governance	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	Investment management expenses are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 8 and grossed up to increase the change in value of investments. 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 Majedie Asset Management, Pimco Europe Ltd, BlackRock (Hedge Fund), Investec Asset Management and Harris Associates that an element of their fee will be performance related. Total performance related fees for all managers in 2018/19 £0.185m (2017/18 £1.620m). Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2018/19, £0.100m of fees is based on such estimates (2017/18 £0.005m).

Net assets statement

Financial assets

The share capital investment in LGPS Central Limited is valued at transaction price i.e.cost. The pool's main trading company, LGPS Central Limited, only became licensed to trade on 3 April 2018 and no reliable trading results or profit forecasts are as yet available. Consequently, the pension fund's view is that the market value of this investment at 31 March 2019 cannot be reasonably assessed and that cost is therefore an appropriate estimate of fair value.

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

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

Foreign currency transactions

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

Cash and cash equivalents

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.

Loans and receivables

Financial assets classed as amortised cost are carried in the net asset statement at amortised cost, i.e. the outstanding principal receivable as at the year-end date plus accrued interest.

Financial liabilities

A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. The fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of Investments.

Other financial liabilities classed as amortised cost are carried at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

Additional voluntary contributions

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

Note 4: Critical judgments in applying accounting policies

Pension fund liability

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

Investment in LGPS Central

The share capital investment has been valued at cost on the basis that fair value as at 31 March 2019 cannot be reliably estimated. Management have made this judgment because:

- LGPS Central Limited only became licensed to trade on 3 April 2018
- No dividend to shareholders has as yet been declared
- No published trading results are as yet available which would allow fair value to be calculated on a net asset basis or enable the accuracy of profit and cash flow projections contained in the company's business plan to be assessed with confidence.

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

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following 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). 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 £97.0 million. There is a risk that this investment may be under or overstated in the accounts.
Hedge funds	Hedge funds are valued at the sum of the fair values of the underlying sub-funds plus any adjustment that the custodian or fund manager considers necessary. 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 £126.3 million. There is a risk that this investment may be under or overstated 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 2019, and when these accounts were authorised, that require any adjustments to be made.

Note 7: Analysis of the main revenue account transactions

The following table provides further analysis of contributions received and benefits paid between the administering authority (Shropshire Council), designated bodies and scheme employers (unitary, town and parish councils) and admission bodies (private bodies carrying out former Local Government functions or bodies providing a public service on a non-profit making basis).

	Administering Authority £m	Admission Bodies £m	Designation Bodies / Scheme Employers £m	Total £m
2018/19				
Contributions Received				
Employees	5.626	1.995	7.107	14.728
Employers	14.691	6.452	23.259	44.402
Transfers In	2.791	0.303	3.256	6.350
Total Income	**23.108**	**8.750**	**33.622**	**65.480**
Payments Made				
Pensions	34.439	7.470	17.142	59.051
Lump Sums	4.124	1.859	3.383	9.366
Death Benefits	0.990	0.211	0.460	1.661
Refunds	0.062	0.012	0.117	0.191
Transfers Out	2.457	1.072	4.531	8.060
Total Expenditure	**42.072**	**10.624**	**25.633**	**78.329**
2017/18				
Contributions Received				
Employees	5.132	1.966	6.951	14.049
Employers	35.026	6.499	22.558	64.083
Transfers In	2.676	0.781	2.548	6.005
Total Income	**42.834**	**9.246**	**32.057**	**84.137**
Payments Made				
Pensions	33.875	6.985	15.655	56.515
Lump Sums	3.362	1.897	3.078	8.337
Death Benefits	0.490	0.397	0.385	1.272
Refunds	0.067	0.018	0.133	0.218
Transfers Out	2.643	0.840	1.766	5.249
Total Expenditure	**40.437**	**10.137**	**21.017**	**71.591**

This table shows a breakdown of the employers contributions above:

2017/18 £m	Employers Contribution Breakdown	2018/19 £m
33.050	Employers normal contributions	34.404
*29.634	Employers deficit contributions	7.642
1.399	Employers augmentation contibutions	2.356
64.083		**44.402**

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

Note 8: Management expenses

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

2017/18 £m	Management Expenses	2018/19 £m
0.936	Administrative costs	1.327
13.118	Investment management expenses	11.537
0.553	Oversight and governance costs	1.111
14.607		**13.975**

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 £0.185m (2017/18 £1.620m) in respect of performance related fees paid/payable to the fund's investment managers.

It also includes £0.612m in respect of transaction costs (2017/18 £0.467m).

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).

2017/18 £m	Investment expenses	2018/19 £m
8.635	Management Fees	8.423
1.620	Performance Fees	0.185
2.338	Other Fees	2.257
0.467	Transaction Costs	0.612
0.058	Custody Fees	0.060
13.118		**11.537**

The costs incurred by the council in administering the fund totalled £1.327m for the year ended 31 March 2019 (2017/18 £0.936m).

2017/18 £m	Administrative costs	2018/19 £m
0.624	Employee costs	0.742
0.161	IT	0.323
0.027	Consultants	0.137
0.049	Printing, Postage and Design	0.045
0.022	Office Accommodation	0.026
0.015	Subscriptions	0.015
0.038	Other Costs	0.039
0.936		**1.327**

The costs incurred by the council in oversight and governance totalled £1.111m for the year ended 31 March 2019 (2017/18 £0.553m)

2017/18 £m	Oversight & governance costs	2018/19 £m
0.312	Investment advice	0.362
0.159	Employee costs (pensions investment)	0.167
0.014	Actuarial advice	0.009
*(0.082)	LGPS Central Pooling costs	0.432
0.050	Responsible engagement overlay	0.051
0.022	External audit	0.020
0.025	Performance analysis	0.025
0.017	Internal audit	0.017
0.015	Legal and Committee	0.016
0.021	Other costs	0.012
0.553		**1.111**

* LGPS Central pooling costs were shown as a negative figure in 2017/18 as cumulative set-up costs incurred were due to be reimbursed back to Shropshire County Pension Fund by LGPS Central in 2018/19. The set-up costs were fully repaid to the fund during 2018/19.

Note 9: Investment income

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

2017/18 £m	Investment income	2018/19 £m
7.312	Dividends from equities	7.983
5.810	Income from pooled investment vehicles	6.714
0.007	Interest on cash deposits	0.059
11.806	Other	11.032
24.935		**25.788**

Note 10: Taxes on income

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

2017/18 £m	Taxes on Income	2018/19 £m
0.000	Withholding tax - Fixed interest securities	0.000
0.311	Withholding tax - equities	0.326
0.033	Withholding tax - pooled	0.086
0.344		**0.412**

Note 11a: Reconciliation of movements in investments

2018/19 Investment type	Value as at 1st April 2018 £m	Purchases at cost £m	Sale proceeds £m	Transition £m	Other cash transactions £m	Change in market value £m	Value as at 31st March 2019 £m
Equities	264.509	66.532	(127.185)	(74.227)		(2.375)	*127.254
Pooled Investment Vehicles - Other managed Funds	1532.234	345.061	(361.052)	74.227	4.446	72.685	*1667.601
Other Investment Balances	0.685						0.685
	1797.428	**411.593**	**(488.237)**	**0.000**	**4.446**	**70.310**	**1795.540**
Cash deposits - with Managers	33.081		(0.021)		82.728	0.008	115.796
Temporary Investments	2.000						2.000
	1832.509	**411.593**	**(488.258)**	**0.000**	**87.174**	****70.318**	**1913.336**

* Within the pooled investment vehicles - other managed funds total of £1667.601m are £273.157m of level 3 investments as at 31 March 2019. Within the equities figure of £127.254m are £1.315m of level 3 investments as at 31 March 2019. The value of the level 3 investments was £203.217m as at 1 April 2018 which increased to £274.472m as at 31 March 2019. The increase in value is due to purchases of £77.216m, sales of £14.297m and change in market value of £8.336m. // ** The total change in market value for 2018/19 as per the table above is £70.318m. This figure is made of up of profit on sales of £209.405m and also the difference between book cost and market value for the whole fund which for 2018/19 was -£139.087m.

2017/18 Investment type	Value as at 1st April 2017 £m	Purchases at cost £m	Sale proceeds £m	Transition £m	Other cash transactions £m	Change in market value £m	Value as at 31st March 2018 £m
Equities	263.900	92.244	(84.169)			(7.466)	*264.509
Pooled Investment Vehicles - Other managed Funds	1446.607	153.735	(106.074)		(1.736)	39.702	*1532.234
Other Investment Balances	0.000	0.685					0.685
	1710.507	**246.664**	**(190.243)**	**0.000**	**(1.736)**	**32.236**	**1797.428**
Cash deposits - with Managers	54.084		(0.103)		(21.011)	0.111	33.081
Temporary Investments	2.520				(0.520)		2.000
	1767.111	**246.664**	**(190.346)**	**0.000**	**(23.267)**	****32.347**	**1832.509**

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

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

2017/18 £m		2018/19 £m
	Equities	
	UK	
1.315	Unquoted	1.315
121.917	Quoted	110.599
	Overseas	
141.277	Quoted	15.340
264.509		**127.254**
	Pooled Funds - additional analysis	
	UK	
12.621	Unit Trusts	9.621
0.000	Property Debt	18.729
	Overseas	
1173.133	Unit Trusts	1217.538
127.140	Hedge Fund of Funds	126.304
93.757	Pooled property investments	94.784
74.762	Private Equity	96.989
0.000	Insurance Linked Securities	31.135
50.821	Infrastructure	72.501
1532.234		**1667.601**
	Other Investment Balances	
0.685	**Loans**	**0.685**
1797.428	**Total investment assets**	**1795.540**

Note 12: Stock lending

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

Collateralised lending generated income of £0.039m in 2018/19 and this is included within investment income in the pension fund account. At 31 March 2019 £8.527m worth of stock (via the custodian) was on loan, for which the fund was in receipt (via the custodian) of £9.046m worth of collateral representing 106% of stock on loan.

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

There are no liabilities associated with the loaned assets.

Note 13: Analysis of derivatives

The fund previously 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. Currently, Legal & General, who manage the global equity passive portfolio, hedge 100% of their foreign currency exposure back to sterling. The global equity passive portfolio also has an equity protection strategy in place.

Note 14: Fair value - basis of valuation

Unquoted equities in LGPS Central are valued at cost, i.e. transaction price, as an appropriate estimate of fair value. A fair value cannot be otherwise established for these assets as at 31 March 2019 because the main trading vehicle LGPS Central Limited only became licensed to trade on 3 April 2018 and the reliability of any observable or unobservable inputs used to calculate fair value cannot as yet be assessed with certainty. All other investments are held at fair value in accordance with the requirements of the code and IFRS 13. The valuation bases are set out. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of accounting period	Not required	Not required
Quoted bonds	Level 1	Market value based on current yields	Not required	Not required
Pooled investments - overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV based pricing set on a forward pricing basis	Not required
Infrastructure	Level 2	Valued at the net asset value or a single price advised by the fund manager	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Valuations could be affected by post balance sheet events, changes to expected cashflows, or by any differences between audited and unaudited accounts
Private Equity, Property Debt, Insurance Linked & Unquoted Equity	Level 3	Valued based on the fund's share of the net assets in the fund or limited partnership using the latest financial statements in accordance with the International Private Equity and Venture Capital guidelines 2012 or other appropriate guidelines	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Valuations could be affected by post balance sheet events, changes to expected cashflows, or by any differences between audited and unaudited accounts
Hedge Funds	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV based pricing set on a forward pricing basis	Valuations are affected by any changes to the value of the financial instrument being hedged against

Sensitivity of assets valued at level 3:
This table sets out the assets which have been categorised at level 3. The figures have been derived using the valuation methods adopted by each of the relevant investment managers and are assumed to be accurate. The table also sets out the consequential potential impact on the closing value of investments if these valuations were inaccurate, based on an indicative movement of 5% on the value of investments held as at 31 March 2019.

Asset	Assessed valuation range (+/_)	Value as at 31-Mar-19 £m	Value on increase £m	Value on decrease £m
Private Equity	5%	96.989	101.838	92.140
Hedge Funds	5%	126.304	132.619	119.989
Insurance Linked	5%	31.135	32.692	29.578
Property Debt	5%	18.729	19.665	17.793
Unquoted UK Equity	5%	1.315	1.381	1.249
Total		**274.472**	**288.195**	**260.749**

Note 14a: Fair value hierarchy

Asset and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1: Where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts.

Level 2: Where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level 3: Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

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

These valuations are prepared in accordance with the international private equity and venture capital valuation guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are undertaken quarterly, however, lag a quarter behind so the valuation in the accounts is as at 30th September 2018. 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 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 2018/19	Investment Manager	Investment Type	Market Value £m	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m
Equities	Majedie Asset Management	UK Equities	125.932	125.932		
	LGPS Central Ltd*	UK Equities (unquoted)	1.315			1.315
Pooled Investment Vehicles	Majedie Asset Management	UK Pooled Fund	9.621	9.621		
	Pimco Europe Ltd	Global Aggregate Bonds	145.309	145.309		
	HarbourVest Partners Ltd	Private Equity	96.989			96.989
	Aberdeen Property Investors	Property Unit Trusts	94.784		94.784	
	Blackrock	Hedge Fund	126.304			126.304
	Global Infrastructure Partners	Infrastructure	72.501		72.501	
	Legal & General	Global Equities	601.716	601.716		
	Blackrock	Fixed Interest	140.558	140.558		
	GAM	Absolute Return Bonds	15.571		15.571	
	BMO	LDI	76.646	76.646		
	Securis	Insurance Linked Securities	31.135			31.135
	DRC	Property Debt	18.729			18.729
	LGPS Central Ltd	Global Equities	237.737	237.737		
Net Current Assets (including cash & other)			120.454	120.454		
			1915.301	**1457.973**	**182.856**	**274.472**

Asset Type 2017/18	Investment Manager	Investment Type	Market Value £m	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m
Equities	Majedie Asset Management	UK Equities	119.206	119.206		
	*LGPS Central Ltd	UK Equities (unquoted)	1.315			1.315
	Harris Associates	Global Equities	143.979	143.979		
Pooled Investment Vehicles	Majedie Asset Management	UK Pooled Fund	12.621	12.621		
	Pimco Europe Ltd	Global Aggregate Bonds	146.524	146.524		
	MFS	Global Equities	156.068	156.068		
	HarbourVest Partners Ltd	Private Equity	74.762			74.762
	Aberdeen Property Investors	Property Unit Trusts	93.757		93.757	
	Blackrock	Hedge Fund	127.140			127.140
	Global Infrastructure Partners	Infrastructure	50.821		50.821	
	Legal & General	Global Equities	367.277	367.277		
	Investec	Global Equities	150.280	150.280		
	Blackrock	Fixed Interest	140.811	140.811		
	GAM	Absolute Return Bonds	142.183		142.183	
	BMO	LDI	69.991	69.991		
Net Current Assets (including cash & other)			37.081	37.081		
			1833.816	1343.838	286.761	203.217

*Share capital in LGPS Central Limited has been carried at cost

Note 15: Financial instruments

Note 15a: Classification of financial instruments

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

31-Mar-18				31-Mar-19		
Fair value through profit & loss £m	Loans and receivables £m	Financial liabilities at amortised cost £m		Fair value through profit & loss £m	Loans and receivables £m	Financial liabilities at amortised cost £m
			Investment Assets			
0.000			Equities	1.315		
			Financial Assets			
264.509			Equities	125.939		
1532.234			Pooled Investment Vehicles - Other managed Funds	1667.601		
	0.685		Other Investment Balances - Loans		0.685	
	34.862		Cash		118.783	
	4.496		Debtors		3.990	
1796.743	40.043	0.000		1794.855	123.458	0.000
			Financial liabilities			
		(2.970)	Creditors			(3.012)
0.000	0.000	(2.970)		0.000	0.000	(3.012)
1796.743	40.043	(2.970)		1794.855	123.458	(3.012)

Note 15b: Net gains and losses on financial instruments

2017/18 £m	Financial instruments	2018/19 £m
	Financial Assets	
32.347	Fair value through profit and loss	70.319
0.000	Loans and receivables	0.000
0.000	Financial liabilities measured at amortised cost	0.000
	Financial Liabilities	
0.000	Fair value through profit and loss	0.000
0.000	Loans and receivables	0.000
0.000	Financial liabilities measured at amortised cost	0.000
32.347		**70.319**

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

Risk and risk management

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

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 and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis and manage any identified risk in two ways:

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

Other price risk

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

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

Other price risk – sensitivity analysis

In consultation with its investment advisors, the fund has determined that the following movements in market price risk are reasonably possible for the 2019/20 reporting period, assuming that all other variables, in particular foreign exchange rates and interest rates remain the same.

Asset type	Potential market movements (+/-)
UK Equities	19.0%
Global unconstrained Equities	20.6%
Global Equities (passive)	20.0%
Property	17.0%
Private Equity	27.5%
Hedge Funds	9.5%
Unconstrained bonds	6.0%
Infrastructure	19.0%
Property Debt	8.0%
Insurance-Linked Securities	3.5%
LDI	31.4%

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

Asset type	Value as at 31 March 2019 £m	Potential market movement £m	Value on Increase £m	Value on Decrease £m
Net Assets including Cash and Other	121.761	0.000	121.761	121.761
Investment Portfolio Assets				
UK Equities	120.220	22.842	143.062	97.378
Global Equities (unconstrained)	253.077	52.134	305.211	200.943
Global Equities (passive)	601.716	120.343	722.059	481.373
Unconstrained Bonds	301.439	18.086	319.525	283.353
Property	94.784	16.113	110.897	78.671
Private Equity	96.989	26.672	123.661	70.317
Hedge Funds	126.304	11.999	138.303	114.305
Infrastructure	72.501	13.775	86.276	58.726
Property Debt	18.729	1.498	20.227	17.231
Insurance-Linked Securities	31.135	1.090	32.225	30.045
LDI	76.646	24.067	100.713	52.579
Total assets available to pay benefits	**1,915.301**	**308.619**	**2,223.920**	**1,606.682**

Asset type	Value as at 31 March 2018 £m	Potential market movement £m	Value on Increase £m	Value on Decrease £m
Net Assets including Cash and Other	37.073	0.000	37.073	37.073
Investment Portfolio Assets				
UK Equities	135.853	26.084	161.937	109.769
Global Equities (unconstrained)	447.625	94.897	542.522	352.728
Global Equities (passive)	367.277	74.190	441.467	293.087
Unconstrained Bonds	429.517	22.335	451.852	407.182
Property	93.757	11.907	105.664	81.850
Private Equity	74.762	20.634	95.396	54.128
Hedge Funds	127.140	11.824	138.964	115.316
Infrastructure	50.821	9.453	60.274	41.368
LDI	69.991	21.977	91.968	48.014
Total assets available to pay benefits	**1,833.816**	**293.301**	**2,127.117**	**1,540.515**

Interest rate risk

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

The fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	As at 31 March 2019 £m	As at 31 March 2018 £m
Cash and cash equivalents	115.432	28.270
* Cash balances	0.987	(0.219)
Bonds	301.439	429.517
Total	**417.858**	**457.568**

* overdrawn cash balance as at 31st March 2018

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 1% movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy.

