

Annual report 2017/18



**Shropshire County
Pension Fund**



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➤ Introduction

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

This year's Fund information

£66

million



Fund value increase

£1.834

billion



Total Fund value

3.1

%



Fund value increase

0.5

%



Under benchmark

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

The Shropshire Fund had positive investment returns in a number of other asset classes which offset the underperformance of equities during the year. The strongest returns were generated in property where the Fund's investments increased

in value by 11.3% in the year outperforming the benchmark by 3.9%. The Funds private equity manager produced returns of 7.6% and the Hedge Fund portfolio increased by 6.5% which was 6.3% above benchmark. The combined fixed income portfolios delivered a return of 0.5% which was 0.1% above benchmark. Only two managers produced negative returns during the year; the UK equity manager and one of the fixed income managers. The Fund's other managers produced positive returns which is the reason for the increase in value of £66 million during the year.

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

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

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

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

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

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

The Shropshire Fund continued to work with eight other Funds in the Midlands region in order to meet the tight deadlines set by Government to pool assets by April 2018. LGPS Central Ltd has been established to manage investment assets on behalf

of its nine Local Government Pension Scheme (LGPS) funds across the Midlands region. It will be a multi-asset manager, investing approximately £40 billion of assets from 2018 onwards, on behalf of 900,000 LGPS members and 2,500 employers.

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

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

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

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

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

The Pensions Administration Team have always tried to ensure data is collected in a timely manner from Fund employers and that the data they provide is accurate. However, this has become an even higher priority following the announcement that the Pensions Regulator expected all Schemes to undertake an annual data review and from 2018 must provide data scores on its Annual Return. To ensure the Fund is compliant, during 2017/18, the team undertook a Data Review Exercise to measure the accuracy of the data it holds. The team have also been working closely with Scheme

Employers for the past couple of years to ensure member data is supplied on time and all employers are now using an electronic data transfer system called iConnect. Employers submit monthly data via iConnect, queries identified by the team are dealt with straight away and members are able to view their most up to date pension benefits using the 'My Pension Online' area of the website. The team are also on track to meet the December 2018 deadline to ensure that Members records are reconciled with HMRC following the end of contracting out in April 2016. A full update on the work of the Pensions Administration Team over the past 12 months can be found on pages 26-28.

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

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



James Walton

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



Thomas Biggins

Chair of Pensions Committee
Shropshire Council

➤ Scheme management & advisors

Administering Authority

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Shirehall
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Scheme Administrator

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

Shropshire Council Officers

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

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BMO Global Asset Management
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EC2A 2NY

GAM
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Investec Asset Management
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Legal & General
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LONDON EC4M 7NG

MFS Investment Management
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B3 2RB

Auditor

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Birmingham B4 6AT

Legal Advisor

Shropshire Council
Legal Services

Actuary

Mercer
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LIVERPOOL L3 9SJ

AVC Providers

Prudential Assurance Company Ltd
Lancing
BN15 8GB

Equitable Life Assurance
20-22 Bedford Row
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Responsible Engagement Advisor

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Performance Measurement

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➤ Risk Management

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

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

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

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

➤ Financial Performance

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

Forecast v actual report on Fund cash flows

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

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

Forecast v actual report on Fund asset values

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

Forecast for total investment assets



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

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

Management expenses forecast



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

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

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

Interest charged on overdue contributions

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

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

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

Administrative management performance

Top 10 Cases

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

administration process and are more complex to complete.

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

Key Indicators 2017/18

8,062



Calls received and answered by Pensions Helpdesk

6,541



Emails received and answered by Pensions Helpdesk

808



Member drop in's to the Pensions Office

2,729



Average cases per member of staff

1,918



Average Members per Pension Team staff member

9,394



Total members registered for 'My Pension Online'

0.013%



Complaints compared to workload of the Pensions Team

94,971



Total page views on website



Feedback from members and employers

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

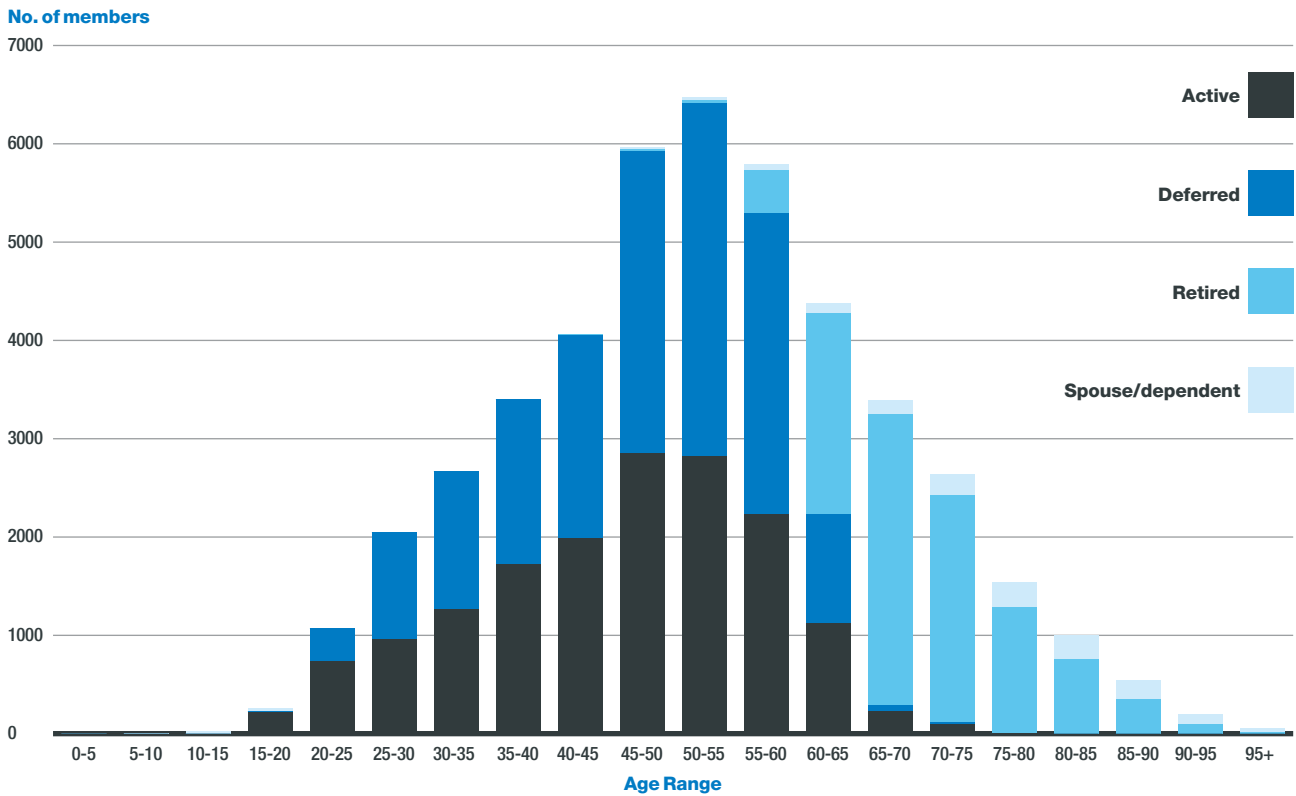
"Thank you so much for your extremely efficient, prompt reply to my letter . . . accompanied by your most helpful, comprehensive and clear explanations."

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

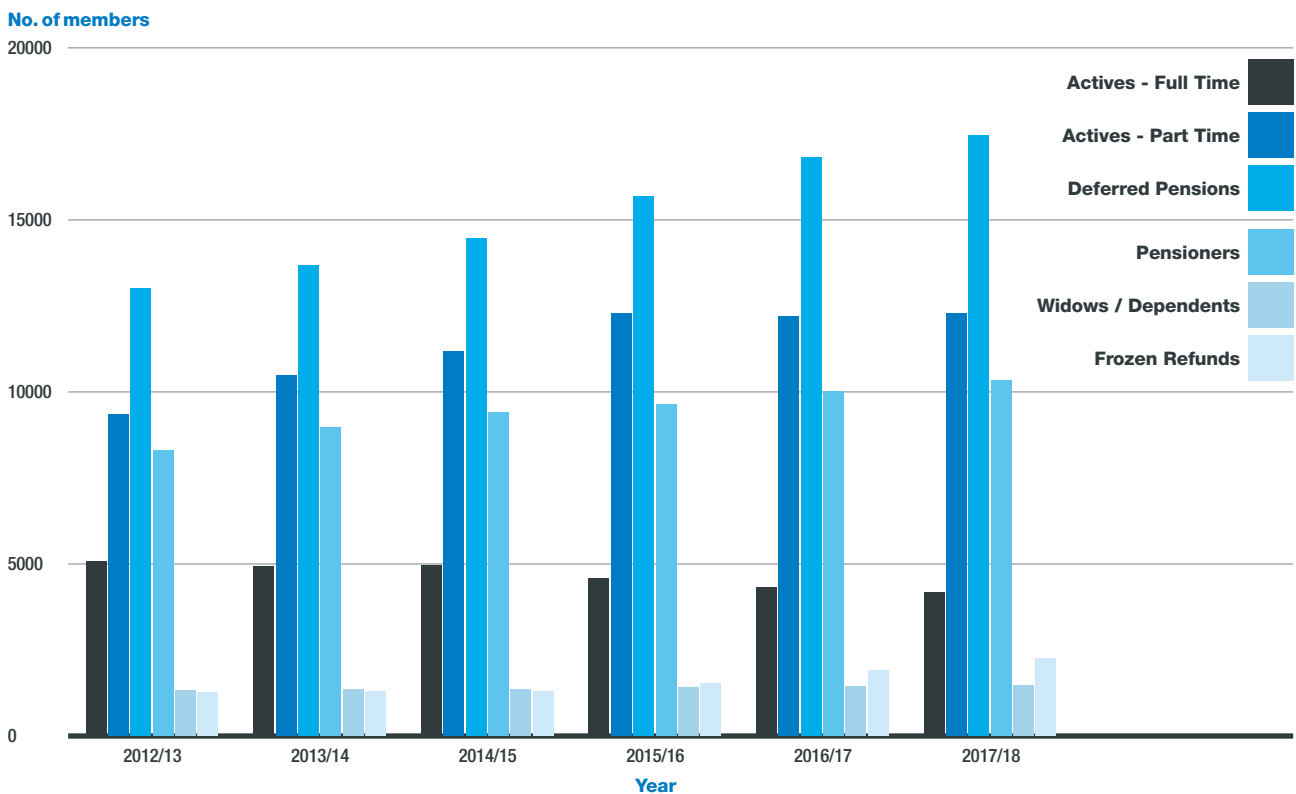
"Unfortunately, I am one of the 1950's ladies who had the greatest hike in pension age - for me 5.5 years - so I won't be receiving my State pension until January 2020! Quite frankly, if it wasn't for my public service pension I don't know where I would be! So thank you so much once again."