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

Exposure to interest rate risk	Value as at 31 March £m	Potential movement on 1% change in interest rates £m	Value on Increase £m	Value on Decrease £m
As at 31 March 2019				
Cash and cash equivalents	115.432	0.000	115.432	115.432
Cash balances	0.987	0.000	0.987	0.987
Bonds	301.439	3.014	304.453	298.425
Total	**417.858**	**3.014**	**420.872**	**414.844**

Exposure to interest rate risk	Value as at 31 March £m	Potential movement on 1% change in interest rates £m	Value on Increase £m	Value on Decrease £m
As at 31 March 2018				
Cash and cash equivalents	28.270	0.000	28.270	28.270
Cash balances	(0.219)	0.000	(0.219)	(0.219)
Bonds	429.517	4.295	433.812	425.222
Total	**457.568**	**4.295**	**461.863**	**453.273**

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.

During 2018/19 the fund received £0.016m 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 £0.033m. The impact of a 1% fall in interest rates would therefore imply a negative interest rate and therefore it is assumed no interest would have been received or charged on these investments. In addition, the fund earned £0.043m in interest on its loan to LGPS Central Ltd. The impact of a 1% change in interest rates would have increased or decreased interest earned on this loan by £0.008m

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on any cash balances and investments assets not denominated in UK sterling.

Currency exposure - asset type	As at 31 March 2019 £m	As at 31 March 2018 £m
Overseas Equities	229.635	420.886
Overseas Pooled Fixed Interest	0.000	2.915
Overseas Private Equity	96.989	74.762
Overseas Pooled Property	9.184	10.960
Overseas Infrastructure	72.501	50.821
Total overseas assets	**408.309**	**560.344**

Following analysis of historical data in consultation with the fund investment advisors, the fund considers the likely volatility associated with foreign exchange rate movements to be not more than 11%. A 11% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	Asset value as at 31 March 2019	Potential market movement £m	Value on Increase £m 11%	Value on Decrease £m 11%
Overseas Equities	229.635	25.260	254.895	204.375
Overseas Fixed Interest	0.000	0.000	0.000	0.000
Overseas Private Equity	96.989	10.669	107.658	86.320
Overseas Pooled Property	9.184	1.010	10.194	8.174
Overseas Infrastructure	72.501	7.975	80.476	64.526
Total change in assets available	**408.309**	**44.914**	**453.223**	**363.395**

Assets exposed to currency risk	Asset value as at 31 March 2018	Potential market movement £m	Value on Increase £m 11%	Value on Decrease £m 11%
Overseas Equities	420.886	46.297	467.183	374.589
Overseas Fixed Interest	2.915	0.321	3.236	2.594
Overseas Private Equity	74.762	8.224	82.986	66.538
Overseas Pooled Property	10.960	1.206	12.166	9.754
Overseas Infrastructure	50.821	5.590	56.411	45.231
Total change in assets available	**560.344**	**61.638**	**621.982**	**498.706**

Credit risk

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

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure of third parties to settle a transaction in a timely manner.

The fund has also set limits as to the maximum sum placed on deposit with individual financial institutions.

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

The main criteria for determining the suitability of investment counterparties is outlined in the administering authority's creditworthiness policy which the pension fund has also adopted and approved as part of the annual pension fund treasury strategy.

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

The pension fund has had no experience of default or uncollectable deposits over the past five financial years.

	Rating	As at 31 March 2019 £m	As at 31 March 2018 £m
Lloyds Bank Fixed Term deposit	A+	0	0
Handelsbanken Instant Access Account	AA	2,000,000	2,000,000
TOTAL		2,000,000	2,000,000

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The pension fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. All contributions due at 31 March 2019 and 31 March 2018 were received in the first two months of the financial year.

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 pension fund therefore takes steps to ensure it always has adequate cash resources to meet its commitments. The fund's cash holding under its treasury management arrangements at 31 March 2019 was £2.0m (31 March 2018 £2.0m).

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 2019 was £153.432m. The fund does not have access to an overdraft facility.

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

Note 17: Funding arrangements

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

The key elements of the funding policy are:

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

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

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

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

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

The assumed life expectancy from age 65 is as follows:

Demographic assumptions	Gender	31 March 2016	31 March 2013
Current pensioners (at age 65)	Males	22.9	23.7
	Females	26.1	26.0
Future pensioners (assumed current age 45)	Males	25.1	25.9
	Females	28.4	28.8

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

Note 18: Analysis of debtors

Provision has been made for debtors known to be outstanding as at 31 March 2019. An analysis of debtors outstanding as at 31 March 2019 is shown below:

2017/18 £m	Debtors	2018/19 £m
0.670	Contributions due - employees	0.613
1.622	Contributions due - employers	1.794
2.204	Other entities and individuals	1.583
4.496		**3.990**

Note 19: Analysis of creditors

Provision has also been made for creditors known to be outstanding at 31 March 2019. An analysis of creditors outstanding as at 31 March 2019 is shown below:

2017/18 £m	Creditors	2018/19 £m
0.579	Central Government bodies	0.604
1.151	Other Local Authorities	1.541
1.240	Other entities and individuals	0.867
2.970		**3.012**

Note 20: Additional voluntary contributions

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

Contributions are invested in with-profit, unit linked or deposit funds of the scheme member. At present there are around 526 scheme members with AVC policies. These policies are held either by Equitable Life or Prudential.

During 2018/19 contributions to the schemes amounted to £0.758m. The combined value of the AVC funds as at 31 March 2019 was £5.354m.

Note 21: Related party transactions

Shropshire Council

The Shropshire County Pension Fund is administered by Shropshire Council. Shropshire Council incurred costs of £1.559m (2017/18 £1.168m) 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. All monies owing to the fund were paid across in the year. The scheme administrator of the Shropshire County Pension Fund is also the Director 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 Director 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.

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

LGPS Central

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

The fund incurred set-up costs, mainly during 2017/18, in relation to LGPSC of £0.502m. These set-up costs were reimbursed by LGPSC to the fund in 2018/19. The fund invested £1.315m in share capital and £0.685m in a loan to LGPSC in 2017/18. These remain the balances at 31 March 2019. The fund was owed interest of £0.043m on the loan to LGPSC at 31 March 2019. In addition, in March 2019, the fund invested in the LGPSC global equity sub-fund.

The fund incurred costs totalling £0.432m in respect of governance, operator running and product development in connection with LGPSC in 2018/19 of which £0.036m was payable to LGPSC at 31 March 2019.

Note 21a: Key management personnel

The posts of Director of Finance, Governance and Assurance (s151 Officer and Scheme Administrator) and Head of Treasury and Pensions are deemed to be key management personnel with regards to the fund. The financial value of their relationship with the fund (in accordance with IAS24) is set out below:

2017/18 £m		2018/19 £m
0.086	Short-term benefits*	0.086
0.025	Post-employment benefits**	0.070
0.111		**0.156**

* This is the Pension Fund's element of short term remuneration for key management personnel, i.e. annual salary, benefits in kind and employer contributions
** This is the change in value of accrued pension benefits, expressed as cash equivalent transfer value

Note 22: Contractual commitments

The fund has a 5% (£96 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 2019 £221m 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 two to three years. As at 31 March 2019 the funds private equity investments totalled £96.989m.

Note 23: Contingent assets

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

Note 24: Value added tax

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

Note 25: Custody of investments

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

Note 26: Fund auditors

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

Note 27: Pension Fund Bank Account

Since April 2010 all income received for the pension fund has been paid into a separate pension fund bank account. The balance on this account is monitored daily and surplus cash balances invested and as at 31 March 2019 £2.0 million was invested. The cash balance in the pension fund account as at the same date was £0.987m.

Note 28: Fund structure update

In September 2017, an equity protection strategy was implemented with Legal & General, one of the fund's existing managers. The strategy is currently being used to reduce equity risk while the fund considers making allocations to other investments with £280 million of equities being protected at this time. The equity protection strategy was increased during 2018/19 to £580 million for a further period of 12 to 18 months expiring in 2020. This was funded by reducing the fund's active global equity allocation.

In March 2018, Pensions Committee agreed to appoint an insurance linked securities manager and property debt manager and reduce the overall allocation to equities. These changes were implemented during 2018/19.

The portfolio with GAM was terminated during 2018/19 with funds transferring to a new absolute return bond manager, T.Rowe Price in April 2019.

In March 2019, the first assets transferred from the Shropshire Fund to LGPS Central, the mandates with MFS, Harris & Investec were terminated and funds of £237 million transitioned into the active global equity sub-fund with LGPS Central.

Post pooling report

The information request set out below reflects the information required by partner funds to meet the CIPFA annual report pooling disclosures in 2018/19. Please note that the information request reflects the start-up nature of LGPSC, and the level and complexity of the disclosures required will increase in later years.

The analysis provided by LGPSC relates to Shropshire County Pension Fund. The provision of the information by LGPSC to each partner fund should ensure consistent reporting across partner funds, and allow LGPSC to aggregate, and reconcile back the individual partner fund disclosures, to the company's financial statements.

1. Set-up costs

£000	2018/19 Direct	2018/19 Indirect	2018/19 Total	Cumulative 2014/15 to 2018/19 Total
Set Up Costs				
Recruitment	-	-	-	27
Procurement	-	-	-	2
Professional Fees	-	-	-	187
IT	-	-	-	97
Staff Costs	-	-	-	142
Other Costs (provide details)				
Premises	-	-	-	49
Staffing-Related Costs	-	-	-	5
Travel and Expenses	-	-	-	1
Training and Events	-	-	-	1
FCA Fees	-	-	-	1
General Admin Costs	-	-	-	2
Set-Up Costs Before Funding	**-**	**-**	**-**	**514**
Share Capital	-	-	-	1,315
Debt	-	-	-	685
Other Costs	-	-	-	-
Set-Up Costs After Funding	**-**	**-**	**-**	**2,514**
Transition fees				
Taxation (seeding relief)				
Other transition costs				
Transition Costs				

Please note that CIPFA has not provided a set definition of indirect costs but notes that ''these would include, for example, overhead costs incurred by the administering authority or the pool in respect of senior management time, accommodation or support services recharged on a % of time/floor area basis as opposed to being directly linked to pension fund activities''. It appears likely to PAF Finance that the set-up costs captured to date relate to direct costs (i.e. either incurred directly by LGPSC or recharged by partner funds to LGPSC).

£000	2014/15	2015/16	2016/17	2017/18	2018/19	Cumulative
Total	-	-	95	419	-	514
Set-Up Costs After Funding	-	-	95	2,419	-	2,514
Transition Costs						

2. Recharges by partner funds to LGPSC in respect of set-up costs

£000	At 1 April-18	Recharges in Year	Settled in Year	At 31 March-19
Set-Up Cost Recharges	502	-	(502)	-

3. Governance, operator and product development charged by LGPSC to partner funds

£000	At 1 April-18	charges in Year	Settled in Year	At 31 March-19
Governance Costs	-	198	(182)	16
Operator Costs	-	187	(171)	16
IMMC*	-	-	-	-
Product Development Costs	-	47	(43)	4
Total	**-**	**432**	**(396)**	**36**

* Please note that this is expected to relate to IMMC charges in respect of any discretionary and/or advisory services provided by LGPSC to a partner fund. Any IMMCs (both internal and external charges) which are charged directly to a product (e.g. ACS sub-funds and SLP private equity) should be disclosed through information request (5) and (6) below.

4. Other transactions between partner funds and LGPSC (e.g. service support provided by West Midlands to LGPSC / rent payable by LGPSC to Derbyshire County Council)

£000	At 1 April-18	charges in Year	Settled in Year	At 31 March-19
Interest Payable	7	36	-	43
Item 2				
Item 3				
Total	**7**	**36**	**-**	**43**

5. LGPSC Investment management expenses charged to partner funds

	£000	Direct	Indirect	Total	BPS Charge
1	Ad Valorem	29		29	10.68
2	Performance	-		-	
3	Research	-		-	
4	PRIIPS Compliance	-		-	
5	Other (provide details)	-		-	
	Management Fees	**29**		**29**	**10.68**
6	Commissions	3		3	1.14
7	Acquisition/issue costs	-		-	
8	Disposal costs	-		-	
9	Registration/filling fees	-		-	
10	Taxes and Stamp Duty	1		1	0.35
11	Other (provide details)	-		-	
	Transaction Costs	**4**		**4**	**1.49**
12	**Custody/Depositary**	**2**		**2**	**0.82**
13	**Other (provide details)**				
	Fund Accounting	1		1	0.15
	Transfer Agent	<1		<1	0.06
	External Audit	<1		<1	0.03
	Total Costs	36		36	13.24

Note: The total of the analysis should reconcile to request (6) below.

6. Investment management expenses by product / service

£000	1	2	3	4	5	6	7	8	9	10	11	12	13	Total 2018/19 Costs	AUM at 31 March 2019 £m	2018/19 BPS Charge
Global Ex-UK Passive																
UK Passive																
Dividend Growth Fund																
Global Multi-Manager	29					3				1		2	1	36	238	13.24
ACS Sub-Funds	**29**					**3**				**1**		**2**	**1**	**36**	**238**	
Private Equity 2018 V'tage																
Alternative Vehicles																
Discretionary Mandate 1																
Discretionary Mandate 2																
Discretionary Mandates																
Advisory Mandate 1																
Advisory Mandate 2																
Advisory Mandates																
Execution Only 1																
Execution Only 2																
Execution Only																
Other 1																
Other																
Total	29					3				1		2	1	36	238	13.24

Items 1 – 13 relate to the categories highlighted in data request (5).

7. Investment management expenses by product / service

£000	AUM At 1 April-18 £m	AUM At 31 March-19 £m	One Year Gross Performance % (*)	One Year Net Performance % (*)	Passive Benchmark Used	One Year Passive Index % (*)
Global Ex-UK Passive						
UK Passive						
Dividend Growth Fund						
Global Multi-Manager	0	238	2.60	2.59	FT: All World	3.43
ACS Sub-Funds	**0**	**238**				
Private Equity 2018 Vintage						
Alternative Vehicles						
Discretionary Mandate 1						
Discretionary Mandate 2						
Discretionary Mandates						
Advisory Mandate 1						
Advisory Mandate 2						
Advisory Mandates						
Execution Only 1						
Execution Only 2						
Execution Only						
Other 1						
Other						
Total	0	238				

(*) Inception to 31 March 2019

8. Transition costs

Please note that partner funds are currently investing the methodology which will be used to quantify transition costs for the purposes of the CIPFA annual report pooling disclosures. For the purposes of the information request, and to assist partner funds in the development of the methodology, the details provided should reconcile the starting unit price of £100 to the unit price when the assets are handed over to the managers. Based on the global multi-manager transition, (see Callum Campbell's email to partner funds on 15 April 2019) this will comprise three elements: 1) Out/under performance between assets entering the sub-fund and the point transition commences; 2) Transition costs/implementation shortfall as reported by the transition manager; and 3) Out/under performance from commencement of transition up to the assets being transferred to the managers.

£000	UK Passive Equities Sub-Fund	Global Ex-UK Passive Sub-Fund	Dividend Growth Sub-Fund	Global Multi-Manager Sub-Fund	Other 1	Other 2
Starting unit price (A)				100.00		
Manager Hand-Over Unit Price (B)				98.22		
Change In Unit Price (B-A/A = C)				(1.78%)		
Index Performance (D)				(1.24%)		
Out/Under Performance (C-D)				**(0.54%)**		
Total Transition Costs = Financial Impact of Out/Under Performance Calculated Above						
Out/Under Performance Comprised of:						
1. Out/Under-performance between assets entering sub-fund and point of transition				(0.12%)		
2. Transition Costs/implementation Shortfall as reported by the Transition Manager						
Commissions				**(0.016%)**		
Taxes				(0.033%)		
Market Impact				(0.118%)		
Spread				(0.024%)		
Forex				+ 0.011%		
Opportunity Cost				(0.126%)		
Transfer Taxes				**(0.023%)**		
Other (provide details)						
3. Out/Under-performance between transition commencement and manager handover				**(0.091%)**		
Total Transition Costs Using Above Methodology						

Independent audit opinion and certificate

Independent auditor's report

Independent auditor's report to the members of Shropshire Council on the pension fund financial statements of Shropshire County Pension Fund

Opinion

We have audited the financial statements of Shropshire County Pension Fund (the 'pension fund') administered by Shropshire Council (the 'Authority') for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Director of Finance, Governance and Assurance is responsible for the other information. The other information comprises the information included in the Statement of Account, the Narrative Report, the Annual Governance Statement and the Annual Report, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, the Narrative Report, the Annual Governance Statement and the Annual Report for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Director of Finance, Governance and Assurance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 13, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance, Governance and Assurance. The Director of Finance, Governance and Assurance is responsible for the preparation of the Statement of Accounts, which includes the pension fund's 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance, Governance and Assurance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Director of Finance, Governance and Assurance is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Richard Percival
for and on behalf of Grant Thornton UK LLP,
Local Auditor. Birmingham. *July 2019*

Statement of responsibilities

For the statement of accounts

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

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, the responsibility of Chief Financial Officer is allocated to the Director of Finance, Governance & Assurance (Section 151 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 24 July 2019.

Thomas Biggins
Chair of Pensions Committee
24 July 2019

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

The Director of Finance, Governance & Assurance (Section 151 Officer) and 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 Director of Finance, Governance & Assurance (Section 151 Officer) and 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 Director of Finance, Governance & Assurance (Section 151 Officer) and 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 2019 and also that the statement of accounts complies with the requirements of the Accounts and Audit Regulations 2015.

James Walton
Director of Finance, Governance & Assurance
(Section 151 Officer and Scheme Administrator)
24 July 2019

Fund policies

All fund policies can be found on the website

www.shropshirecountypensionfund.co.uk

Governance compliance statement

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

The latest copy of this document can be found in appendix 1 on page 75.

Funding strategy statement

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

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

Please see appendix 3 on page 97 for the latest copy of this document.

Pensions administration strategy report

Pension fund administering authorities have discretion as to whether to prepare a pensions administration strategy statement. Shropshire Council, as administering authority do produce a report under regulation 59 of The Local Government Pension Scheme Regulations 2013.

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

The latest copy of this document can be found in appendix 2 on page 87.

Investment strategy statement

Pension fund administering authorities are also required to prepare, maintain and publish an investment strategy statement (ISS) under regulation 7 of the LGPS (Management and Investment of Funds) Regulations 2016.

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

Please see appendix 4 on page 117 for the latest copy of this document.

Further information

Analysis of fund assets as at 31 March 2019

Asset Type	UK £m	Non-UK £m	Global £m	Total £m
As at 31 March 2019				
Equities	121.535	15.340	839.453	976.328
Bonds	0.000	0.000	301.439	301.439
Alternatives	168.197	118.951	229.940	517.088
Cash and cash equivalents	110.044	5.752	0.000	115.796
Other	0.685	0.000	0.000	0.685
Total	**400.461**	**140.043**	**1370.832**	**1911.336**
As at 31 March 2018				
Equities	135.853	141.277	673.626	950.756
Bonds	0.000	0.000	429.517	429.517
Alternatives	141.569	96.940	177.961	416.470
Cash and cash equivalents	22.309	10.772	0.000	33.081
Other	0.685	0.000	0.000	0.685
Total	**300.416**	**248.989**	**1281.104**	**1830.509**

Analysis of investment income accrued during the reporting period

Asset Type	UK £m	Non-UK £m	Global £m	Total £m
As at 31 March 2019				
Equities	5.532	0.000	2.451	7.983
Bonds	0.000	0.000	0.000	0.000
Alternatives	3.808	0.000	2.906	6.714
Cash and cash equivalents	0.196	0.043	0.334	0.573
Other	1.102	2.250	7.166	10.518
Total	**10.638**	**2.293**	**12.857**	**25.788**
As at 31 March 2018				
Equities	4.778	2.534	0.000	7.312
Bonds	0.000	0.000	0.000	0.000
Alternatives	3.034	2.776	0.000	5.810
Cash and cash equivalents	0.070	0.038	0.007	0.115
Other	1.097	4.096	6.505	11.698
Total	**8.979**	**9.444**	**6.512**	**24.935**

Glossary of terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Scheme employers: Councils and other similar bodies whose staff automatically qualify to become members of the pension scheme.

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

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

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

Governance Compliance Statement

Appendix

01

Agreed by Pensions Committee March 2019

Appendices

Introduction

1. This statement has been prepared by Shropshire Council (the administering authority) to set out the governance compliance statement for the Shropshire County Pension Fund (the fund), in accordance with The Local Government Pension Scheme Regulations 2013 (regulation 55 refers) 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 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).

Governance of Shropshire County Pension Fund

4. Shropshire Council as the administering authority delegates its functions under the regulations to the Pensions Committee.

5. 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 listed in Shropshire Council's Constitution.

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 the chairman or vice chairman being a Shropshire Council member.

7. Shropshire County Pension Fund's 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 Pension Board operates independently of the Pensions Committee, details of which are set out in its terms of reference.

Pensions Committee

8. The Pensions Committee reports to full council. It meets formally at least quarterly and more frequently if formal decisions are required. In between meetings the 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 2016 and any other relevant legislation;

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 to hold an annual meeting.

Operational procedures

9. Under the Pensions Committee's terms of reference, operational procedures include but are not limited to:

- 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 actuarial valuation of the fund;
- Consideration of the advice of the fund'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 investment strategy statement and to monitor compliance of the investment arrangements with the statement;
- To review the investment strategy statement in detail ahead of the actuarial valuations being carried out and assist the valuation process;
- To review and approve on a regular basis the communications policy, administration strategy statement, funding strategy statement, investment strategy statement and any other regulatory policy adopted by the Fund.

Structure of the Pensions Committee

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

10. 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 yearly basis.

11. The committee is supported by the advice from an independent advisor and investment consultant. The independent advisor advises on strategic issues and overall investment approach. The investment consultant provides analysis and advice of a technical nature in relation to portfolio construction, interpretation of performance measurement and the monitoring of investment managers. The committee can delegate implementation of investment decisions to the Officers as they see fit. The Officers and investment consultant tend to meet separately on a quarterly basis at technical meetings to support this.

12. 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. This includes 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 Shropshire Council's Legal and Democratic Services. Formal statutory responsibility for the LGPS and fund investment lies with the administrating authority who are answerable for the effective and prudent management of the scheme.

13. 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.

14. The Pensions Committee can elect a co-opted member as its chairman, but in this instance the chairman is unable to:

- attend Shropshire 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 within Shropshire Council or within LGPS Central

15. However, a Shropshire Council Vice-Chairman can deputise for the co-opted member chairman. Only Shropshire Council members can represent the Fund at LGPS Central meetings.

Pension Board

Introduction and Role

16. Shropshire County Pension Fund's 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. Meetings are normally held at the offices of Shropshire Council and are held a minimum of twice each calendar year.

17. The role of the local Pension Board as defined by regulation 106 (1) of the LGPS Regulations, is to assist the administering authority to:

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

Structure

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

a. **2 employer representatives**
b. **2 scheme member representatives**

The Pensions Board operates a quorum constituting as two members, made up of one employer and one member representative.

19. 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.

20. An independent member and substitute members may also be included in the structure 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.

21. 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 retired scheme members will be invited to submit applications to join the Pension Board.

22. 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 four years with a possible extension for up to two years.

- Duties and role of the chair in so far 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.

23. 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

24. The council considers that the Pension Board is an oversight body and it is not a decision-making body in relation to the management of the pension fund but makes recommendations to assist in such management. In undertaking its role, the Pension Board will ensure it:

a. carries out duties effectively and efficiently
b. complies with relevant legislation and
c. complies with 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.

Under the Pensions Board's terms of reference operational procedure include but are not limited to:

- 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 Pension Regulator's code of practice previously reported to the Pensions Committee but not rectified in reasonable time.
- 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.

Governance guidelines

Myners principles

25. In 2001, a Government sponsored review of Institutional Investment by Paul Myners set out ten principles for best practice for UK pension fund investment aimed to enhance pension fund decision making. In October 2008 the Government revised the Myners Principles. In doing so, the Government opted for six (rather than ten) higher level principles and expects Funds to report against these principles. The extent of the Fund's compliance with each of the guidelines is set out in Appendix A of investment strategy statement.

The Pensions Regulator (TPR)

26. The Public Service Pensions Act 2013 introduced a new framework for the governance and administration of public service pension schemes and provides extended regulatory oversight by the Pensions Regulator from 1 April 2015. The Fund uses the TPR's regulatory tools and measures itself against TPR's codes of practice to meet its statutory objectives and to review standards. Pension boards must also comply with certain legal requirements, including assisting the Fund in relation to securing compliance with scheme regulations and other legislation relating to the governance and administration of the scheme, any requirements of the regulator and with any other matters specified in scheme regulations.

Scheme Advisory Board (SAB)

27. The Local Government Pension Scheme Advisory Board is a body set up under Section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110-113. On 1st April 2015 the Board was established as a statutory body. The purpose of the Board is to encourage best practice, increase transparency, and coordinate technical and standards issues. Governance and administration standards issued by the SAB is used by the Fund, pensions committee and the pension board.

28. The Myners principle, the TPR guidance and the statutory position have led the council as administering authority to conclude that the current governance arrangements within the Fund provides the appropriate balance between accountability and inclusion.

LGPS Central limited

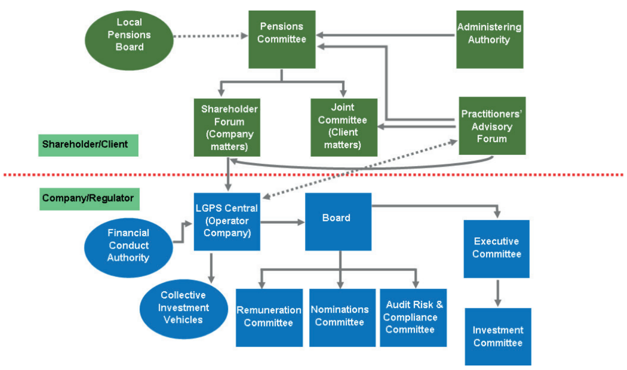
29. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 formally introduced the concept of asset pooling. Because of this, the Shropshire County Pension Fund has joined with eight other LGPS funds across the Midlands (partner funds) to form an asset pool, known as LGPS Central.

30. LGPS Central Limited is the company formed by the partner funds which is authorised as the operator of the Authorised Contractual Scheme (ACS), to provide investment services to the partner funds, by the Financial Conduct Authority (FCA). The company is therefore subject to the regulator's conduct of business rules and has established its internal governance framework to ensure strict adherence both to its regulatory obligations to the FCA and with the Companies' Acts.

31. It is important to note that the councils of each of the partner funds retain their core duties and responsibilities as the administering authorities of their respective LGPS funds.

32. Asset allocation decisions remain with the partner funds. Manager selection for assets transitioned into the ACS and for assets managed under discretionary agreements by the operator is the responsibility of LGPS Central Limited. Manager selection for the remainder of the pool's assets currently remains with the partner funds. The operator is responsible for selecting the custodian for the assets in the ACS; the partner funds are responsible for selecting the custodian for the remaining assets.

33. LGPS Central Limited was formed on 1 April 2018 and impacts the roles of the Pensions Committee. However, changes will be gradual as the transfer of the management activity to the new company progresses. Consequently, the existing governance arrangements and terms of reference need to run concurrently with new terms required to facilitate changes.



34. The above governance structure of LGPS Central will allow partner funds to exercise control (both individually and collectively) over the pooling arrangements; not only as investors in the ACS but also as shareholders of the operator company.

35. The LGPS Central Joint Committee has been set up in accordance with provisions of the Local Government Act 1972 to provide oversight of the delivery of the objectives of the pool, the delivery of client service, the delivery against the LGPS Central business case and to deal with common investor issues. The membership of the joint committee consists of one elected member from each council within the LGPS Central pool. A trade union representative is also appointed as a non-voting member of the joint committee to represent the scheme members across the councils' pension funds. Shropshire's representative on the LGPS Central Joint Committee is the chair or vice chair of the Pensions Committee (Shropshire Council member).

36. The primary role of the Shareholders' Forum is to oversee the operation and performance of LGPS Central Ltd and to represent the ownership rights and interests of the shareholding councils within the LGPS Central pool. The Shareholders' Forum is independent of the company and its meetings are distinct from company meetings, however, members of the Shareholders' Forum represent the councils at Company Meetings. The councils as individual investors in the company have in place local arrangements to enable their shareholder representatives to vote at company meetings.
The Shropshire Pension Fund, as a shareholder in LGPS Central has equal voting rights alongside the other partner funds and unanimous decisions are required on certain reserved matters before the actions can be implemented. These are specified in the company's shareholder agreement and articles of association. Other matters not directly related to the control of the company to manage its operation are subject to a majority approval (75%).

37. Shropshire's representative on the Shareholders Forum is the chair or vice chair of the pensions committee (Shropshire Council member).

38. The Practitioners' Advisory Forum (PAF) is a working group of officers appointed by the shareholding councils within the LGPS Central pool to support the delivery of the objectives of the pool and to provide support for the pool's joint committee and shareholders' forum.
PAF seeks to manage the Pool's conflicting demands and interests, either between the participating Councils or between the Councils (collectively) and the Company, recognising that speaking with "one voice" reduces the duplication of costs and resources and maximises the benefits of scale. PAF will also report back to partner fund's Pensions Committees on matters requiring their attention.

39. Shropshire's representatives on PAF are the Head of Finance Governance & Assurance and the Head of Treasury and Pensions.

40. Terms of reference have been approved for the joint committee, the Shareholders' Forum and the Practitioners' Advisory Forum. These are "live" documents which are likely to evolve as the practical day to day experience of working within the LGPS Central pool evolves.

Delegation to officers

41. Under the Local Government Pension Scheme Regulations 2013 Shropshire County Pension Fund is required to formulate a policy on local discretions which can be found in Appendix A.

42. In addition to these fund discretions there are certain employer discretions, which employers must formulate a policy. All policies received by the fund are published on the fund's website.

Arrangements outside of formal governance

43. 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

44. 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 employer contribution rates. Employing authorities are pro-actively consulted on the funding strategy statement on which the valuation and employer contribution rates are based.

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

Organisation	Contributors %
Shropshire Council	47
Borough of Telford and Wrekin Council (co-opted)	24
Parish / Town Councils	1
Other Scheme Employers	19
Admitted Bodies	9
TOTAL	100

46. The Shropshire County Pension Fund involves all scheme 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 which can be found on the pension fund's website: www.shropshirecountypensionfund.co.uk

47. 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 investment strategy statement and funding strategy statements, the consultation process surrounding them, and where these statements can be accessed.

48. 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 email, and they are encouraged to get in touch if they have questions. There is also a dedicated area for employers on the Shropshire County Pension Fund website. This information includes the employers' guide and information for new employers.

49. 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 as assessed during the actuarial 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 FRS101/102 and IAS19.

50. An annual meeting is held each year to which all employers and scheme members are invited. The meeting outlines the investment performance of the Shropshire County Pension Fund 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 employing authorities

51. 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. Retired members are represented by a non-voting retired member.

52. All employees, as well as representatives from employer organisations, are invited to the annual meeting each year. All retired 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 retired member representative, learn about the fund, and ask questions.

53. Where possible every member of the scheme receives pensions newsletters. The fund's annual report is published on the pension fund's website and an email notification (where an email address is held) is issued notifying the website update. The full communication policy can be found on the fund's website. This policy outlines the fund's approach to 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:

- Annual report and accounts
- Investment strategy statement (including compliance with Myner's principles)
- Funding strategy statement
- Communications policy
- Actuarial valuation
- Investments and LGPS central

54. The pensions team has a very good informal working relationship with the unions and is always there to assist with any problems in understanding the regulations.

Training policy

55. The fund 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.

56. Considering the requirements following the LGPS governance changes emerging from the Public Service Pensions Act 2013, officers continually review the fund's training policy to ensure that all stakeholders are well equipped to carry out their duties as effectively and efficiently as possible. The training policy applies to:

- Pension fund officers and managers
- Pensions Committee members
- Local Pensions Board members.

57. The training policy is regularly reviewed and once an updated policy is adopted, steps are taken to ensure all parties meet their requirements.
Myner's first principle states that administering authorities should ensure that:
'Decisions should only be taken by persons or organisations with the skills, knowledge, advice, and resources necessary to make them effectively and monitor their implementation. Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest'

58. The fund holds an annual members' training day when members of the committee and the board attend training and are exposed to presentations on topical issues, such as hedge funds, private equity, actuarial valuations, infrastructure etc. Training is also provided at the start of some committee and pension board meetings.

Appendix A

Shropshire County Pension Fund discretions policies

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

Regulation	Discretion	Guideline	Delegated To
A52 (2) TP17 (5) TO (8) R40 (2) R43 (2) R46 (2) R82 (2) LGPS 1997 38 (1) & 155 (4) R17 (12)	Payment of death grant	The death grant will normally be paid to, or amongst, nominated beneficiaries as directed by the deceased member through a completed expression of wish form. Where no nomination has been made, a death grant would normally be paid to the deceased's personal representatives (in that capacity). Where both of these options are seen to be inappropriate or impossible, (for instance 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 split it 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 (who has not reached the age of 23) as being in continuous full-time 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) TL4, L106(1) & D11(2)(c)	Where the employer has become defunct: 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
TPSch 2, paras 1 (2) and 2 (2) TPSch 2, para 1(2) & 1(1)(f) and R60	Where the employer has become defunct: Whether to 'switch on' the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60	The fund will not agree to apply the 85 year rule where members choose to voluntarily draw their benefits on or after age 55 and before age 60 except in exceptional circumstances where the interests of the fund have been considered 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	Scheme administrator
R30 (8)	Where the employer has become defunct: 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 have been considered and it is in its financial or operational interests to do so. Each case - will be considered on the merits of the financial and / or operational business case put forward, - will set out whether, in additional to any pre 1 April 2008 benefits, the member will be permitted, as part of the flexible retirement agreement, to take a) all, some or none of their 1 April 2008 to 31 March 2014 benefits, and /or b) all, some or none of their post 31 March 2014 benefits, and - will require the approval of the scheme administrator.	Scheme administrator
B39 & T14 (13) R34 (1) (b) (c)	Commutation of small pensions	To be commuted in all cases where capital value of the benefits is within HMRC limits other than in exceptional circumstances. The member/dependent must make a formal request including the exceptional circumstance they wish to be considered. Each formal request to not commute benefits will be assessed on its circumstances and merits.	Scheme administrator

Regulation	Discretion	Guideline	Delegated To
R71 (1)	Whether to charge interest on payments by employers which are over due	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 then interest may be charged depending on the individual circumstances.	Scheme administrator
A28 (2) TP15 (1) (d)	Charge for estimate of transfer of AVC to main scheme to buy additional pension	First calculation free thereafter £50 per estimate	Scheme administrator
LGPS 97 - 92	Acceptance of transfer value	To be refused if insufficient to meet Guaranteed Minimum Pension liability	Scheme administrator
R100(6-8)	Extend normal time limit for acceptance of a transfer value beyond twelve months from joining the LGPS	The fund will only extend the twelve-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 twelve 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 eleven months of joining the LGPS. The time limit for such a member to make a formal election to transfer pension rights into the LGPS is the 3 months transfer guarantee period ; - where the available evidence indicates the member made an election within twelve months of joining the LGPS, but the election was not received by the pension fund administering authority; - where the available evidence indicates the member had not been informed of the twelve-month time limit due to maladministration. - The fund's decision would also be to support the employer's decision where it is reasonable and evidenced that they are fully aware of the consequences and increased liabilities that will incur by agreeing this and it is not contradicting their own policy on this discretion.	Scheme administrator
Financial Rules of the administering authority, Shropshire Council.	Overpayment of pension	Overpayments of less than £100 are not to be recovered where they occur during the month of death and where recovery is likely to cause hardship or be impractical.	Scheme administrator
R69 (1) (4) R80(1)(b) & TP22(1)	Decide the frequency and form of payments and information to accompany payments to be made over to fund (as listed in regulation R69) by employers and whether to make an admin charge.	All payments deducted from members must be paid to the fund by the 19th of the month following the month they were deducted. Any other payments must be paid immediately on receipt of the invoice. Further information on the formal procedures employers must adhere to are set out in the administration strategy statement.	Pensions committee
A60 (8) R76 (4) R79 (2)	Procedure to be followed by administration authority when exercising its stage two IDRP functions and whether administering authority should appeal against employer decision (or lack of a decision).	Full procedure is documented in the IDRP guide which can be found on the fund's website: www.shropshirecountypensionfund.co.uk	Scheme administrator
TP3 (13) A70 (1) A71 (4) (c)	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 three years pay for final pay purposes or when a deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1 April 2008.	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 benefits, or any part of them, will be paid 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. The Fund's trivial commutation policy will be followed for small pensions. In all other cases, where there is a long term annual pension payable the Fund will require evidence of a either power of attorney when the annual pension exceeds £1000; in cases where the annual pension benefit is below £1000, medical and documentary evidence will be required.	Scheme administrator
B25 RSch1 TP17 (9)(b)	Decide evidence required to determine financial dependence of co-habiting partner on scheme member or financial interdependence of cohabiting partner	A fund's declaration form is required to be completed and signed confirming the regulatory requirements have been met and supported by the appropriate evidence.	Scheme administrator
TSch 1 & L23 (9) B42 (1) (c) R49 (1) (c)	Decide, 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 two or more regulations in respect of the same period of scheme membership	Benefit which is more beneficial to member to be paid.	Scheme administrator