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

Age profile of membership as at 31 March 2018



Membership numbers and trends



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

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

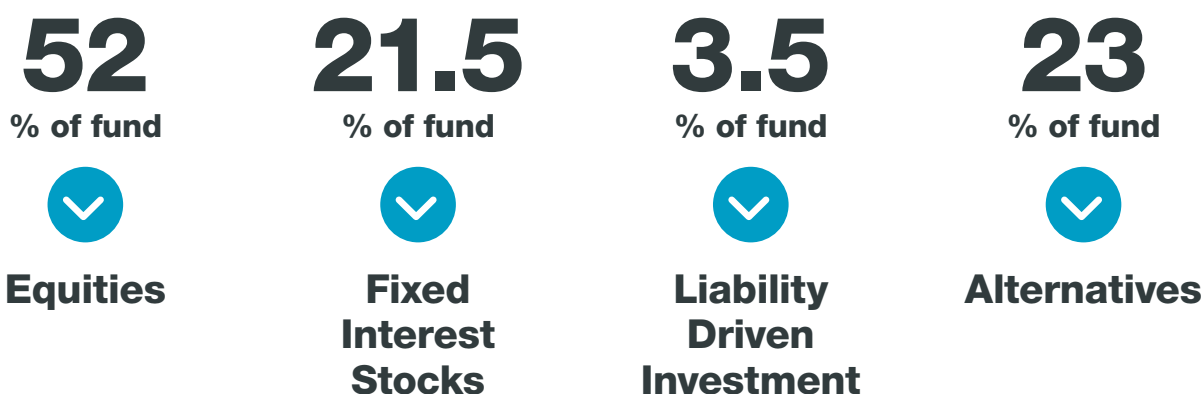
EMPLOYER NAME	EMPLOYEES CONTRIBUTIONS: £	EMPLOYERS CONTRIBUTIONS: £
Shropshire Career Service Ltd	No active members	
Shrewsbury College of Arts & Technology	No active members	
Shrewsbury Colleges Group	274,574.67	838,122.56
Shropshire & Wrekin Fire Authority	147,056.87	409,905.64
Shropshire Council	4,998,983.66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

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

➤ Investment of funds

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

The Fund's strategic allocation 2017/18



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

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

Due to a strong rally in equity markets, particularly in 2016/17, and a significant increase in the asset value of the Fund, this resulted in the funding

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

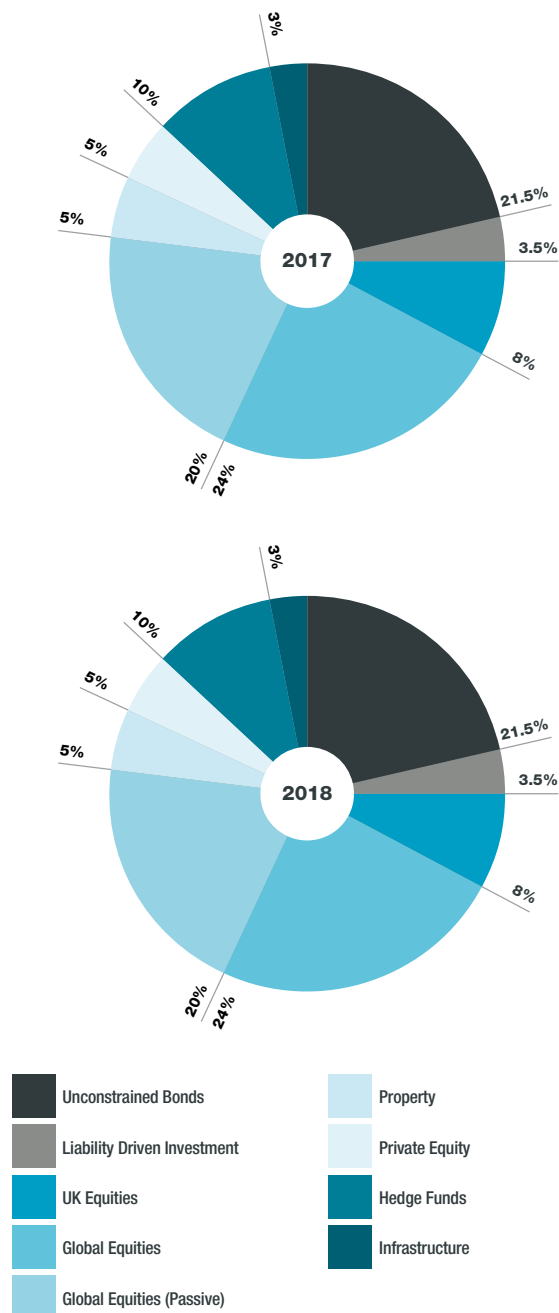
The equity protection strategy was a short term decision to protect the Fund against potential falls in equity markets over a 12-18 month period and lock in previous gains made whilst the overall investment strategy was being reviewed. Further investment strategy discussions were held with Pension Committee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

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

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

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













Strategic asset allocation at the start and end of the year



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

Spread of assets between Fund managers as at 31 March 2018

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

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

Major shareholdings as at 31 March 2018

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

➤ Investment Performance

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

This year's Fund performance:

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

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

Graph 01: Whole Fund performance

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

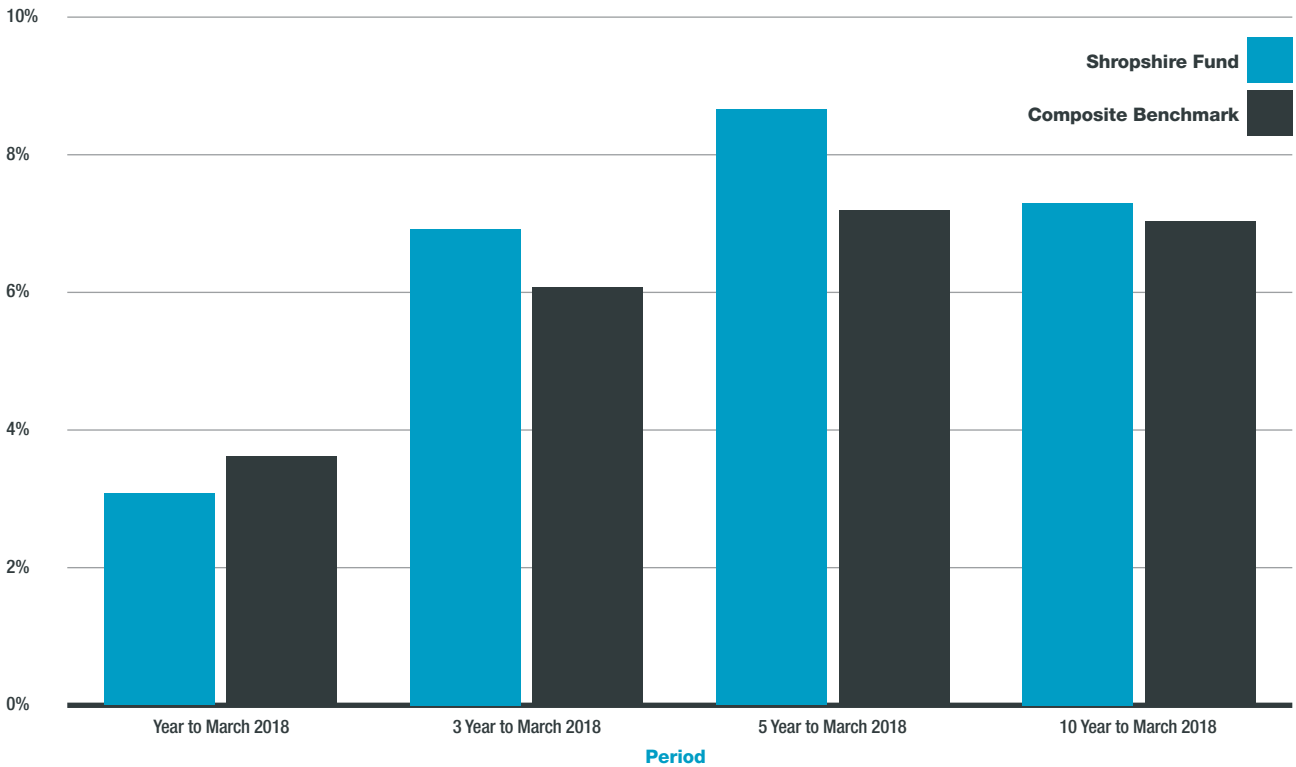
Performance data used in this report is provided by Northern Trust who supplies independent confirmation of the investment performance of individual managers on the Fund's behalf.

Graph 02: Individual fund manager performance

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

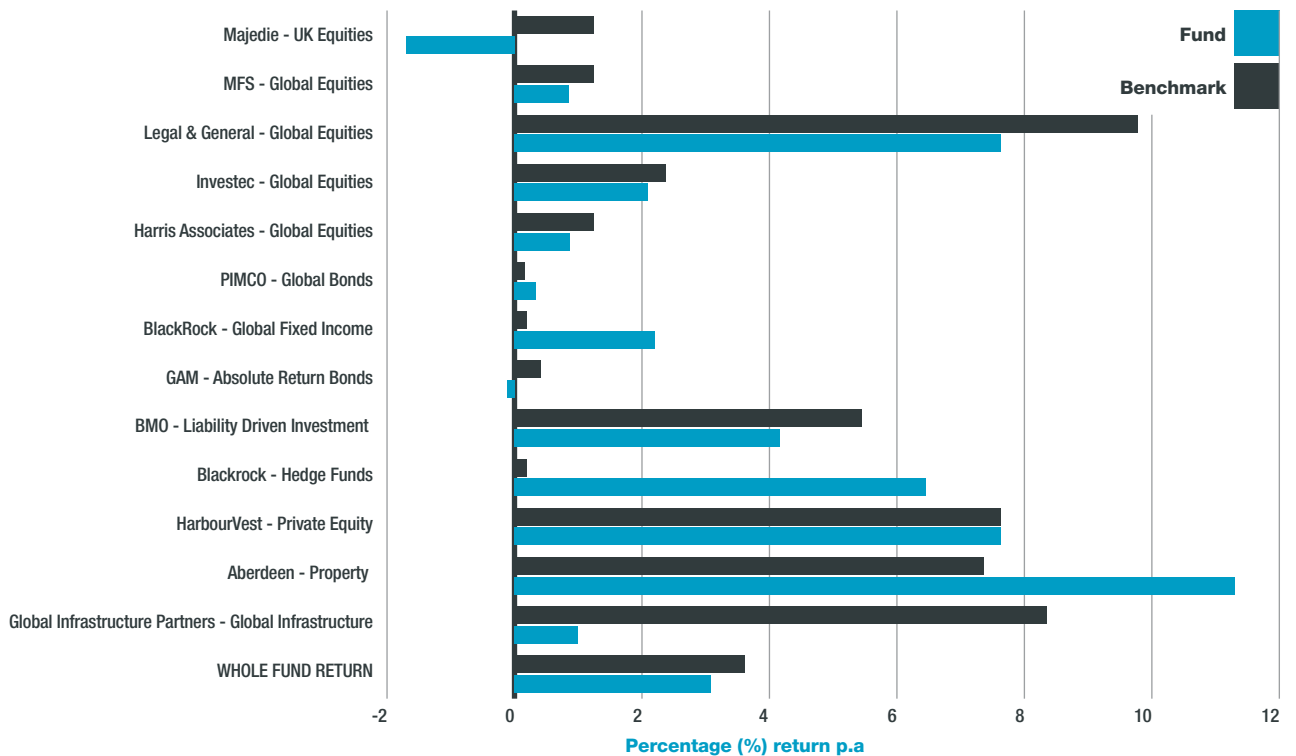
Graph 01: Whole Fund performance

Annualised return



Graph 02: Individual fund manager performance

Whole fund return



➤ Corporate governance and socially responsible engagement

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

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

Shareholder voting

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

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

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

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

Socially responsible engagement

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

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

For example, BMO have been engaging with Tesco on the subject of food waste since 2012. Food waste is a financially material and ethically sensitive issue for Tesco and they have set ambitious

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

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

Local authority pension fund forum

Shropshire remains a committed member of the Local Authority Pension Fund Forum (LAPFF). The LAPFF brings together 72 public sector pension funds (as at 31 March 2018) representing 85% of local government pension funds when measured by assets. LAPFF exists to promote the investment interests of local authority pension funds, and

to maximise their influence as shareholders in promoting corporate social responsibility and high standards in corporate governance among the companies in which they invest.

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

- **Cybersecurity**

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

- **Environmental and Carbon Risk**

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

➤ Scheme Administration Report

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

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

Shropshire Council is required by law to administer the LGPS in Shropshire. It is accountable to the Pensions Committee, the Pensions Board, the Fund's participating employers and Scheme members. The responsibilities for Scheme administration are met in-house by the Pensions Team based within the Finance, Governance and Assurance service area within Shropshire Council. The administration includes the collection of employee and employer contributions, member data from all Fund employers, the calculation of member benefits, and payment of pension benefits to retired members, as well as looking after the

benefits for deferred members who have not yet taken payment. The Scheme not only provides pensions for members but also survivor benefits to spouses, civil and cohabiting partners and children.

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

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

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

Overview of administration in 2017/18

Data Quality

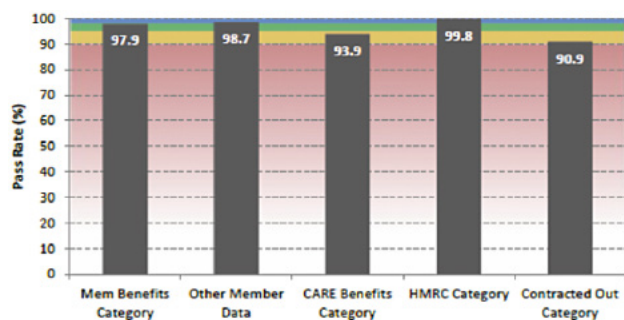
Although the data received by the Fund from Scheme Employers has always been an integral part in ensuring its administrative duties are met, over the past 12 months the Fund has stepped up work to improve the data it collects and holds. For many years checks have taken place at year-end to ensure the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

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

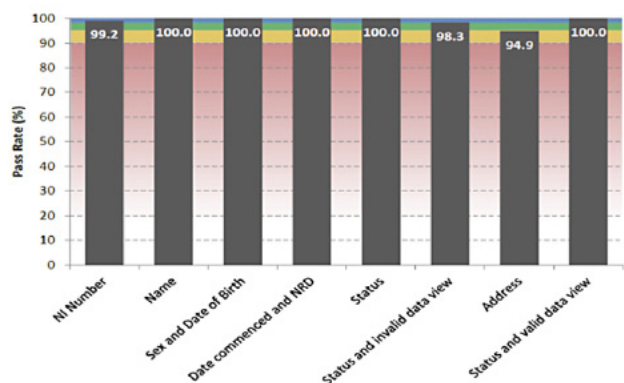
To meet this requirement the Fund undertook a Data Quality Review in July 2017 as part of a pilot being offered by the Fund's Administrator Software Provider. The exercise provided a detailed report on the quality of the Fund's data benchmarked against common and scheme specific (formerly referred to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

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

Common data



Scheme Specific data



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

The common data was measured as 92.7% being accurate and the scheme specific data measured at 80.9%. Because these scores are less than 100% the Fund has implemented a data

improvement plan to demonstrate the steps it is taking to improve its data.

Electronic data transfer

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

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

Key iConnect data facts for 2017/18 Employer Events Policy

12,699



address updates

196,514



contributions postings

402,588



pay data postings

6,452



notifications of starters

5,268



notifications of leavers

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

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

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

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

GMP Reconciliation

During 2017/18, the project to reconcile the Funds data with HMRC's records following the end of contracting out in April 2016 has remained on track to ensure it is completed by December 2018, which is the deadline set by HMRC.

The 3rd stage GMP rectification exercise for Pensioners and the reconciliation exercise for Active members was started in March 2018.