Regulation	Discretion	Guideline	Delegated To
31 (2)	Recharging payments to employers for annual compensation	A 1% handling fee of the total recharge of compensation being paid on behalf of the employer, will be levied.	Scheme administrator
R36 (3) A56 (2)	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	Pensions Committee
R68 (2) TPSch 2, para 2 (1)(3)	Whether to require any strain on fund costs to be paid 'up front' by employing authority following flexible retirement or release of benefits before age 60	All strain is required to be paid in full immediately on receipt of invoice. The process is outlined in the pensions administration strategy statement. The fund may agree, on request from an employer, to an alternative repayment period if exceptional circumstances are shown.	Scheme administrator
R16 (1)	Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g.) where the sum being paid is very small and could be paid as a single payment)	Requests to pay an APC/SCAPC via a lump sum will be refused if cost is less than £50.	Scheme administrator
Regulation 2 of the Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011	Whether to offer 'Voluntary Scheme Pays' to members and the circumstances when this would apply.	To offer the use of 'Voluntary Scheme Pays' (VSP) where; • a member's pension savings within the Fund are subject to the tapered annual allowance, and • the tax breach stems only from the member's Shropshire County Pension Fund LGPS benefits rather than via growth in multiple pension schemes, and • The application is received in writing by Shropshire County Pension Fund by 30 November in the tax year following the year to which the tax charge relates to, should the member wish the tax to be paid by 31 January to ensure no late payment penalties become due, if not then no later than the Mandatory scheme pays deadline.	Scheme administrator
R4(2)(b)	Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority or Care Quality Commission.	The Fund will only agree an admission agreement providing the body meets the eligibility criteria laid down in the regulations; the admission is fully guaranteed so that no liabilities fall back on the Fund and an admission agreement is signed by all relevant parties.	Pensions Committee
R3(1A), R3(5) & RSch 2, Part 3, para 1	Whether to agree to an admission agreement with a body applying to be an admission body.	The Fund will only agree an admission agreement providing the body meets the eligibility criteria laid down in the regulations; the admission is fully guaranteed so that no liabilities fall back on the Fund and an admission agreement is signed by all relevant parties.	Pensions Committee
RSch2, Part 3, para 14	Whether to agree that an admission agreement may take effect on a date before the date on which it is executed.	The Fund will allow admission agreements to be back dated so long as all contributions due are paid to the Fund with appropriate interest.	Scheme Administrator
RSch 2, Part 3, para 9(d)	Whether to terminate an admission agreement in the event of: - insolvency, winding up or liquidation of the body. - breach by that body of its obligations under the admission agreement. - failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so	The Fund will terminate an admission agreement in any of these three events as covered in the admission agreement.	Scheme Administrator
RSch 2, Part 3, para 12(a)	Define what is meant by "employed in connection with".	Defined in the admission agreement as working for at least 50% of normal working time on the transferred service.	Scheme Administrator
R16(10)	Whether to require a satisfactory medical before agreeing to an application to pay an APC / SCAPC.	The Fund does not require a satisfactory medical but members are expected to sign a declaration confirming they are in reasonably good health before an application to pay an APC/SCAPC will be accepted.	Scheme Administrator
R16(10)	Whether to turn down an application to pay an APC / SCAPC if not satisfied that the member is in reasonably good health.	The Fund would turn down an application if it was not satisfied that the member was in reasonably good health.	Scheme Administrator
R22(3)(c)	Pension account may be kept in such form as is considered appropriate.	The members Care Average Revalued Earnings (CARE) account will be kept in electronic form on the pension administration system.	Scheme Administrator
TP10(9)	Where there are multiple ongoing employments, in the absence of an election from the member within 12 months of ceasing a concurrent employment, decide to which record the benefits from the ceased concurrent employment should be aggregated.	The main ongoing employment, which would usually be the record with the greatest hours, is normally the record with which the ceased concurrent employment will be aggregated.	Scheme Administrator
R32(7)	Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement	The Fund would look at any request on an individual basis taking into account the exceptional circumstances raised by the member.	Scheme Administrator

Regulation	Discretion	Guideline	Delegated To
R38(3) B31(4)	Where the employer has become defunct: Decide whether deferred beneficiary meets criteria of being permanently incapable of former job because of ill health and is unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is the sooner.	The Fund will consider the relevant regulations and criteria following receipt of an opinion from the Independent Registered Medical Practioner (IRMP).	Scheme Administrator
R38(6) B31(7)	Where the employer has become defunct: Decide whether a suspended ill health tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health.	The Fund will consider the relevant regulations and criteria following receipt of an opinion from the Independent Registered Medical Practioner (IRMP).	Scheme Administrator
R54(1)	Whether to set up a separate admission agreement fund.	The Fund has not set up a separate admission agreement fund.	Scheme Administrator
R64(2ZA)	Whether to extend the period beyond 3 months from the date an Employer ceases to be a Scheme Employer, by which to pay an exit credit.	The Fund will look at each case on an individual basis taking into account the reason why the extension may be required.	Scheme Administrator
R64(2A)	Whether to suspend (by way of issuing a suspension notice), for up to 3 years, an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension.	The Fund will look at each case on an individual basis taking into account the reason why the extension may be required.	Scheme Administrator
R64(4)	Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer	The Fund may request a revision of employers contribution rate upon advice from the Actuary.	Scheme Administrator
R70 &TP22(2)	Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance.	The Fund will issue a notice to recover additional costs and in line with the Pensions Administration Strategy Statement.	Scheme Administrator
TR15(1)(c) &TSch1 & L83(5)	Extend time period for capitalisation of added years contract.	The Fund will look at each case on an individual basis taking into account the reason why the extension may be required.	Scheme Administrator

Administration Strategy Statement

Appendix
02

Agreed by Pensions Committee on July 2018

Appendices

1. Introduction

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

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

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

2. Compliance

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

In no circumstances does this strategy override any provision or requirement of the regulations, nor is it intended to replace the more extensive commentary provided by the employer information on the Shropshire County Pension Fund website and administration guides provided by the Local Government Association (LGA).

3. Review

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

4. Regulatory framework

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

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

This document has been presented, considered and ratified by the Pensions Committee on 27 July 2018 and, as such, the contents of which apply to all existing and future employers of Shropshire County Pension Fund from this date.

5. Scheme employer duties and responsibilities

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

Monthly/Annual Data transfer

The Fund's method of data collection is by way of electronic data transfer using the i-Connect service. All employers will be provided with the training and guidance on how to use i-Connect.

Response to queries

There are times when the Pensions Team may need to contact employers with queries on the data provided, or to request additional information in order to provide Scheme members with details of their pension entitlement. From time to time, employers may also require information from the Pensions Team regarding the Scheme. Timescales for dealing with specific requests are listed in this document and where a timeframe is not provided, either party should be responded to within 10 working days of receipt of the request. Timescales for dealing with bulk queries from either party should be agreed separately.

Appointing a main contact

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

Their key responsibilities are:

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

Authorised signatories

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

Consequently, if an authorised signatory is certifying information that someone else has compiled, for example leaving information including a final salary pay, career average pay, assumed pay they are authorising to confirm that the information is correct.

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

Employer Training

The Fund holds annual training for employers where officers of the Fund provide information on finances, investment performance, regulatory changes and also administration performance. Attendance by each employer's nominated contacts is actively encouraged. In most instances the training is filmed and hosted on the Pension Fund website, to enable individuals unable to attend on the day to watch afterwards.

Discretions Policy

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

Notification of employee's rights

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

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

The Fund has guidance for employers to provide to individuals who raise an issue under the IDRP procedure.

Nominated person

Each employing authority is required to nominate and name the person to whom applications under Stage 1 of the IDRP should be made. Employers must also notify the Fund of any first stage appeals they receive.

Computer links

The Fund can provide the links to the Pensions Administration System, where appropriate, to large employers for employing authority staff to view certain areas of their employees' records of membership. There is a charge for this access. The most current data protection legalisation will be considered when providing this access.

The Fund will ensure that the pensions administration system is available for use during normal office hours except for any necessary scheduled maintenance of the system. Employers must notify the Fund when registered users leave the organisation, or no longer require access.

6. Service standards to Scheme members

Overriding legislation dictates the standards that pension schemes and employers should meet in providing certain pieces of information to various associated parties – not least of which includes the scheme member. The LGPS Regulations also identifies a number of requirements for the Fund and employers, which may not have all been covered in this document. It is important that employers make themselves familiar of the HR and Payroll guides available on www.lgpsregs.org

An online employers guide is vailable on the Fund's website www.shropshirecountypensionfund.co.uk which includes template forms and guidance for all Scheme employers.

The levels of performance and procedures which the Fund and employers are expected to achieve to ensure compliance with the overriding legislation are outlined in the below tables:

NEW STARTERS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To ensure that pensions information is included as part of any new employment induction process, including in contracts of employment and appointment letters. To ensure that all employees subject to contractual admission are brought into the Scheme from their relevant start date, and provide the Pensions Team with accurate member data, using the monthly data submission i-Connect, within four weeks of the members start date. To provide each new employee with a Brief Scheme Guide and New Member Form with their contract of employment. This may be in the form of issuing a paper copy or by directing all new members to the Fund's website where the information can be viewed or downloaded. The most up to date versions of forms and guides can always be found on the Fund website. To determine the appropriate contribution rate (whether individually or by an automated process on payroll) and (as soon as is reasonably practicable), notify the employee of this contribution rate which is to be deducted from the employee's pensionable pay and the date from which the rate will become payable. It is for the employer to determine the method by which the notification is given to the employee, but the notification must contain a statement giving the address from which further information about the decision may be obtained. The notification must also notify the employee of the right to appeal, including the processes and timescales involved. Furthermore, the correct employee contribution rate according to the scheme the member is in – either the 50/50 or 100/100 scheme should be applied and (if appropriate) adjusted throughout the year according to the employer's discretionary policy on re-banding. To send the Fund notification through i-Connect of any eligible employees subject to automatic enrolment, who opt out of the scheme within six weeks of joining. Where there is more than one contract of employment with the same employer, each membership shall be maintained separately and the Fund notified as above.	To accurately create member records on the pensions administration system following notification from an employer of a new entrant to the Scheme. To support employer requests to attend inductions. To update pension information in accordance with regulatory changes, and to keep PDF versions of forms and guides up to date on the Fund website. www.shropshirecountypensionfund.co.uk The Fund will contact all new starters, providing them with an activation key for 'My Pension Online' and reissuing a New Member Form if one has not been received, within 8 weeks of notification of a new starter. To accurately record and update member records on the pension administration system within following the receipt of a completed New Member Form.

<table>
<tr><th colspan="2">CHANGES IN CIRCUMSTANCES FOR ACTIVE MEMBERS</th></tr>
<tr><th>EMPLOYERS' RESPONSIBILITY</th><th>FUND'S RESPONSIBILITY</th></tr>
<tr><td>To ensure that the Fund is informed of any changes in the circumstances of employees through i-Connect within four weeks of the change. Forms and guidance can be found in the employers' area of the Fund website at: www.shropshirecountypensionfund.co.uk

CHANGES INCLUDE:
Personal Information:
• Change of Name
• Marital Status
• National insurance Number

Conditions of employment affecting pensions:
• Contractual hours (mandatory for members who meet the underpin requirements only)
• Any remuneration changes due to promotion and down grading
• Full-time equivalent pensionable pay according to the pre 2014 definition
• Actual pensionable pay (including overtime/additional hours) in 100/100 and 50/50 schemes according to the post 2014 definition (CARE).
• Employees contribution rate
• Employee number and/or post number
• Date joined scheme (if adjusted)
• Confirmation of 50/50 or 100/100 scheme entry

NB. An Employee can easily exceed HMRC annual allowance if their pay increases. You therefore are asked to inform the Fund of:
• Significant pay awards/pay increases
• Honorariums
• Additional Voluntary Contributions (AVC) contributions
• Shared Cost AVC contributions (if applicable)
• Shared Cost Additional Pension Contributions

For a full list of data items required, see the section FINANCIAL AND DATA OBLIGATIONS, or further information is available from the Fund directly. Employers can also visit the webpage on 'monthly data reports and end of year procedure' on the Fund website www.shropshirecountypensionfund.co.uk

Absence
During periods of reduced or nil pay as a result of sickness, injury or relevant child related leave (i.e. ordinary maternity, paternity or adoption leave or paid shared parental leave and any paid additional maternity or adoption leave) assumed pensionable pay (APP) should be applied for pension purposes.

Employer contributions should be deducted from pay and any APP. If the employee receives no pay the employer contributions should still be deducted from APP.

Should an employee wish to purchase Additional Pension Contributions (APC) or a Shared Cost Additional Pension Contributions (SCAPC) contract to buy back the pension 'lost' during the absence, the APP amount will need to be calculated and provided to the member's employer. Employers must bring to the attention of the member, before a period of absence, that they can buy back the 'lost' pension. Employers should also direct members to the website www.lgpsmember.org where they can calculate the cost to buy back this 'lost' pension. As employees have a thirty day timeframe with which to buy back the lost pension, employers should be sure to mention this to the employee early on in the 30 day period.

Types of absences include:
• Maternity, paternity and adoption
• Paid & unpaid leave of absence
• Industrial action (SCAPC not available)
• Any other material/authorised period of absence

See section 'ADDITIONAL PENSION CONTRIBUTIONS (APCs) and SHARED COST APC's' for further information.</td><td>To provide forms and spreadsheets for recording key changes in circumstance and to provide guidance on the secure submission of data through i-Connect.

To accurately record and update member records on the pensions administration systems within four weeks of notification, or any shorter period as requested by the employer with regards to specific requirements.</td></tr>
</table>

<table>
<tr><th colspan="2">ANNUAL RETURN, VALUATION & ANNUAL BENEFIT STATEMENTS</th></tr>
<tr><th>EMPLOYERS' RESPONSIBILITY</th><th>FUND'S RESPONSIBILITY</th></tr>
<tr><td>To ensure the Fund receives accurate year to date information to 31 March through the month twelve i-Connect data submission.

The information should be accompanied by a final statement (lgs121a); balancing the amounts paid during the year with the total amounts submitted via i-Connect for the year and to include leavers. A compliance statement (lgs121b) must also be submitted and both duly signed by an appropriate officer. Should there be any under/over payment discovered whilst reconciling, accompanying paperwork detailing this must be submitted together with payment or a formal request for a refund. Year end reconciliation must be completed and forms sent by 30 April each year.

To provide any additional information that may be requested to produce annual benefit statements for service up until the 31 March in each particular year by the 30 April each year.

To provide the Fund with up to date and correct information as and when requested in accordance with agreed timescales and the regulations.

To ensure that all errors highlighted from the annual contribution and pensionable pay posting exercise are responded to and corrective action taken promptly.</td><td>To process employer year end contribution returns within three months of receipt i.e. 30 April, or within three months of receipt of the information if later.

To produce annual benefit statements for all active members by 31 August.

To highlight annually if an individual has exceeded their annual allowance and issue a pensions saving statement by 5 October.

Annual benefit statements will also be produced for deferred members, but no information from employers will be required.

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

To provide an electronic copy of the actuarial valuation report and contributions certificate to each employer.</td></tr>
</table>

RETIREMENT and TRANSFER in/OUT estimates	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To submit a request using form PEN010 by post, or attaching it to an email. Each form must be signed by an authorising officer. For larger bulk estimates, requests should be made via the spreadsheet template provided by the Pensions Team, and notice should be given in advance when any redundancy exercises are planned. To provide pay and other relevant information requested by the Pensions Team either on an individual basis within ten working days of the request, or for bulk/group requests by an agreed timescale with the Pensions Team. To help the Fund promote the 'My Pension Online' area for members when requested.	To issue the individual quotations/information within ten working days after all information required to process a quotation has been received. To provide information to the scheme member on any potential transfer in of benefits once all information required to process the quotation has been received (transfer estimate from other pension provider, contracting out, salary details etc) within ten working days. However, legally we do have up to two months to provide the transfer information following receipt of all information required to process the quotation. Separate agreed timescales and any additional cost will be put in place for bulk requests. To provide large employers with links to the appropriate software in order for employing authority staff to view certain areas of their employees' records of membership. (Employers should note there is a charge for this access). To maintain and promote the 'My Pension Online' area on the website for members to login and view their pension information.

DIVORCe and OUTSOURCINGS ESTIMATES	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To provide pay and other relevant information requested by the Pensions Team either on an individual basis within ten working days of the request, or for bulk/group requests by an agreed timescale with the Pensions Team. **Staff transfers e.g. outsourcings** To ensure early notification/liaison with the Pensions Team when considering an outsourcing exercise which affects members/eligible members of the LGPS. See guidance on 'Becoming an employer or existing employer letting a contract' on the Fund's website.	Where a request for divorce information including a CETV is received from the member, or the Court, this will be issued three months from the date of receipt of the signed form request from the member, or receipt of the Court order. When a shorter timescale is requested/imposed the Pensions Team will provide the member with the schedule of charges. To provide guidance to current employers participating in the Fund who are considering outsourcing.

ACTUAL RETIREMENTS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To submit the appropriate PEN007 leavers form to the Fund as soon as the information is available. The PEN007 form must be completed fully, and signed by an authorised signatory, as it confirms the information required to enable the benefits to be calculated and the employer's decision as to the type of benefit that is to be paid to the member. Evidence of the calculation of final pensionable pay may be requested so the Pensions Team can check the accuracy of the pay provided. The PEN007 form will be returned if it appears to be incorrect. Further information can be found in the Employers area of the Fund website via www.shropshirecountypensionfund.co.uk	To issue the member with a letter and benefits information within five working days of correctly completed employer's notification via the PEN007 leavers form. However, from receipt of all information required to process, the regulations state that we do have up to one month following the date benefits become payable or two months if retirement is early. To issue the member with a letter notifying them of actual retirement benefits within five days following receipt of all documentation from the member To make payment of any lump sum within five working days of receipt of all relevant fully completed forms and certificates from the member, or retirement date if later. To pay any pension payment on the 29th of each month following retirement, unless this falls on a weekend or bank holiday when the payment will be made on the last working day before. Payment will also be made earlier in the month of December to take account of the Christmas period.

ILL HEALTH RETIREMENTS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To determine whether an ill health benefit award is to be made, based on medical evidence and the criteria set in the current LGPS regulations, and after obtaining an opinion from a Fund approved Independent Registered Medical Practitioner (IMRP) on the appropriate certificate. If an award is made, to then determine which tier 1, 2 or 3 is to be awarded. Arrange for completion of the PEN007 form and then submit to the Fund with all related paperwork including IMRP certificate and a copy of the notice letter issued to the member confirming the level of ill health benefits awarded and the appeal information under IDPR To keep a record of all Tier 3 ill health retirements, particularly in regards to arranging the eighteen-month review. Arranging if necessary with an (IMRP) approved by the administration authority for a further medical certificate. To recover any overpayment of pension benefits following a discovery of gainful employment and notify the Fund, where appropriate. To review all Tier 3 ill health retirement cases at eighteen months. Further information on ill health retirements can be found on the employers' pages on our website www.shropshirecountypensionfund.co.uk	To calculate and pay the required benefits in line with actual retirement timescales. To assist the employer in performing their legislative responsibility to review Tier 3 ill health cases at eighteen months.

MEMBERS LEAVING EMPLOYMENT BEFORE RETIREMENT	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
To notify the Fund using the PEN007 form, ensuring all relevant information is included on the form, within four weeks of the members leave date.	To accurately record and update member records on the pension administration system. The regulatory target to inform members the options available to them upon leaving the Scheme is two months following receipt of all the correct information from the employer via the PEN007 form. The Fund's best practice target to calculate notify a member of their deferred benefit entitlement is ten days following receipt of correct information from the employer via the PEN007 form. To process and pay a refund within five days to an eligible member following receipt of all relevant documentation from the member/employer.

FORMER MEMBERS WITH DEFERRED BENEFITS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
To keep adequate records of the following for members who leave the Scheme with deferred benefits, as early payment of benefits may be required: • Name & last known address • National Insurance number • Payroll number • Date of birth • Last job information including job description • Salary details • Date and reason for leaving To determine, following an application from the former employee to have their deferred benefits paid early, as to whether or not they are eligible for early payment on ill health grounds in line with the criteria set in the relevant regulations and after seeking a suitable medical opinion from an (IRMP) approved by the administering authority, or to determine whether benefits should to be released early and in some cases any actuarial reduction waivered on compassionate grounds.	To record and update member records on the pensions administration system. To provide former members with an annual benefit statement of their deferred benefits, updated by the annual pensions increase award when applicable. To provide estimates of benefits that may be payable and any resulting employer costs within ten working days of request upon request.

DEATH IN SERVICE & TERMINAL ILLNESS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
To inform the Fund immediately on the death of an employee via the PEN007 leavers form, or when a member is suffering from a potentially terminal illness and to provide details of the next of kin. Further information can be found on the employer pages of our website www.shropshirecountypensionfund.co.uk	To provide an initial letter of acknowledgement to the next of kin/informant within 5 working days following a notification of death. To provide a letter notifying dependents of benefits within five days following receipt of identification/certificates and relevant documentation. To assist employer's, employees and their next of kin in ensuring the pension options are made available and that payment of benefits are expedited in an appropriate and caring manner. The Fund's policy regarding payment of benefits in such situations, can be viewed.

ADDITIONAL PENSION CONTRIBUTIONS (APCs) and SHARED COST APC's (SCAPCs)	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
To communicate to employees regarding the option of SCAPC's to cover periods of 'lost pension' and the timeframe they must elect to purchase a SCAPC. Members must elect within thirty days of returning to work following the absence, but employers have the discretion to extend this period. This should be laid out in the employer's Discretions Policy. To calculate and collect from the employee, payroll contributions and to arrange the prompt payment to the Fund, according to the published schedule and to be no later than the 19th of the month following the deduction. More information can be found in the employer area on www.shropshirecountypensionfund.co.uk	To provide information on APCs to members/employers through www.shropshirecountypensionfund.co.uk, and direct employees to the national LGPS member website where a modeller can be found.

FINANCIAL OBLIGATIONS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To pay the Fund all contributions deducted from payroll (not including AVCs) of its employees and employer contributions and any deficit lump sum payments due on a monthly basis, no later than the 19th day of the month following the period of deductions. Further information can be found in the Employer Guide via www.shropshirecountypensionfund.co.uk Each payment must be accompanied by an i-Connect data extract providing the following data for each member; • National Insurance number • Payroll reference 1 • Member address and postcode • Date of leaving • Payroll period end date • Additional contributions 1 • Additional contributions 2 • Surname • Forenames • Gender • Date of birth • Marital status • Title • Taxable earnings • Annual pensionable salary (only required at month 12) • Pensionable pay • Date joined LGPS • Job title • Part-time hours effective date • Part-time hours • Part-time indicator • Whole-time equivalent hours • Employee's main section contributions • Employer's contributions • Scheme contribution rate • Opt out date • Opt in date • Main section cumulative pensionable pay • 50/50 section cumulative pensionable pay • Full-time equivalent final pay • Cumulative employee's main section contributions • Cumulative employer's contributions • Reason for leaving • Cumulative employer Shared Cost APC's • Cumulative employee APC's • Employee's 50/50 section contributions • Cumulative employees 50/50 section contributions • Pay period Shared Cost APC's • Pay period employee APC's To pay all rechargeable items to the Fund on receipt of the invoice. Benefits will not commence until the invoice is paid.	To allocate correctly the contributions received to each employee record and to keep a log of contributions received from each employer. To charge interest for late payment in the following circumstances; • Employer contributions (including deficit payment) are overdue if they are received a month later than the due date specified. • All other payments are overdue if they are not received by the due date specified. Inform each employer of any new contribution bandings tables in place from each April. Inform employers of any rechargeable items as they become due. To keep the Fund's Privacy Notice up to date on the website for all members. To keep a Memorandum of Understanding which explains the relationship between the administering authority and participating employers when sharing personal data.

7. Standards of data

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

- the Occupational Pensions Schemes
- (Disclosure of Information) Regulations 2015;
- The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015;
- the Pensions Act 1995, 2004 and 2014;
- any Transitional Regulations currently in place;
- the Discretionary and Compensation Regulations 2006;
- the Data Protection Act 1998;
- the Freedom of Information Act 2000;
- the Disability Discrimination Act 1995;
- the Age Discrimination Act 2006;
- the Finance Act 2004;
- Health and Safety legislation;
- Employment Rights Act 2010;
- HMRC Legislation and Current GAD Guidance;
- Public Service Pensions Act 2013;

and any future amendments to the above legislation.

Data Protection Act 2018

The Shropshire County Pension Fund is a Data Controller as part of the Data Protection Act 2018 which incorporates the General Data Protection Regulation (GDPR). This means we store, hold and manage personal data in line with statutory requirements to enable us to provide pension administration services. To enable us to carry out our statutory duty, we are required to share information with certain bodies, but will only do so in limited circumstances. More information about how we hold data and who we share it can be found in the Fund's Privacy Notice on www.shropshirecountypensionfund.co.uk

The Fund has introduced a Memorandum of Understanding (MOU). The aim of the MOU is to set out that participating employers in the Local Government Pension Scheme (LGPS) can share data with the LG administering authority without a data sharing agreement being in place. (There is no legal requirement for employers to have a data sharing agreement with LGPS administering authorities as they are both data controllers.) A copy of the MOU can be found on the employers' area of the website www.shropshirecountypensionfund.co.uk.

Secure Data Transfer

The Fund will follow Shropshire Council's as Administering Authority data security guidelines when sending any personal data, including its published data sharing policy. This means that members' personal data will only be transferred from one party to the other via an acceptable method specified by the Administering Authority which may include any of the following:

a. i-Connect data transfer service (Internet based application)
b. Secure email
c. Paper forms signed by an authorising officer from the employer
d. Password protected excel spreadsheet

All these measures start from the date of receipt of all relevant information. The annual performance of the Fund is reported each year in the Annual Report.

Audit

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

Benchmarking

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

8. Employer performance reporting

As part of this Pensions Administration Strategy the Fund will develop arrangements for reporting on key performance measures.

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

Poor performance/additional work

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

In the event of continued poor performance, or additional work imposed on the Fund as a result of employer poor performance and a lack of any evidence of any measures being taken to achieve improvement by an employing authority, the Fund will seek to recover any additional costs arising.

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

In dealing with poor performance the Fund will:

- write to the main contact at the employer setting out the area(s) of poor performance;
- meet with the employing authority, where possible, to discuss area(s) of poor performance and how these can be addressed;
- contact the individual/body with overall authority for the Scheme employer (i.e. CEO/ Chair of Trustee Board/Parish or Town Council)
- issue formal written notice, where no improvement is demonstrated by the employing authority or where there has been a failure to take agreed action by the employing authority;
- Make a claim for cost recovery, taking account of time and resources in resolving the specific

area(s) of poor performance.
- Will report any claim for the cost of recovery to the Pension Committee/Pensions Board at the next available meeting and may form part of the administration report in the Fund's published Annual Report.

Reporting breaches

The Fund has a procedure to be followed by certain persons in relation to reporting breaches of the law to the Pensions Regulator. The breaches procedure applies, in the main to;

- all members of the Shropshire Pension Board and Committee;
- all officers involved in the management of the Pension Fund including members of the Treasury Team, Pensions Administration Team, and the Head of Finance, Governance and Assurance (Section 151 Officer);
- any professional advisers including auditors, actuaries, legal advisers and fund managers; and
- officers of employers participating in the Shropshire County Pension Fund who are responsible for LGPS matters.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

If a breach occurs the breaches policy must be followed. The most up to date breaches policy can be found on the Fund's website. If a breach occurs by an employer, the Fund will notify the employer to ensure improvements are made and will record and monitor the breach. If this failure to comply with the regulations is likely to be material, it will be reported to the Pensions Regulator.

9. Associated policy statements

Participating employers are advised to familiarise themselves with the other policies issued by the Fund.

Employer Events Policy

The purpose of this document is to describe the various "life stages" of an employer participating in the Fund. It summarises the events and possible outcomes from those events right through until it withdraws from the Fund.

Communications Strategy Statement

The statement outlines the Fund's policy on:

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

Governance Compliance Policy

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

This statement sets out the scheme of delegation and the terms of reference, structure and operational procedures of the delegation. It also includes information on how it will exercise certain discretions provided by the Scheme.

Employer Discretions Policy

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

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

A full list of employer discretions can be found on www.lgpsregs.org.

The Fund has purchased a template to assist employers when making their policy. A copy of the template can requested from the Pensions Team.

10. Fund Contact Information

Write/visit:
Shropshire County Pension Fund, The Shirehall, Abbey Foregate, Shrewsbury, SY2 6ND
Call: 01743 252130
Email: pensions@shropshire.gov.uk
Web: www.shropshirecountypensionfund.co.uk

Funding Strategy Statement

Appendix

03

Agreed by Pensions Committee March 2019

This funding strategy statement has been prepared by Shropshire Council (the Administering Authority) to set out the funding strategy for the Shropshire County Pension Fund (the "Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Appendices

Executive summary

Ensuring that the Shropshire County Pension Fund (the "Fund") has sufficient assets to meet its pension liabilities in the long term is the fiduciary responsibility of the Administering Authority (Shropshire Council). The Funding Strategy adopted by the Shropshire County Pension Fund will therefore be critical in achieving this.

The purpose of this Funding Strategy Statement ("FSS") is to set out a clear and transparent funding strategy that will identify how each Fund employer's pension liabilities are to be met going forward.

The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the Shropshire County Pension Fund.

It is imperative therefore that each existing or potential employer is aware of the details contained in this statement.

Given this, and in accordance with governing legislation, all interested parties connected with the Shropshire County Pension Fund have been consulted and given opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.

The Fund's objective

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. This objective will be considered on an employer specific level where appropriate.

The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen sufficiently prudently for pensions already in payment to continue to be paid, and to reflect the commitments that will arise from members' accrued pension rights.

The funding strategy set out in this document has been developed alongside the Fund's investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund. The funding strategy includes appropriate margins to allow for the possibility of events turning out worse than expected. Individual employer results will also have regard to their covenant strength and the investment strategy applied to the asset shares of those employers.

Solvency and long term cost efficiency

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time. Equally, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Local Government Pension Scheme (the "LGPS") so far as relating to the Fund.

Deficit recovery plan and contributions

As the solvency level of the Fund is 84% at the valuation date i.e. the assets of the Fund are less than the liabilities, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts (flat or increasing year on year) and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish. Employers may, in certain circumstances at the discretion of the Administering Authority, also elect to make prepayments of contributions which could result in a cash saving over the valuation certificate period.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the contributions at the expected monetary levels from the preceding valuation (including any indexation in deficit payments over the recovery period). Full details are set out in this FSS.

The target recovery period for the Fund as a whole is 16 years at this valuation which is 3 years shorter than the target recovery period from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce by 3 years at this valuation.

Where there is an increase in contributions required at this valuation the employer may, at the Administering Authority's discretion, be permitted to step-up their total contributions over a period of 3 years.

Actuarial assumptions

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. the "Secondary" rate) are set out in an Appendix to this FSS.

The discount rate in excess of CPI inflation (the "real discount rate") has been derived based on the expected return on the Fund's assets allowing for the long term strategy set out in its Investment Strategy Statement (ISS). When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns in excess of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year). It is proposed at this valuation the real return over CPI inflation for determining the past service liabilities is 2.35% per annum and for determining the future service ("Primary") contribution rates is 2.75% per annum.

Where warranted by an employer's circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole. Such cases will be determined by the Section 151 Officer and reported to the Committee.

The demographic assumptions are based on the Fund Actuary's bespoke analysis for the Fund, also taking into account the experience of the wider LGPS where relevant.

Employer asset shares

The Fund is a multi-employer pension Fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving each employer's asset share.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

Fund policies

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund's practice and policies in a number of key areas:

1. **Covenant assessment and monitoring**
   An employer's financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed. These risks include underfunding, longevity, investment and market forces.

   The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers' covenants will be assessed and monitored objectively in a proportionate manner, and an employer's ability to meet their obligations in the short and long term will be considered when determining its funding strategy.

   After the valuation, the Fund will continue to monitor employers' covenants in conjunction with their funding positions over the inter-valuation period. This will enable the Fund to anticipate and pre-empt any material issues arising and thus adopt a proactive approach in partnership with the employer.

2. **Admitting employers to the Fund**
   Various types of employers are permitted to join the LGPS under certain circumstances, and the conditions upon which their entry to the Fund is based and the approach taken is determined by the Fund's admission policy. Examples of new employers include:
   - **Fund Employers**
   - **Designated bodies** - those that are permitted to join if they pass a resolution
   - **Admission bodies** - usually arising as a result of an outsourcing or a transfer to an entity that provides some form of public service and their funding primarily derives from local or central government.

   Certain employers may be required to provide a guarantee or alternative security before entry will be allowed, in accordance with the Regulations and Fund policies.

3. **Termination policy for employers exiting the Fund**
   When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate.

   The process applying on termination will depend on whether the exiting employer has a guarantor within the Fund:

   Termination with no guarantor
   Where there is no guarantor who could subsume the liabilities of the exiting employer, the Fund's policy is to use more prudent assumptions to assess the termination position, to protect the remaining Fund employers.

   Any exit payments due will be paid immediately by the exiting employer, although instalment plans or temporary suspension of the payment may be considered by the Administering Authority on a case by case basis.

   Any exit credits (surplus assets over liabilities) will be paid from the Fund to the exiting employer within 3 months of cessation, in line with the assessment performed by the Actuary. This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date.

   Termination with a guarantor
   Where there is a guarantor who could subsume the liabilities, the termination position is assessed using an "ongoing" valuation basis, so consistent with the funding target assumptions.

The Fund's policy is that recovery of deficit and surplus should be treated in a consistent manner. Therefore:

- Where all parties agree to such treatment, any deficit or surplus would be subsumed by the guarantor
- Otherwise, any surplus would be paid to the exiting employer, and any deficit would be paid immediately by the exiting employer if possible, and the guarantor otherwise, although instalment plans or temporary suspension of the payment may be considered by the Administering Authority on a case by case basis

The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it based on the advice of the Actuary.

4. Insurance arrangements

The Fund may consider whether ill health retirement costs can be insured either through a third party insurer or by setting up an internal captive insurance arrangement which pools these risks for eligible employers. If such an arrangement is implemented the relevant employer contribution rates will be adjusted accordingly.

1. Introduction

The Local Government Pension Scheme Regulations 2013 (as amended) ("the 2013 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") (collectively; "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Shropshire County Pension Fund (the "Fund"), the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:
  - the guidance issued by CIPFA for this purpose; and
  - the Investment Strategy Statement (ISS) for the Fund published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS.

Benefits

The benefits provided by the Fund are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Average Revalued Earnings ("CARE") benefits earned thereafter. There is also a "50:50 Scheme Option", where members can elect to accrue 50% of the full Fund benefits in relation to the member only and pay 50% of the normal member contribution.

Employer contributions
The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations (which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate specifying the “primary” and “secondary” rate of the employer’s contribution).

Primary rate
The “Primary rate” for an employer is the contribution rate required to meet the cost of the future accrual of benefits, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer’s covenant.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers’ Primary rates.

Secondary rate
The “Secondary rate” is an adjustment to the Primary rate to arrive at the total rate of contribution each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following the actuarial valuation.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be the calculated weighted average based on the whole fund payroll in respect of percentage rates and the total amount in respect of cash adjustments.

2. Purpose of the FSS in policy terms

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The Administering Authority’s long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers’ pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to “secure the solvency” of the pension fund and the “long term cost efficiency”,
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3. Aims and purpose of the fund

The aims of the Fund are to:

- manage employers’ liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses as defined in the 2013 Regulations, the

2014 Transitional Regulations and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

4. Responsibilities of the key parties

The efficient and effective management of the Fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority (and, in particular the Pensions Committee the individual employers and the Fund Actuary and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

Key parties to the FSS

The Administering Authority should:

- operate the pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations
- pay from the pension fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the fund against the consequences of employer default
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain a FSS and an ISS, both after proper consultation with interested parties, and
- monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a Fund employer, and
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

The Individual Employer should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of Fund benefits, early retirement strain, and
- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and
- notify the Administering Authority promptly of any changes to membership which may affect future funding.

The Fund actuary should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc
- provide advice and valuations on the termination of admission agreements
- provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations
- advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and
- ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.

5. Solvency funding target

Securing the "solvency" and "long term cost efficiency" is a regulatory requirement. To meet these requirements the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer's total contribution rate would ultimately revert to its Primary rate of contribution.

Solvency and long term efficiency

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

When formulating the funding strategy the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the LGPS so far as relating to the Fund.

Determination of the solvency funding target and deficit recovery plan

The principal method and assumptions to be used in the calculation of the funding target are set out in Appendix A. The Employer Deficit Recovery Plans are set out in Appendix B.

Underlying these assumptions are the following two tenets:

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

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2017 at the latest.

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers and employer groups in the Fund.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2016 actuarial valuation:

- The Fund does not believe it appropriate for contribution reductions to apply compared to the existing funding plan (allowing for indexation where applicable) where deficits remain unless there is compelling reason to do so.
- Where warranted by an employer's circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole. Such cases will be determined by the Section 151 Officer and reported to the Committee.
- Subject to consideration of affordability, as a general rule the deficit recovery period will reduce by at least 3 years for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so

wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan in Appendix B). These principles have resulted in an target recovery period of 16 years being adopted across all Fund employers.