Reporting breaches

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

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

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

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

Use of Information Technology

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

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

Pensions Administration Team



Scheme Administrator, Head Of Treasury & Pensions & Treasury Team



➤ Internal dispute resolution procedure

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

Your right to ask

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

The complaint procedure's official name is the Internal Dispute Resolution Procedure and the procedure is outlined in Regulation 72 of the LGPS Regulations 2013. A Scheme member, pensioner, deferred pensioner or potential beneficiary can all make an appeal under the IDR procedure. There are two stages to IDR 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 IDR 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 IDR before they contact the Ombudsman.

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

IDRP cases reported 2017/18

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

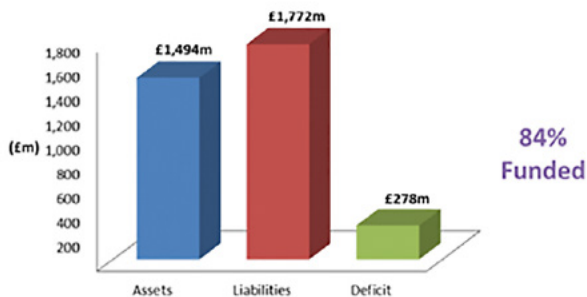
➤ Statement by the Consulting Actuary

Accounts for the year ended 31 March 2018

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

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

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



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

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective

date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus). The Secondary rate of the employer's contribution is an adjustment to the Primary rate to arrive at the overall rate the employers are required to pay.

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

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

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

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

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

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

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

The assets were assessed at market value.

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

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

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

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

	31 MARCH 2017	31 MARCH 2018
Rate of return on investments (discount rate)	2.5% per annum	2.6% per annum

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

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

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

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

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

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

John Livesey
Fellow of the Institute and Faculty of Actuaries

Mark Wilson
Fellow of the Institute and Faculty of Actuaries

Mercer Limited
May 2018

Governance structure

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

Outline of the Governance Structure

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

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

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

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

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

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

Pensions Board Chairs Report 2017/18

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

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

The Pensions Board members 2017/18



Mike Morris (Chair)

Member Representative



Pat Hockley

Member Representative



Philip Ingle

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



Liz Furey

Employer Representative
Harper Adams University College

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

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

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

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

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

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

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

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

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

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

Mike Morris
Chair of the Pensions Board
2017/18

▶ Committee members 2017-18



Thomas Biggins
(Chairman)

Shropshire Council
VOTING



Malcolm Smith
(Vice Chairman)

Telford & Wrekin Council
VOTING



Chris Mellings

Shropshire Council
VOTING



Brian Williams

Shropshire Council
VOTING



Michael Wood

Shropshire Council
VOTING



Dave Wright

Telford & Wrekin Council
VOTING



Jean Smith

Pensioner Representative
NON-VOTING

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

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

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

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

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

www.shropshirecountypensionfund.co.uk

Training policy (members and officers)

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

Training policy

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

Pensions Committee

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

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

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

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

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

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

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

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

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

James Walton

Head of Finance, Governance and Assurance
(S151 Officer and Scheme Administrator)

27 July 2018

➤ Pension Fund Account

Pension Fund Account for the year ended 31 March 2018

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

➤ Net Assets Statement

Net Assets Statement as at 31 March 2018

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

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

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

Note 1: Description of Fund

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

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

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

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

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

Organisations participating in the Shropshire County Pension Fund include:

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

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

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

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

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

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

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

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

Note 2: Basis of Preparation

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

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

Note 3: Summary of Significant Accounting Policies

Fund Account – revenue recognition

Contribution income

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

Transfers to and from other Schemes

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

Investment Income

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

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

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

Fund Account – expense items

Benefits payable

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

Taxation

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

Management expenses

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

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

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

Investment management expenses

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

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

In addition, the Fund has negotiated with the following managers that an element of their fee will be performance related:

Majedie Asset Management – UK Equities

Pimco Europe Ltd – Absolute Return Bonds

Blackrock – Hedge Fund

Investec Asset Management – Global Equities

Harris Associates – Global Equities

Total performance related fees for all managers in 2017/18 £1.620m (2016/17 £1.060m).

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

Net Assets Statement

Financial assets

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

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

Foreign Currency transactions

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

Cash

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

Financial liabilities

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

Additional voluntary contributions

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

Note 4: Critical judgments in applying accounting policies

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

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

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

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

Note 6: Events after the Reporting date

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

Note 7: Analysis of the main revenue account transactions

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

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

This table shows a breakdown of the employers contributions above:

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

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

Note 8: Management Expenses

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

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

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

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

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

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

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

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

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

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

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

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

Note 9: Investment Income

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

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

Note 10: Taxes on Income

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

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

Note 11a: Reconciliation of movements in investments

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

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

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

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

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

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

Note 12: Stock lending

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

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

Although stock lending involves the transfer of title of those securities to the borrower, the lender's rights to the normal benefits and corporate actions that would have arisen had the asset not been lent

are protected. The lender thus retains an economic interest in the securities transferred. During the period stock is on loan, the voting rights of the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

Note 13: Analysis of derivatives

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

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

Note 14: Fair value - basis of valuation

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

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

Sensitivity of assets valued at level 3:

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

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

Note 14a: Fair value hierarchy

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

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

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

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

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

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

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

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

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

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

Note 15: Financial instruments

Note 15a: Classification of financial instruments

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

31-MAR-17			31-MAR-18		
FAIR VALUE THROUGH PROFIT & LOSS	LOANS AND RECEIVABLES	FINANCIAL LIABILITIES AT AMORTISED COST	FAIR VALUE THROUGH PROFIT & LOSS	LOANS AND RECEIVABLES	FINANCIAL LIABILITIES AT AMORTISED COST
£M	£M	£M	£M	£M	£M
Financial Assets					
263.900			264.509		
1446.606			1532.234		
	0.000			0.685	
	56.505			34.862	
	3.930			4.496	
1710.506	60.435	0.000	1796.743	40.043	0.000
Financial liabilities					
		(2.671)			(2.970)
0.000	0.000	(2.671)	0.000	0.000	(2.970)
1710.506	60.435	(2.671)	1796.743	40.043	(2.970)

Note 15b: Net gains and losses on financial instruments

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

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

Risk and Risk Management

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

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

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield

movements and the assets mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

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

Other price risk

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

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. The Fund's investment managers mitigate this

price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historic data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, it has been determined that the following movements in market price risk are reasonably possible for the 2017/18 reporting period. The potential price changes disclosed below are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions

contained in the investment advisor's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

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

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

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

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

Interest rate risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2018 and 31 March 2017 is set out below. These disclosures present

interest rate risk based on the underlying financial assets at fair value.

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

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

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

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

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

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

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

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

Currency risk

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

Fund's currency exposure as at 31 March 2018 and as at the previous year end:

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

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

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

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

Credit Risk

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

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

In essence the Fund's entire investment portfolio

The investment priorities for the management of

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

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

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

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

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

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due i.e. that cash is not available when required. The Fund therefore takes steps to ensure that the Pension Fund has adequate cash resources

to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs and also cash to meet investment commitments.

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

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

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

Note 17: Funding Arrangements

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

The key elements of the funding policy are:

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

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

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

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

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

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

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

It is assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take a 3/80ths

cash sum (which is the standard for pre April 2008 service).

Note 18: Analysis of Debtors

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

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

Note 19: Analysis of Creditors

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

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

Note 20: Additional Voluntary Contributions

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

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

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

Note 21: Related Party Transactions

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

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

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

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

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

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

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

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

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

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

Note 22: Contractual Commitments

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

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

Note 23: Contingent Assets

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

Note 24: Value Added Tax

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

Note 25: Custody of Investments

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

Note 26: Fund Auditors

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

Note 27: Pension Fund Bank Account

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

Note 28: Fund Structure update

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

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

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

Independent audit opinion and certificate

Independent Auditor's Report

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

Opinion

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

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

Pension Fund Annual Report - Pension fund financial statements

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

Who we are reporting to

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

The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 30 July 2018.

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

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

Auditor's responsibility

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

John Gregory

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

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

30 July 2018

> Statement of responsibilities

For the statement of accounts

Shropshire Council's Responsibilities

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

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

Approved by Pensions Committee

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

Thomas Biggins

Chair of Pensions Committee

27 July 2018

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

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

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

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

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

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

Certificate of the Chief Financial Officer

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

James Walton

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

27 July 2018

➤ Other Fund Policies

Governance Compliance Statement

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

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

Pensions Administration Strategy Report

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

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

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

Funding Strategy Statement

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

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

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

Investment Strategy Statement

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

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

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

Communications

How we keep in touch with our members and employers

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

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

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

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

Website

The Fund's website is the main source of information for both current and prospective members, as well as Fund employers.

The website address is:

www.shropshirecountypensionfund.co.uk

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

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

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

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

My Pension Online

For a number of years the Fund has provided members with access to their pension benefits via 'My Pension Online'. Members are able to

check their pension records, perform retirement calculations and update their personal information. Over recent years, the Fund has prioritised increasing member take up of 'My Pension Online'.

As at the 31st March 2018:

- 37% of active members
 - 29.7% of deferred members
- were registered users of 'My Pension Online'

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

Email updates

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

Annual benefit statements

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

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

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

Retired member newsletter

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

Employers meetings

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

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

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

Employer training

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

➤ Further information

Employer Summary as at 31 March 2018

81



Scheme Employers

65



Admission Bodies

35



Designated Bodies

181



Total

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

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

Analysis of Fund assets as at 31 March 2018

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

Analysis of investment income accrued during the reporting period

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

Glossary

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

Additional Voluntary Contributions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Governance Compliance Statement

Appendix

01

Agreed by Pensions Committee on 26 June 2015

Appendices

- 67. Appendix 01**
Governance Compliance Statement
- 79. Appendix 02**
Administration Strategy Statement
- 89. Appendix 03**
Funding Strategy Statement
- 107. Appendix 04**
Investment Strategy Statement
- 117. Appendix 05**
Communications Policy Statement
- 127. Appendix 06**
Reporting Breaches Policy Statement
- 135. Appendix 07**
Training Policy Statement

■ Introduction

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

■ Purpose of Governance Compliance Statement

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

Governance of Shropshire County Pension Fund

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

■ Shropshire Council

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

Terms of Reference:

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

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

Representation

9. Representation on the Pensions Committee is as follows:

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

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

The Committee is supported by the advice from an independent advisor and investment consultant

– one advises on strategic issues and overall investment approach and the investment consultant provide analysis and advice of a technical nature in relation to portfolio construction, interpretation of performance measurement and the monitoring of investment managers.

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

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

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

10. The power to co-opt rests with the Council in full assembly and not with committees; although in practice the selection of persons to serve as co-opted members is usually left to committees. The co-opted members from the Borough of Telford & Wrekin are voting members.
11. The Pensions Committee can, if so minded, elect a co-opted member as its Chairman but in this instance the Chairman is unable to:
- attend council meetings and pilot Pension Committee proposals through the full assembly;
 - answer questions put to him/her there;
 - represent the Pensions Committee on other committees
 - However, a Shropshire Council Vice-Chairman is able to deputise for the co-opted member Chairman.