- Individual employer contributions will be expressed and certified as two separate elements:
    - the **Primary rate:** a percentage of pensionable payroll in respect of the cost of the future accrual of benefits
    - the **Secondary rate:** a schedule of lump sum monetary amounts over 2017/20 in respect of an employer's surplus or deficit

  For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from April 2020 based on the results of the 2019 actuarial valuation.
- Where increases in employer contributions are required from 1 April 2017, following completion of the 2016 actuarial valuation, if the Administering Authority agrees then the increase from the rates of contribution payable in the year 2017/18 may be implemented in steps, over a maximum period of 3 years.
- On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. In such circumstances the approach will depend on whether the employer has a guarantor in the in Fund:

Termination with no guarantor

Where there is no guarantor who could subsume the liabilities of the exiting employer, the Fund's policy on assessing the termination position is as follows:

EMPLOYERS WITH NO GUARANTOR IN THE FUND WHO JOINED PRIOR TO 1 JULY 2012	EMPLOYERS WITH NO GUARANTOR IN THE FUND WHO JOINED AFTER 1 JULY 2012
Using a corporate bond basis, with the discount rate based on the long dated Sterling AA Corporate Bond yield of appropriate duration, and allowing for a more prudent assessment of future mortality trends.	Using a "least risk" funding basis based on government bonds of appropriate duration, and allowing for a more prudent assessment of future mortality trends.

In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as an immediate lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process.

In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 3 months of cessation). This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date.

Termination with a guarantor

Where there is a guarantor who could subsume the liabilities, the termination position is assessed using an "ongoing" valuation basis so consistent with the funding target assumptions.

The Fund's policy is that any assets, liabilities and deficit or surplus would be subsumed by the guarantor and taken into account at the following valuation. This is subject to agreement from all interested parties who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor.

If all parties do not agree then:

- In the event of a surplus, this will be paid directly to the exiting employer in line with the process for unguaranteed employers outlined above (despite any other agreements that may be in place between the exiting employer and guarantor)
- In the event of a deficit, the Fund will seek to recover this from the exiting employer in the first instance. However, if this is not possible, then to maintain a consistent approach between treatment of surplus and deficit, the Fund will then seek to recover the deficit from the guarantor via an additional cash payment, unless otherwise agreed with the Administering Authority

Where applicable the Fund will inform the guarantor of the exiting employer's request to receive the surplus before making payment of the exit credit. However, in the event of any disagreement between the parties ultimately the Fund will have to comply with the Regulations and therefore pay any exit credit. The Fund will not enter into discussions if there is any disagreement over the refund of any surplus – it will be up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.

The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it based on the advice of the Actuary.

- In all cases the Administering Authority reserves the right to apply a different approach at its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole. Any employer affected will be notified separately.

Funding for non-ill health early retirement costs

Employers are required to meet all costs of early retirement strain by immediate capital payments into the Fund.

6. Link to Investment Policy and the Investment Strategy Statement (ISS)

The results of the 2016 valuation show the liabilities to be 84% covered by the current assets, with the funding deficit of 16% being covered by future deficit contributions.

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which represents the "minimum risk" investment position which would deliver a very high certainty of real returns above assumed CPI inflation. Such a portfolio would consist of a mixture of long-term index-linked, fixed interest gilts and possible swaps.

Investment of the Fund's assets in line with this portfolio would minimise fluctuations in the Fund's funding position between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in real return versus CPI inflation of nil per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 51%.

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance. The current strategy is:

Asset Class	Allocation	Control Ranges
Total Equity	**52.0**	**47.0-57.0**
Unconstrained Global Equity	24.0	20.0-28.0
Passive Equity (100% Hedged to GBP)	8.0	5.5-10.5
UK Alternatives	20.0	16.0-24.0
Total Alternatives	**23.0**	**18.0-28.0**
European (Inc UK) Property	5.0	n/a
Private Equity	5.0	n/a
Infrastructure	3.0	n/a
Fund of Hedge Funds	5.0	n/a
Multi-Strategy Hedge Funds	5.0	n/a
Total Bonds	**25.0**	**20.0-30.0**
Liability Driven Invstment (LDI)	3.5	2.0-5.0
Unconstrained Bonds	21.5	17.5-25.5

The investment strategy and return expectations set out above equate to an overall best estimate average expected return of around 3.25% per annum in excess of CPI inflation. For the purposes of setting funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations.

7. Identification of risks and counter measures

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

The Administering Authority has been advised by the Fund Actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term.

Financial

The financial risks are as follows:

- Investment markets fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle.

Any increase in employer contribution rates (as a result of these risks), may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under constant review and the performance of the investment managers is regularly monitored.

Demographic

The demographic risks are as follows:

- Longevity horizon continues to expand
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health)
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations
- The level of take-up of the 50:50 option at a higher or lower level than built into the actuarial assumptions.

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, **employing bodies should be doing everything in their power to minimise the number of ill-health retirements.** Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge.

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy.

Insurance of certain benefits

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund.

Regulatory

The key regulatory risks are as follows:

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to Fund,
- Changes to national pension requirements and/or HMRC Rules

Membership of the LGPS is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

Governance

The Fund has done as much as it believes it reasonably can to enable employing bodies and Fund members (via their representatives on the Local Pension Board) to make their views known to the Fund and to participate in the decision-making process.

Governance risks are as follows:

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond. Where there is a guarantor body in place, any outstanding funding deficit that is not recovered from the outgoing employer / bond will need to be paid by the guarantor (or the assets and liabilities for the outgoing employer will need to be subsumed by the guarantor). For cases where there is no guarantor or bond in place, any outstanding funding deficit that is not recovered from the outgoing employer will need to be subsumed by the Fund as a whole and spread across all employers.
- Changes in the Committee membership.

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored, but in most cases the employer, rather than the Fund as a whole, bears the risk.

8. Monitoring and review

The Administering Authority has taken advice from the actuary in preparing this Statement, and has consulted with the employers participating in the Fund.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Fund membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund.

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employing authorities will be contacted. In the case of admitted bodies, there is statutory provision for rates to be amended between valuations but it is unlikely that this power will be invoked other than in exceptional circumstances.

Appendix A

Actuarial method and assumptions

Method

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the Fund on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted, which makes advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

Financial assumptions - solvency funding target

Investment return (discount rate)

The discount rate has been derived based on the expected return on the Fund assets base on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 2.35% per annum above CPI inflation i.e. a real return of 2.35% per annum, equating to a total discount rate of 4.55% per annum. This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.

Where warranted by an employer's circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Fund's accrued liabilities, but subject to the following two adjustments:

- an allowance for supply/demand distortions in the bond market is incorporated, and
- an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index

The overall reduction to RPI inflation at the valuation date is 1.0% per annum.

Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.5% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. In the shorter term, the long term salary increase assumption has been replaced by an assumption of 1.0% per annum for the period to 2019/20, reflecting expected short term pay restraint in the public sector over this period.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions where the LGPS is not required to provide full indexation).

Demographic Assumptions

Mortality/Life Expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the Fund. The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary.

Current members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 4 years older whereas for existing ill health retirees we assume this is at an age 3 years older. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections with a long-term improvement trend of 1.5% per annum.

The mortality before retirement has also been adjusted based on LGPS wide experience.

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements, withdrawal rates and the proportions married/civil partnership assumption have been modified from the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option (an allowance of 10% of current and future members (by payroll) for certain employers was made at the last valuation). Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.6% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation.

Method and assumptions used in calculating the cost of future accrual (or primary rate)

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the "Primary Rate" (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the FSR should take account of the market conditions applying at future dates, not just the date of the valuation, thus it is justifiable to use a slightly higher expected return from the investment strategy. In addition the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real discount rate of 2.75% per annum above the long term average assumption for consumer price inflation of 2.2% per annum, giving a total discount rate of 4.95% per annum.

Employer asset shares

The Fund is a multi-employer pension Fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Fund as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

Summary of key whole Fund assumptions used for calculating funding target and cost of future accrual (the "primary rate") for the 2016 actuarial valuation

Long-term yields	
Market implied RPI inflation	3.2% p.a.
Solvency Funding Target financial	
Investment return/Discount Rate	4.35% p.a.
CPI price inflation	2.2% p.a.
Long Term Salary increases	3.7% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	4.95% p.a.
CPI price inflation	2.2% p.a.
Long Term Salary increases	3.7% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation, along with sample life expectancies, are set out below:

	BASE TABLE	Improvement	Adjustment (M / F)
Current pensioners:			
Normal health	S2PA	CMI_2015 [1.5%]	95% / 83%
Ill-health	S2PA	CMI_2015 [1.5%]	Normal health + 3 years
Dependants	S2PMA / S2DFA	CMI_2015 [1.5%]	115% / 93%
Future dependants	S2PMA / S2DFA	CMI_2015 [1.5%]	113% / 96
Current active / deferred:			
Active normal health	S2PA	CMI_2015 [1.5%]	95% / 83%
Active ill-health	S2PA	CMI_2015 [1.5%]	Normal health + 4 years
Deferred	S2PA	CMI_2015 [1.5%]	95% / 83%
Future dependants	S2PMA / S2DFA	CMI_2015 [1.5%]	113% / 96%

Other demographic assumptions are set out in the Actuary's formal report.

Appendix B

Employer deficit recovery plans

As the assets of the Fund are less than the liabilities at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including the option of prepaying the deficit contributions in one lump sum (either on annual basis or a one-off payment). This will be reflected in the monetary amount requested via a reduction in overall £ deficit contributions payable.

The determination of the recovery periods is summarised in the table below:

Category	Target Deficit Recovery Period	Derivation
Fund Employers	16 years	Determined by reducing the recovery period from the preceding valuation by at least 3 years and to ensure contributions do not reduce versus those expected from the existing plan.
Open Admitted Bodies	16 years	Determined by reducing the recovery period from the preceding valuation by at least 3 years and to ensure contributions do not reduce versus those expected from the existing plan.
Closed Employers	Minimum of 16 years and the future working lifetime of the membership	Determined by the future working life of the membership, and to ensure contributions do not reduce versus those expected from the existing plan..
Employers with a limited participation in the Fund	Determined on a case by case basis	Length of expected period of participation in the Fund

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;
- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the contributions at the expected monetary levels from the preceding valuation (allowing for any indexation in deficit payments over the recovery period).

Other factors affecting the Employer Deficit Recovery Plans

As part of the process of agreeing funding plans with individual employers, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things equal this could result in a longer recovery period being acceptable to the Administering Authority, although employers will still be expected to at least cover expected interest costs on the deficit.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidenced based affordable level of contributions for the organisation for the three years 2017/2020. Any application of this option is at the ultimate discretion of the Fund officers and Section 151 officer in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases.

Appendix C

Glossary

Actuarial Valuation: an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement. The asset value is based on market values at the valuation date.

Administering Authority: the council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

Admission bodies: A specific type of employer under the Local Government Pension Scheme (the “LGPS”) who do not automatically qualify for participation in the Fund but are allowed to join if they satisfy the relevant criteria set out in the Regulations.

Benchmark: a measure against which fund performance is to be judged.

Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

Bonds: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

CPI: acronym standing for "Consumer Prices Index". CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

Covenant: the assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

Deficit: the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Deficit recovery period: the target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

Discount Rate: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Employer's Future Service Contribution Rate: the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

Employing bodies: any organisation that participates in the LGPS, including admission bodies and Fund employers.

Equities: shares in a company which are bought and sold on a stock exchange.

F**und / Scheme Employers:** employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Fund Employers.

Funding or solvency Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement: this is a key governance document that outlines how the administering authority will manage employer's contributions and risks to the Fund.

Government Actuary's Department (GAD): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Guarantee / guarantor: a formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Letting employer: an employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

Liabilities: the actuarially calculated present value of all benefit entitlements i.e. Fund cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

LGPS: the Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements.

Maturity: a general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

Members: The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

Minimum risk basis: an approach where the discount rate used to assess the liabilities is determined based on the market yields of Government bond investments based on the appropriate duration of the liabilities being assessed. This is usually adopted when an employer is exiting the Fund.

Orphan liabilities: liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

Percentiles: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Phasing/stepping of contributions: when there is an increase/decrease in an employer's long term contribution requirements, the increase in contributions can be gradually stepped or phased in over an agreed period. The phasing/stepping can be in equal steps or on a bespoke basis for each employer.

Pooling: employers may be grouped together for the purpose of calculating contribution rates, (i.e. a single contribution rate applicable to all employers in the pool). A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

Prepayment: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced in monetary terms compared to the certified amount to reflect the early payment.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Profile: the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

Rates and Adjustments Certificate: a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

R**eal Return or Real Discount Rate:** a rate of return or discount rate net of (CPI) inflation.

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.

Scheduled bodies: types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

Valuation funding basis: the financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

Investment Strategy Statement

Appendix

04

Agreed by Pensions Committee March 2019

Appendices

1. Introduction

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

All LGPS funds in England and Wales are required to have an Investment Strategy Statement ("ISS" or "Statement"). Regulation 7 of The LGPS (Management and Investment of Funds) Regulations 2016 governs the requirements of this Statement. The Shropshire County Pension Fund (the "Fund") has complied with these requirements.

Under the regulations the Secretary of State has the power to intervene in the investment function of an administering authority if the administering authority does not have regard to the Regulations, guidance or if other concerns are raised. This may include changing the ISS and, in the extreme, the transfer of investment powers to the Secretary of State or another nominated person.
Shropshire Council (the "Authority") is the Administrating Authority for the Fund.

This ISS has been prepared by the Fund's Pension Committee (the "Committee"), following advice received from the Fund's consultant, Aon Hewitt.

The document takes account of the Fund's:

Approach to pooling

- the Authority's approach to the pooling of investments, including the use of collective investment vehicles and shared services.

Asset allocation and risk

- to ensure that asset allocation strategies are sufficiently diversified;
- to include the Authority's assessment of the suitability of asset classes;
- set out the maximum percentage of the total value of all investments that it will invest in in particular asset classes;
- to include the Authority's approach to risk, the assessment of risks and how they are to be managed.

Policies regarding investments

- the Authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;
- the Authority's policy on the exercise of the rights (including voting rights) attaching to investments.

The ISS will be reviewed every three years after the investment strategy has been reviewed and is confirmed as fit for purpose. In addition the ISS will be reviewed following changes to the investment strategy.

A copy of this ISS will be made available on request to any interested party.

2. Governance

Shropshire Council has delegated responsibility for the management of the Fund to the Pension Committee. The Pension Committee has responsibility for establishing investment policy and ongoing implementation.

The Pension Committee is made up of nine members comprising both elected councillors and a non-voting employee and pensioner representative.

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

Decisions affecting the Fund's investment strategy are taken with appropriate advice from the Fund's advisers. Only persons or organisations with the necessary skills, information and resources take decisions affecting the Fund. The Members of the Pension Committee will ensure they receive training as and when deemed appropriate, to enable them to critically evaluate any advice they receive.

The Committee receives independent investment advice from the following sources:

- **Roger Bartley** - strategic and overall investment approach advice.
- **Aon Hewitt** (the Investment Consultant) - analysis and advice of a technical nature in relation to all investment related aspects of the Fund.

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

Local Pensions Board

The role of the Local Pensions Board is to assist in the good governance of the scheme through the monitoring of adherence to statutory duties.

The Board consists of 2 employer and 2 member representatives.

The Pensions Board is not a decision-making body, nor does it hold a scrutiny function; its role is to assist in the compliance with scheme rules.

Investment Principles

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

3. Approach to Pooling

The Fund is a participating member of the LGPS Central Pool. The proposed structure and basis on which the LGPS Central Pool (the "Pool") will operate was set out in the July 2016 submission to Government.

Assets to be Invested in the Pool

The Fund's intention is to invest its assets through the LGPS Central Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government.

It is expected that the majority of the Fund's liquid assets will be transferred to the Pool during 2019, although it will take some time for the Pool to restructure the assets into appropriate sub-funds within the Pool. These sub-funds are likely to be set-up over a period of 2 – 3 years, with the timing being dependent on market conditions and operational circumstances, and until such time as the appropriate sub-fund is set up the assets transferred into the Pool will be overseen by LGPS Central on behalf of the Fund. It is not expected that any significant decisions (e.g. replacement of a manager) will be taken on the assets transferred over to the Pool without prior consultation with the Fund, unless it is part of the process that leads to the setting up of a sub-fund.

At present it is expected that any transitory cash will be held outside the Pool (but not strategic cash holdings), and it is possible that currency management will continue to be carried out at an individual fund level.

Structure and Governance of the LGPS Central Pool

The eight administering authorities of LGPS Central will all be equal shareholders of the company. A Shareholders' Forum, comprising of one elected member from each administering authority, will fulfil the shareholders' role in ensuring that the company is managed efficiently and effectively and in the best interests of the funds.

A Joint Committee, also comprising one elected member from each administering authority, has been formed that will hold the company to account on all investment-related issues. The Joint Committee has no decision making powers and all actions that are felt to be appropriate will ultimately require approval at an individual fund level.

A Practitioners' Advisory Forum, comprising of Officers of the administering authorities, has been set up. The intention of this forum is to provide support and guidance to elected members on some of the practical issues, and to act as a conduit between the Joint Committee and the Committees of individual funds.

4. Asset allocation and risk

Strategic Asset Allocation

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

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

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

The Committee formulates the investment strategy with a view to:

- the advisability of investing money in a wide variety of investments;
- the suitability of particular investments and types of investment;
- ensuring that asset allocation strategies are sufficiently diversified.

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

- quoted and unquoted equity;
- government and non-government bonds;
- Liability Driven Investment ("LDI");
- property and infrastructure;
- hedge funds and other alternative investments;
- derivatives, including equity options

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

Investment Beliefs

The following investment beliefs are taken into account when agreeing an asset allocation policy:

- A long term approach to investment will deliver better returns.
- The long term nature of the Fund's liabilities is well suited to a long term approach to investment.
- Asset allocation policy is the most important driver of long term return.
- Risk premiums exist for certain types of asset and taking advantage of these can help to improve investment returns.
- Markets can be inefficient, and sometimes 'mispriced' for long periods of time, and there is a place for both active and passive investment management.
- Diversification across investments with low correlation improves the risk/return profile, but over-diversification is both costly and adds little value.
- The Fund should be flexible enough in its asset allocation policy to take advantage of opportunities that arise as a result of market inefficiencies, and also flexible enough to protect against identifiable short-term risks when this is both practical and cost-effective.
- Responsible investment can enhance long term investment performance and investment managers will only be appointed if they integrate responsible investment into their decision-making processes.
- Investment management fees are important and should be minimised wherever possible, but it is ultimately the net return to investors (i.e. the return after all fees and costs) that is the most important factor.

Asset-liability Study and Expected Returns

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

The asset-liability study takes into account the particular liabilities of the Fund.

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

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

linked to the behaviour of inflation than others and so they represent a good match for liabilities linked to inflation.

Expected annualised returns are formulated for each asset class based on long term capital market assumptions, using ten year expected returns and volatilities. The returns and volatilities used for each asset class are shown in the table below, and represent the 10 year annualised nominal return assumptions from Aon Hewitt at 30 September 2018. Note these differ from the 31 December 2016 assumptions used at the last Asset-Liability Modelling study.

Asset class	31 December 2016	
	Expected Return %	Volatility %
UK Equities	6.5%	19.0%
Global Unconstrained Equities	8.1%	20.6%
Global Passive Equities	6.9%	20.0%
European Property	5.4%	17.0%
UK Index-Linked Gilts (20 year duration)	0.9%	10.5%
Unconstrained Bonds	3.8%	6.0%
Global Fund of Hedge Funds	4.0%	9.5%
Global Private Equity	7.7%	27.5%
Infrastructure	6.8%	19.0%
Inflation (CPI)	2.1%	1.0%
Whole Loans Property Debt	5.1%	8.0%
Insurance-Linked Securities	4.6%	3.5%

As part of the de-risking strategy, in the first half of 2018, the Fund committed c.£66m in Property Debt and c. £32m in Insurance-Linked Securities.

Investment Strategy and Control Ranges

The Fund's strategic asset allocation was agreed by the Pensions Committee in November 2018 as follows:

Asset class	Allocation	Control Range
Total Equities	**47.0**	**42.0 – 52.0**
Unconstrained Global Equities***	11.0	8.0 – 14.0
UK Equities	8.0	5.5 – 10.5
Passive Equities (100% Hedged to GBP)*	28.0	22.0 – 34.0
Total Alternatives	**25.5**	**20.5 – 30.5**
European (Incl UK) Property	5.0	n/a
Private Equity	5.0	n/a
Infrastructure	3.0	n/a
Fund of Hedge Funds**	7.5	n/a
Insurance-Linked Securities	1.5	n/a
Property Debt	3.5	n/a
Total Bonds	**27.5**	**22.5 – 32.5**
Liability Driven Investment (LDI)	3.5	2.0-5.0
Unconstrained Bonds **	24.0	20.0-28.0

* The Fund has implemented an equity derivatives programme with Legal & General Investment Management in order to manage the SCPF's exposure to equity markets over the short to medium term. The strategy protects £580m of equities with £140m of protection expiring in June 2019, another £140m expiring in December 2019, and another £300m expiring in December 2020. The protection targeted is such that when expected dividend income is allowed for, total losses over the terms of the protection will be no greater than 3%, unless the extent of price losses are sufficiently large to result in total returns losses exceeding 23%, in which case the protection structure reduces the total return losses by 20%. For all except the non-US expiries in December 2020, protection was funded by selling potential upside returns on the equity protected with the amount retained varying by region.

**The Fund has recently disinvested from a multi-strategy hedge fund and increased the allocation to fund of hedge funds and unconstrained bonds.

***The Fund transferred its unconstrained active global equities to LGPS Central in March 2019.

Rebalancing Policy

Officers will review the position of the Fund quarterly to ensure the assets are within the control ranges listed above, and will rebalance as appropriate.

Risk

The Committee regards 'risk' as the likelihood that it fails to achieve the objectives set out above and has taken several measures, to minimise this risk so far as is possible. The Fund's Risk Register has more information.

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

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

Asset Allocation Mismatch

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

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

- the rate of return on assets;
- salary escalation and price inflation for active members;
- price inflation for deferred members;
- price inflation for pensioners.

In terms of magnitude, the Committee considers asset-liability mismatch risk to be one of the most important to control. Therefore, following each actuarial valuation, the Committee conducts an asset-liability review, which focuses on the impact of asset allocation on expected future funding levels. The Committee considers the results using advanced modelling techniques and, with the assistance of expert advisers, are able to measure and quantify them in terms of their definitions of risk. This allows the Committee to assess the probabilities of critical funding points associated with different investment strategies. Consideration is given to the volatility of a number of parameters (e.g. items associated with accounting measures, contributions etc.), to further assess the potential risks associated with a particular investment strategy.

Cash-flow Risk

The Fund remains open to new members and new accruals. Contributions are received from both active members and employers within the Fund. Active members contribute on a tiered system. Contributions from employers within the Fund are determined based on advice from the Fund Actuary based on the triennial valuation.

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

Investment Risk

The Committee believe the use of active management within the Fund will increase the likelihood that the Fund will meet its objectives. The decision as to whether to pursue active management is evaluated separately for each asset class, with regard to the potential reward within that asset class for taking on active manager risk.

Active manager risk is then diversified through the use of different investment managers and pooled funds.

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

The Fund's assets are invested in portfolios managed by external investment managers shown in appendix B. They are benchmarked against the indicated indices. Based on expert advice (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the Pool), investment managers may be replaced at any time and this list may not always be current.

The performance targets for the investment manager(s) are shown in appendix B. Shropshire Council recognises that these targets will not be met in all periods under consideration, but expects that they will be met in the vast majority of long-term periods under consideration. In addition, the return generated on the passive equities is constrained by the equity protection strategy the Fund has in place with Legal & General.

Each investment manager appointed by the Committee (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the Pool) is bound by the terms and conditions of an Investment Management Agreement where restrictions and targets are clearly documented, including a measure of risk. The pooled fund investments and direct investments are governed by the terms and conditions of the fund and or policy documents.

Frequent monitoring of portfolio performance and exposure characteristics also aids in the ongoing risk management for the Fund (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the Pool).

Concentration Risk

The split between asset classes has been set to ensure there isn't excessive exposure to any particular asset class or specific risk such as equities or credit risk.

To ensure that asset allocation is sufficiently diversified the Committee considers a full range of investment opportunities including those available through the LGPS Central Pool. In addition investment opportunities outside the pooling arrangements will be considered if they are not already or likely to be available through the Pool, and there are suitable resources to invest in and monitor the investment. These can include contracts related to financial futures or insurance.

Appropriate advice will be sought on alternative asset classes when setting the strategy and as opportunities arise.

Currency and Counterparty Risk

Passive equity investments are fully currency hedged by the investment manager.

Some investment managers may take active currency positions based on their mandates.

The Committee has delegated responsibility for the counterparty risk to the investment manager(s) (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool who may further delegate to investment managers).

Legal & General shall manage the Fund's margin or payment requirements arising in respect of the equity protection strategy.

Custody Risk

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

Stock Lending

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

The manager(s) of pooled funds may undertake a certain amount of stock lending on behalf of unit-holders. Where a pooled fund engages in this activity the extent is fully disclosed by the manager (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool).

Monitoring

The Committee monitors the strategy and its implementation as follows:

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

The Officers, in conjunction with the Investment Consultant, will regularly review the allocation of assets between the different asset classes.

Service Provider Monitoring

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

Investment Manager Fees

Investment management fees comprise an ad valorem or fixed base fee element and in some cases a performance based element. The ad valorem fee is calculated as a percentage of assets under management. Where applicable, the performance based element is calculated as a percentage of outperformance. The assessment period ranges from one to three years depending on the investment manager and the mandate. The exact details of the fee arrangements are specific to the investment manager and are as agreed in the respective Investment Manager Agreements or pooled fund documentation (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the Pool).

5. Policies regarding investments

Social, Environmental and Corporate Governance Considerations

Shropshire Council is aware of the UK Stewardship Code and is working towards becoming signatories to the Stewardship Code (the "Code"). Although it has not yet formally signed up to the Code it aims to abide by the principles of the Code where appropriate.

The principles of the UK Stewardship Code are included in Appendix C for information.

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

In addition the Fund is a member of the Local Authority Pension Fund Forum which helps ensure governance is in line with current best practice.

The Exercise of the Rights Attaching to Investments

The Committee has delegated responsibility for the selection, retention and realisation of investments to the investment manager(s) (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool who may further delegate to investment managers).

The Committee expects the investment managers to take steps to ensure that environmental, social and governance factors are adequately addressed in the selection, retention and realisation of investments as far as such factors may affect investment performance (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool who may further delegate to investment managers).

The Committee supports the principle of good corporate governance. It has reviewed and accepted the corporate governance policies of its investment manager(s) who exercise its voting rights. Votes are cast by proxy. Investment manager(s) provide reports when any voting rights are exercised (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool). Only direct investments in traded equity shares carry such voting rights.

Appendix A

Myners Principles for Institutional Investment Decision Making

Principle	Comply or explain	Comment/Examples
1. Effective decision making • Administrating authorities should ensure that: • decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation • Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest	Comply	Pension Committee takes decisions relating to setting investment objectives and strategic asset allocation, appointment of investment managers. Pension Committee members, substitute members and Officers participate in an annual training day, attend educational seminars and receive occasional papers and presentations at committee meetings. The training requirements of new Pensions Committee members are addressed and appropriate training programmes made available, with a formal Training Programme being submitted to the Committee for consideration on an annual basis.
2. Clear Objectives • An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers and the attitude to risk of both the administrating authority and scheme employers, and these should be clearly communicated to advisors and investment managers	Comply	A Fund specific investment objective is set to maintain a funding level at, or close to 100% and within this, to endeavour to maintain low and stable employers contribution rates. As set out in the Funding Strategy Statement, the actuary takes account of a range of factors on the Fund's liabilities in setting contribution rates as part of the valuation process. Performance and risk parameters are specified in relation to relevant indices and appropriate time periods and are set out in investment mandates.
3. Risk and liabilities • In setting and reviewing their investment strategy administrating authorities should take account of the form and structure of liabilities. • These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk	Comply	Asset/Liability review is carried out every three years and the actuary takes account of a range of factors on the Fund's liabilities as set out in the Fund's Funding Strategy Statement which addresses the issues of financial assumptions, longevity and strength of covenant. If required, the actuarial funding position can be reported to the Pensions Committee on a quarterly basis, using information provided by Aon Hewitt.
4. Performance assessment • Arrangements should be in place for formal measurement of performance of the investments, investment managers and advisors • Administrating authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members	Comply	The Officers have an independent performance measurer in place. They also receive regular updates from Aon Hewitt regarding managers and the Officers meet regularly with their managers and advisors to review their performance. The Fund has recently assessed its effectiveness as a decision-making body and aims to spend more time on strategic level and asset allocation decisions compared to meeting managers going forwards.
5. Responsible ownership • Administrating authorities should • Adopt or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents • Include a statement of their policy on responsible ownership in the statement of investment principles • Report periodically to scheme members on the discharge of such responsibilities	Comply	The Investment Strategy Statement includes a statement on responsible ownership. An independent advisor is appointed to engage with companies on socially responsible issues and voting at company meetings is effected through the Fund's investment managers.
6. Transparency and reporting • Administrating authorities should • Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives • Provide regular communication to scheme members in the form they consider most appropriate	Comply	A range of documents are published relating to the Fund's investment management and governance including the governance compliance statement, Funding Strategy Statement, Investment Strategy Statement, Communication Policy Statement and Annual report and accounts. These documents are available in full on the Fund's website and any amendments are published. Stakeholders are also invited to attend the annual meeting of the Fund.

Appendix B

Investment manager mandates

Investment Manager	Asset class	Benchmark	Target
ACTIVE PORTFOLIOS			
PIMCO Europe Ltd	Unconstrained bonds	1 month Sterling LIBOR	+4% p.a.
BlackRock	Unconstrained bonds	3 month USD LIBOR	+ 4-6% p.a.
T. Rowe Price	Unconstrained bonds	3 month Sterling LIBOR	+ 3% p.a.
BMO	Liability Driven Investment (LDI)	Hedge Benchmark (based on typical pension fund's liability profile)	Outperform the benchmark
Majedie Asset Management	UK Equities	FTSE All Share	+2% p.a. over rolling 3 year periods
MFS Investment Management	Global Equities	MSCI World	+1% p.a. over rolling 3 year periods
Investec Asset Management	Global Equities	MSCI All Country World NDR	+ 3-5% p.a. over rolling 3 year periods
Harris Associates	Global Equities	MSCI World	+ 2-3% p.a. over 3 to 5 years
Harbour Vest Partners Limited	Private Equity Fund of Funds	Broad public equities index	+ 3-5% p.a.
Global Infrastructure Management	Infrastructure	n/a	RPI +5% p.a.
Aberdeen Property Investors	European (incl UK) Property	Composite of INREV VA Europe Index, vintage 2005 – 2008 and IPD UK All Balanced Funds Index	RPI +4% p.a.
BlackRock	Fund of Hedge Funds	3 month Sterling LIBOR	+5.0% p.a.
DRC Capital	Property Debt	n/a	Absolute 6.0% p.a.
Securis	Insurance-Linked Securities	US Government 3-month treasury bill	+5.0% p.a.
INDEXED (PASSIVE) PORTFOLIOS			
Legal & General Investment Management	Global Equity	FTSE Developed World – GBP Currency Hedged	Match benchmark*

* The Fund has implemented an equity derivatives programme with Legal & General Investment Management in order to manage the SCPF's exposure to equity markets over the short to medium term.

LGPS Central active global equity sub fund performance target 1.5% p.a. above FTSE global equity benchmark on a rolling 3 year period.

Appendix C

Principles of the UK Stewardship Code

1. 1. Publicly disclose their policy on how they will discharge their stewardship responsibilities.
2. 2. Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.
3. 3. Monitor their investee companies.
4. 4. Establish clear guidelines on when and how they will escalate their stewardship activities.
5. 5. Be willing to act collectively with other investors where appropriate.
6. 6. Have a clear policy on voting and disclosure of voting activity.
7. 7. Report periodically on their stewardship and voting activities.

Communications Policy Statement

Appendix

05

Agreed by Pensions Committee on 26 June 2015

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

Appendices

Shropshire Council, in its capacity as an Administering Authority deals with over 120 employers and approximately 15,000 scheme members, 13,000 deferred members and 10,000 pensioners in relation to the Local Government Pension Scheme (LGPS). The delivery of benefits involves communication with the membership and a whole range of other interested parties. This statement provides an overview of how we communicate and how we intend to measure whether our communications are successful.

This statement is effective as of 26 June 2015 and the membership details were correct as of that date.

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

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

1. Introduction

1.1 The principal aim of the Shropshire County Pension Fund is to provide secure pensions, effectively and efficiently, administered at the lowest cost to the contributing employers.

1.2 The Fund is committed to providing comprehensive information to all stakeholders, through the most appropriate communication methods. Effective communication cannot be left to chance and this document outlines the ways in which the Fund aims to meet this objective.

1.3 The Shropshire County Pension fund has experience of using innovative communication techniques and intends to continue using a wide variety of communication tools in the future.

1.4 The Fund is now part of a Joint Communications Group with neighbouring Local Government Pension Fund Authorities.

Thus the funding and resourcing of elements or our communication service is shared, such as the development and production of newsletters and Annual Benefit Statements. This has already, and will continue to, provide Fund efficiency savings.

1.5 The Fund Officers will endeavour to ensure that value for money and quality of service is obtained from sourcing both imaginative, cost effective designers and reliable printing departments.

2. Principles of communication

2.1 The Fund has adopted five key principles that support all of its communication. The Fund is committed to ensuring that:

- Communication is factual and presented in plain language
- Communication is designed in a manner appropriate to its audience
- Communication is looked upon as involving a dialogue with others
- Communication takes on the developments and improvements in new technology and different channels.
- Communication is planned, Co-ordinated and evaluated

2.2 The Fund will make every effort to make communication materials available in large print, Braille, audio tape and different languages if requested.

2.3 The local Government Pension Scheme is a useful tool in attracting employees to work in local government. For Employers it is a key part of their recruitment and retention package. Pension Services are also the last, and often the only, link between former staff members and their employers. The Fund therefore has an important role in ensuring that it communicates effectively with all its stakeholders.

2.4 Pension Services work to maintain a thorough knowledge of the regulations in order to retain the confidence of its members. Pension Services should always be the first place staff members turn for pension information during their working life and in retirement.

2.5 Pension Services are committed to responding promptly to members' requests for information, whether it's by face to face communication, email or by letter. Information is provided within set timescales. Our turnaround time for dealing with requests is normally ten days.

3. How does the Fund communicate with stakeholders?

3.1 Printed /Electronic Literature

Any paper or electronic based communications is produced using the Fund branding, be that newsletters, guides or individual letters.

3.2 Drop in Service

For those members who prefer ‘face to face’ communication the Fund’s office is situated at the Shirehall and is easily accessible by public transport from all areas of Shropshire.

Appointments can be made to discuss specific pension options or problems, but generally this is not necessary as members of the team are available during office hours. If members do drop in, appointments held are confidential and private.

3.3 Telephone

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

3.4 Website

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

The Fund provides a secure area on the site which allows Scheme members to access their own records, calculate benefit estimates, projections and to update home address information. This is called Member Self Service or MSS.

3.5 Contacting the Fund by post or email

For general communications, the Fund has an email account and postal address. These details can be found on the back cover of this statement.

3.6 Email alerts

The Fund asks all new members for an email address and has made efforts to capture the email addresses of deferred and pensioner members. This is so all members can be sent out email notifications when there has been a significant update to the website or an upcoming event.

3.7 Presentations and courses

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

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

3.8 Roadshows and Member Consultations

The Fund organises events on a consultation/ surgery basis with time slots for members and prospective members. This is particularly useful for employers with small numbers of staff.

Fund membership is dispersed over a large rural area and therefore these consultations are an ideal way to reach members. These consultations are generally held after Annual Benefit Statements have been sent.

3.9 Newsletters

‘Pension update’ is the Fund’s in-house newsletter and is sometimes produced in conjunction with our Joint Communications Group. This in-house newsletter is issued periodically. With an audience of Scheme and eligible non-members the newsletter aims to provide topical news, articles and the latest information about the Scheme and pensions in general.

InTOUCH is the Funds in-house newsletter for retired members. Published twice a year, the newsletter proves to be a useful way of providing updates on relevant changes in legislation, topical news, competitions and member’s articles.

Deferred members also receive a newsletter, normally sent with their Annual Benefit Statements. These newsletters are sent when information needs to be communicated to them, again providing updates on relevant changes in legislation, topical news and reminding the member to keep the Fund notified of any future changes in address.

Newsletters or email bulletins are also issued to Scheme Employers frequently. These provide legislation, operational items and technical updates and support. They also advertise upcoming training and events.

Annual Report, Accounts & Meeting
The Annual report is a financial reporting document showing the Funds accounts over the previous twelve months, along with details on both investments and administration performance.

The report and accounts are the main focus of the Annual Meeting held in November.

All retired, active and deferred members are invited to attend the Annual Meeting. The meeting gives members the opportunity to meet the Pension Committee and the members of staff who administer the Scheme on a one to one basis. Also, the Funds management team provide updates on the latest Fund news. The Fund is committed to making the meeting widely accessible to the membership and ensuring its content is of both interest and relevance. The Annual Meeting regularly covers scheme benefit changes, valuation position and investments in an interesting and informative manner.

4. Who are the stakeholders of the Fund and what is provided to them?

4.1 Active & Deferred Scheme Members

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

Annual Benefit Statement
An Annual Benefit Statement is provided to all active and deferred members. The statements include various pension details such as the current value of benefits, how they are calculated, and when they become payable. The format of the statements is continually being developed to provide members with the information they require in a clear and concise manner.

Scheme Literature
A large range of literature, including scheme guidance and frequently asked questions, is produced by the Fund and is made available to both Employers and Scheme members.

A different guide is available for councillors to whom different rules apply. Councillor members of the scheme also have a different section of the Funds website.

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

4.2 Prospective Scheme Members

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

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

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

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

Other Employer Communications
The increasing role of communication within all organisations means that more employers have staff newsletters, intranets and other communication facilities. The Fund actively works to provide their employees with the best information and opportunities in regard to the Scheme and often provides information to be made available on intranets and websites.

4.3 Retired Members Pay Advices

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

Online access to Payslips and P60s

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

Combined P60 Payslip and P.I.

Every retired member and/or their dependents will receive a P60, Payslip and P.I. notification normally at the end of April.

The pension increase notification informs them of the inflation increase on their pension, if any.

Retired Members Meeting

Every summer a dedicated meeting is held for retired members. These include a presentation from an outside speaker on a non-pension related subject and an update on the latest pensions news.

Cards & Flowers

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

Validation - Retired Members Living Abroad

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

4.4. Employing Authorities Employer Meetings & Training Sessions

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

Employers' Guide

An Employers' Guide is available to all employers, detailing the processes, procedures and forms required to effectively discharge their pension administration responsibilities. The employers guide is held on the employers area of the website www.shropshirecountypensionfund.co.uk

Employers Bulletins

Regular email bulletins are periodically sent out to all employers. These aim to inform employers on latest news, issues, events and regulatory changes. The bulletin is also used to communicate any consultations in regard to policy and regulations.

Monthly returns and end of year procedure

There is data that employers must submit to the Pensions Team in respect of Scheme members on a monthly basis to ensure their pension record is accurate. The monthly return template can be found in the employers pages of the pension's website and the notes on completion are contained within the spreadsheet. The spreadsheet should be securely sent to the Pensions Team to update member records each month.

Each year employers are required to submit a year end return. Employers are emailed towards the end of the financial year with the year-end template and instructions for completion.

Some employers in the Fund are using a "middleware" facility called I-Connect that assists the fund and employers by improving the flow of member data between the two parties. It is equipped for the 2014 CARE scheme requires and addresses automatic enrolment obligations together with minimizing the risk of fines from the Pension Regulator. The main cost of this system falls on the Pension Fund with a small cost to the employer.

4.5 Pension Committee & Fund Staff

Pensions Committee

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

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

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

Pensions Board

In accordance with the LGPS Governance Regulations 2015, a Pension Board has been introduced from 1 April 2015 to ensure effective governance and administration of the Scheme.

The Local Pension Board is be responsible for assisting Shropshire Council, the Scheme Manager, to:
Secure compliance with:

- The Local Government Pension Scheme Regulations;
- Any other legislation relating to the governance and administration of the Scheme, and;
- Requirements imposed by The Pensions Regulator in relation to the Scheme, and; to ensure the effective governance and administration of the Scheme.

From the date of its set up on the 1st April 2015 the Board will be an oversight body and not decision making. It does not replace existing governance arrangements in place in the Shropshire County Pension Fund in respect of the administration of the Local Government Pension Scheme.

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

- 2 employer representatives
- 2 scheme member representatives

Pension Board reports will be available on the council's website www.shropshire.gov.uk and by following the link for 'Committees, meetings and decisions' and on the 'Pension Board' page or at www.shropshirecountypensionfund.co.uk

Service Management Team

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

Team Meetings

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

Training

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

Intranet and E-Mail

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

Local Authority Pensions Web

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

4.6 Communication with Other Bodies

Mercer (Pension Fund Actuary)

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

Legal Advice

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

DCLG

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

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

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

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

Joint working with other pension funds
To reduce costs the Fund leads on collaborative working with other pension funds.

Representatives from each fund meet quarterly to discuss communications issues.

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

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

4.7 Measure of Successful Communication Service Quality Questionnaire
A questionnaire is issued to members with various correspondences, including retirements and benefit quotes. This allows the fund to evaluate the service provided. Survey responses are collated and reviewed twice a year.

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

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

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

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

6. Information governance

Data Agreement
To protect any personal information held electronically the Administering Authority is registered under the Data Protection Act 1998. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund.

Members who wish to apply to access their data on data protection grounds should contact the Data Protection Officer on: (01743) 252774

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

Your information is processed for the sole purpose of administering your pension.

The Fund may, if it chooses, pass certain details to a third party, where the third party is carrying out an administrative function of the Fund or where we are legally obliged to do so.

Members who wish to see a copy of information held about them by the Shropshire County Pension Fund should make a subject access request under the Data Protection Act 1998 to the Information Governance Team at Shropshire Council.

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

Protecting Information Staff Training

Information is vital to the work undertaken by the Pension Funds administrators and each member of staff is responsible for safeguarding information held by the Fund. Staff who come into contact with, or use, personal information about members of the public are required complete a formal data handling training on an annual basis. This training helps to ensure personal information is handled appropriately and every member of the pensions team completes this training once a year.

Freedom of Information Requests

The Freedom of Information Act (FOI) means that members of the public and organisations have new rights of access to information held by public bodies. Upon request we must tell individuals if we hold information and if so, provide it within 20 working days.

For requests of information under the Freedom of Information Act or similar legislation, please forward your request to:
information.request@shropshire.gov.uk

7. Further information

Further information can be obtained from:
Pensions Helpline: (01743) 252130
Email: pensions@shropshire.gov.uk
Web: www.shropshirecountypensionfund.co.uk

FUND PUBLICATIONS AND COMMUNICATIONS

Communication Document	When Issued	Available To	Format	When Reviewed
Brief Scheme Guide	Upon commencing employment/ when requested	Prospective/Active/Deferred/ Retired Members/Dependents	Paper/ PDF on Website	As regulations change
Topical Booklets	When required	Active/Deferred/ Retired Members/ Dependents	Paper/ PDF on Website	As regulations change/ new leaflets introduced regularly
Benefit Statements	Annually by 31st August (rolling programme)	Active/Deferred Members/ Pension Credit	Paper /online via Member	Annually
Encouraging New Members Campaign	When Required	Prospective Members	Paper-Flyer	When required
Members Newsletter	As Required	Active/Deferred Members	Paper/PDF	As regulations change/as required
Pension Consultations	As Required	Active Members	Face to face	As required
Retirement Process Booklet	To Retiring Members	Prospective/Active/Deferred/ Retired Members on website	Paper/PDF on website	As regulations change/as required
Service Quality Survey	Continually	Active/Deferred/ Retired Members	Paper/email	As required
Presentations	As Required	Prospective/Active Members	Presentation/ Face to face	As required
Induction Presentations	When requested by employer	Prospective/Active Members	Face to face	As required
Statutory notification	When member record changed	Active Members	Paper	As regulations change/as required

FUND PUBLICATIONS AND COMMUNICATIONS				
Communication Document	**When Issued**	**Available To**	**Format**	**When Reviewed**
Website	Continually	All Members/ Employers/Fund Managers/ Non Scheme Members	Website	Monthly
Annual Meeting	Annually (November)	All Members/ Employers/Fund Managers	Presentation/ Face to face/film	Annually
Annual Report	Annually	All Members/ Employers/Fund Managers	Paper/ Website/ Intranet	Annually
Helpdesk	Continually (within Office Hours)	All Members/ Employers/Fund Managers	Face to face/ Telephone/ Paper/E-mail	As required
Correspondence	Continually (within Office Hours)	All Members/ Employers/Fund Managers	Face to face/ Telephone/ Paper/E-mail	As required
Payslip	Monthly	Pensioner Members/ Dependents	Paper/ MyView	Paper copy issued when £5 variation in net pay
P60	Annually (April)	Pensioner Members	Paper/ MyView	Annually
Pensions Increase Notification	Annually (April)	Pensioner Members	Paper	Annually
InTouch- Pensioner Newsletter	Biannually (April/ October)	Pensioner Members	Paper/ Website	Biannually
Retired Members Meeting	Annually (June)	Pensioner Members	Invites by Paper/Face to face/ Website	Annually
Age 100 Pensioners	As Required	Pensioner Members	Paper/Gift	As required
Pensioners Living Abroad	Annually	Pensioner Members	Paper	Annually
Employers Guide including PEN forms	As Required	Employers	Held on Pensions Website	As regulations change/as required
Employers Bulletin	As Required	Employing Authorities	Email alerts	As regulations change/as required
Employer Meetings and Training	As Required	Employing Authorities	Face to face/ Training videos on website	As regulations change/as required
Pension Administration Strategy	Annually and as required	Employing Authorities	PDF on website	Annually
Employer Satisfaction Survey	As Required	Employing Authorities	Paper/ Online survey	Annually
iconnect	As Required	Employing Authorities	Electronic	As required
Data Transmission	As Required	Employing Authorities	Electronic	As required
Annual Report and Accounts	Annually (October)	All Members	Paper/Website/Intranet/ Email	Annually
Valuation Report	Every three years	Employing Authorities/ all Stakeholders	Paper/	Website (Overview)/ AGM Every three years
Statement of Investment Principles (SIP)	Annually	All Members/ Stakeholders	Website	As required
Governance & Compliance Statement	Quarterly	All Members	Website	Quarterly
Pension Committee Training Day	Annually	Committee Members/Fund Staff	Face to face	Annually
Other body Communications inc. SPOG, NIF, Media/ Press, Trade Unions, Joint Communication meeting	As Required	All Relevant Bodies	Paper/ Website/ Face to face	As required
Fund Staff Training and Meetings	Monthly/ as required	Fund Staff	Face to face/ Paper	As regulations change/as required
Email alerts	As required when there is a significant website update / event/ regulation change	All members	Email	As required

Reporting Breaches Policy Statement

Appendix

06

Agreed by Pensions Committee on 27 November 2015

Appendices

1. Introduction

1.1 This document sets out the procedures to be followed by certain persons involved with the Shropshire County Pension Fund, the Local Government Pension Scheme managed and administered by Shropshire Council, in relation to reporting breaches of the law to the Pensions Regulator.

1.2 Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

1.3 This Procedure document applies, in the main, to:

- all members of the Shropshire Pension Board;
- all officers involved in the management of the Pension Fund including members of the Treasury Team and Pensions Administration Team, and the Head of Finance, Governance3 and Assurance (Section 151 Officer);
- any professional advisers including auditors, actuaries, legal advisers and fund managers; and
- officers of employers participating in the Shropshire County Pension Fund who are responsible for Local Government Pension Scheme matters.

2. Requirements

2.1 This section clarifies the full extent of the legal requirements and to whom they apply.

2.2 Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme;
- a member of the pension board of a public service pension scheme;
- a person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;
- the employer in relation to an occupational pension scheme;
- a professional adviser in relation to such a scheme; and
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme, to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:
  - 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*
- Employment Rights Act 1996: *www.legislation.gov.uk/ukpga/1996/18/contents*
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations): *www.legislation.gov.uk/uksi/2013/2734/contents/made*
- Public Service Pension Schemes Act 2013: *www.legislation.gov.uk/ukpga/2013/25/contents*
- Local Government Pension Scheme Regulations (various): *www.lgpsregs.org/timelineregs/Default.html* (pre 2014 schemes) *www.lgpsregs.org/index.php/regs-legislation* (2014 scheme)
- The Pensions Regulator's Code of Practice: *www.thepensionsregulator.gov.uk/codes/code-governance-administration-publicservice-pension-schemes.aspx*
  In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Head of Finance Governance & Assurance (s151 Officer) and Monitoring Officer, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

3.2 Clarification when a breach is suspected

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, it will usually be appropriate to check with the Head of Finance Governance & Assurance, the Monitoring Officer, a member of the Pensions Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3.3 Determining whether the breach is likely to be of material significance

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

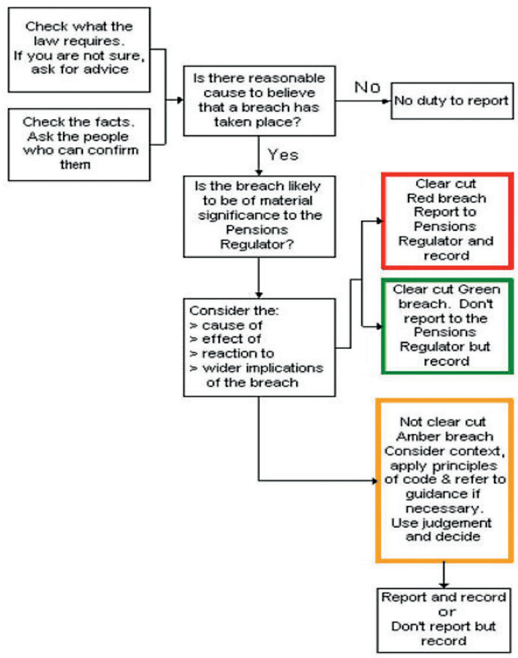
- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

3.4 A decision tree is provided overleaf to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.

Decision-tree: deciding whether to report



3.5 Referral to a level of seniority for a decision to be made on whether to report

Shropshire Council has a designated Monitoring Officer to ensure the Council acts and operates within the law. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate. If breaches relate to late or incorrect payment of contributions or pension benefits, the matter should be highlighted to the Head of Finance Governance & Assurance or the Head of Treasury & Pensions at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of the Monitoring Officer is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to any of these officers if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in more serious breaches.

3.6 Dealing with complex cases

The Head of Finance Governance & Assurance or Monitoring Officer may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LGA Group - http://www.lgpsregs.org/). If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Board meeting.

3.7 Timescales for reporting

The Pensions Act and Pension Regulators Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on "reasonable cause to believe" and on "material significance" should be consistent with the speed implied by 'as soon as reasonably practicable'. In particular, the time taken should reflect the seriousness of the suspected breach.

3.8 Early identification of very serious breaches

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

3.9 Recording all breaches even if they are not reported

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Shropshire Council will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports to the Head of Finance Governance & Assurance. Records of unreported breaches should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pension Committee, and this will also be shared with the Pension Board.

3.10 Reporting a breach

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (Shropshire County Pension Fund);
- description of breach(es);
- any relevant dates;
- name, position and contact details;
- role in connection to the scheme; and
- employer name or name of scheme manager (the latter is Shropshire Council).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator;
- scheme address (provided at the end of this procedures document);
- scheme manager contact details (provided at the end of this procedures document);
- pension scheme registry number (10051249); and
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

3.11 Confidentiality

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

3.12 Reporting to Pensions Committee and Pension Board

A report will be presented to the Pensions Committee and the Pension Board on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates;
- in relation to each breach, details of what action was taken and the result of any action (where not confidential);
- any future actions for the prevention of the breach in question being repeated; and
- highlighting new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

3.13 Review

This Reporting Breaches Procedure was originally developed in November 2015. It will be kept under review and updated as considered appropriate by the Head of Finance Governance & Assurance. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

Further Information

If you require further information about reporting breaches or this procedure, please contact:

Justin Bridges
Head of Treasury & Pensions
Email: justin.bridges@shropshire.gov.uk
Telephone: 01743 252072

Debbie Sharp
Pension Administration Manager
Email: debbie.sharp@shropshire.gov.uk
Telephone: 01743 252192

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

Designated officer contact details:

1) Head of Finance Governance & Assurance – James Walton
Email: james.walton@shropshire.gov.uk
Telephone: 01743 255011

2) Monitoring Officer – Claire Porter
Email: claire.porter@shropshire.gov.uk
Telephone: 01743 252763

Appendix A

Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- acting, or failing to act, in deliberate contravention of the law;
- dishonesty;
- incomplete or inaccurate advice;
- poor administration, i.e. failure to implement adequate administration procedures;
- poor governance; or
- slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant.

The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their
roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.
- Conflicts of interest of Committee or Board members, resulting in them being
- prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.

- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time.
- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

The reaction to the breach
A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; or
- fail to notify affected scheme members where it would have been appropriate to do so.

The wider implications of the breach
Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated next:

Appendix B

Traffic light framework for deciding whether or not to report

Red

Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance. **These must be reported to The Pensions Regulator.**

Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.

Amber

Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members.

Green

However the breach was caused by a system error which may have wider implications for other public service schemes using the same system. Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported.

Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.
When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by The Pensions Regulator at the following link:
www.thepensionsregulator.gov.uk/codes/code-related-notifiable-events.aspx

Appendix C

Example Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions

Training Policy Statement

Appendix

07

Agreed by Pensions Committee on 18 March 2016

Appendices

Introduction

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

Aims and objectives

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

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

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

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

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

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

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

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

To whom this Policy applies

This Training Policy applies to all individuals that take on a decision making, scrutiny or oversight role in the Fund. This includes:

- Officers of the administering authority involved in the management and administration of the Fund
- Members of the Pension Fund committee, including scheme member and employer representatives
- Members of the pension board, including scheme member and employer representatives.

CIPFA knowledge and skills framework

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

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

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

Shropshire County Pension Fund Training Plan

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

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

Individual training needs

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

Topic based training

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

General awareness

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

How training will be provided

Training will be delivered through a variety of methods including:

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

Induction process

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

Monitoring knowledge and skills

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

Key risks

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

- Changes to the committee and/or pension board membership and/or officer's potentially diminishing knowledge and understanding.
- Poor attendance and/or a lack of engagement at training and/or formal meetings by committee members, pension board members

and/or other officers resulting in a poor standard of decision making, administration and/or monitoring.
- Insufficient resources being available to deliver or arrange the required training.
- The quality of advice or training provided not being of an acceptable standard.

Success measures

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

Reporting

A report will be presented to the committee and the pension board on an annual basis setting out:
- the training provided/attended in the previous year at an individual level;
- commentary on how this compares to the Training Plan; and
- any actions required, such as a review of the Training Plan.

This information will also be included in the Fund's Annual Report and Accounts.

The Funds committee members and pension board members will be provided with details of forthcoming seminars, conferences and other relevant training events.

Costs

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

Degree of knowledge and understanding required

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

Knowledge Matrix

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

BK = Basic knowledge
C = Conversant (i.e. working knowledge)
E = Expert

***Statutory requirement (Paragraphs 34-36 of the Pensions Regulator's Code of Practice state that: A member of the Pensions Board of a public sector pension scheme must be conversant with the rules of the scheme, any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme and must also have a knowledge and understanding of the law relating)**

Further information

For further information about anything in or related to in this policy please contact:

Rebecca Purfit,
Communications Officer,
Pension Services,
Shropshire County Pension Fund,
Shirehall,
Abbey Foregate,
Shrewsbury,
SY2 6ND

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

Shropshire County Pension Fund

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

Administered by:
Pension Services, Shropshire Council,
Shirehall, Abbey Foregate, Shrewsbury,
SY2 6ND

Pensions Helpline:
(01743) 252130

E-mail:
pensions@shropshire.gov.uk