■ Reasons for current representation

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

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

13. In the CIPFA Guidelines relating to the governance regulations, it states that...

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

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

For example by the holding of:

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

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

■ Local Pension Board

Introduction and Role

- 15.** The Shropshire County Pension Fund local Pension Board was established by Shropshire Council in 2015 under the powers of Section 5 of the Public Service Pensions Act 2013 and in accordance with regulation 106 of the Local Government Pension Scheme Regulations 2013.
- 16.** The role of the local Pension Board as defined by regulation 106 (1) of the LGPS Regulations, is to assist Shropshire Council, the Administering Authority, as Scheme Manager;
- to secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS
 - to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
 - to ensure the effective and efficient governance and administration of the LGPS for the Shropshire County Pension Fund.

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

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

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

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

Composition and Appointment

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

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

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

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

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

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

The applications and nominations will then be subject to a selection process determined and

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

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

Operational Procedures

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

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

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

■ Delegation to officers

- 21.** Under the Local Government Pension Scheme Regulations 2013 the Shropshire Fund was required to formulate a policy on local discretions. These discretions were originally approved by Pensions Committee in March 1998 and have been updated following subsequent regulation changes. The latest version taking into account LGPS Regulations 2013 is listed in Appendix A.
- 22.** In addition to these local fund-wide discretions there are certain employer discretions, which under regulations, employers have the authority to determine. These discretions are employer specific.

■ Arrangements outside of formal governance

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

■ With employing authorities

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

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

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

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

- 25.** Over the last decade, consultation with employing authorities on pension fund investment, actuarial matters and proposed central government changes to the regulations has evolved. A large step forward was afforded by the introduction of Statements of Investment Principles and Funding Strategy Statements, the consultation process surrounding them, and their accessibility to the Council's web site.
- 26.** All employers are invited to regular employer meetings which provide information on changes in regulations, investment matters and actuarial valuations. All employing authorities are also kept abreast of events, by e-mail, and they are encouraged to get in touch if they have questions.

- 27.** The Fund undertakes annual monitoring of its actuarial valuation position. Employer organisations are kept up to date of the latest position and its likely impact on employer contributions at the next formal valuation. At triennial valuations the Scheme Actuary presents to the employers meeting to explain changes in the funding level and implications on employer contribution rates. Employers meetings are also used to discuss the Funding Strategy Statements and data requirements for FRS17.
- 28.** An annual meeting is held each year to which all employers are invited. The meeting outlines investment performance and any changes to the Fund's investment strategy as well as regulation changes and administration issues. A Fund Manager also presents at the meeting and allows employers and scheme members the opportunity to ask questions.

■ **With Scheme members**

- 29.** Employees are represented on the Pensions Committee by two non-voting members (both Union members) who have an active role in the selection of managers, performance monitoring, investment strategy and responses to consultations on regulation changes. Pensioners are represented by a non-voting pensioner member.
- 30.** All employees, as well as representatives from employer organisations, are invited to the Annual Meeting each year. All pensioners and deferred members also receive an invite to the Annual Meeting which is usually held in November in the county. The meeting is filmed and made available online to enable members unable to attend in person to watch. The meeting is well attended and provides a useful opportunity for members to meet their Employee or Pensioner Representative, learn about the fund and ask questions.
- 31.** Where possible every member of the scheme receives Pensions Newsletters. The fund's annual report and a financial summary of the scheme are published on The Pension Fund's web site and in September an email notifications (where an email address is held) is issued notifying the website update. The full communication policy can be found on the website. This outlines the fund approach on

communicating with members, representatives of members, prospective members and employing authorities including the format, frequency and method of communications.

The Pension Fund's website includes further information on:

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

- 32.** The Pensions Section has a very good informal working relationship with the unions, and is always there to assist with any problems in understanding the regulations.
- 33.** In light of the requirements following the LGPS Governance changes emerging from the Public Service Pensions Act 2013, Fund Officers are currently reviewing the Training Policies in order to ensure that all stakeholders are well equipped to carry out their duties as effectively and efficiently as possible. The Training Plan includes:
- Pension Fund Officers and Managers
 - Pensions Committee Members
 - Local Pensions Board Members.

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

■ **Compliance against best practice guidelines**

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

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

> Appendix A

Shropshire County Pension Fund policy on local directions

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

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

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

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

> Appendix B

Governance

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

1. Structure

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

Fully compliant

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

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

Fully compliant

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

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

Not applicable.

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

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

Not applicable

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

2. Representation

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

Fully compliant

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

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

Fully compliant

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

3. Selection and role of lay members

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

Fully compliant

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

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

Fully compliant

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

4. Voting

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

Fully compliant

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

5. Training / facility time / expenses

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

Fully compliant

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

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

Fully Compliant

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

6. Meetings (frequency/quorum)

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

Fully compliant

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

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

Not applicable

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

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

Fully compliant

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

7. Access to information, documents and advice

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

Fully compliant

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

8. Scope

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

Fully compliant

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

9. Publicity

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

Fully compliant

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

Administration Strategy Statement

Appendix

02

Agreed by Pensions Committee on 26 June 2016

Appendices

- 67. Appendix 01**
Governance Compliance Statement
- 79. Appendix 02**
Administration Strategy Statement
- 89. Appendix 03**
Funding Strategy Statement
- 107. Appendix 04**
Investment Strategy Statement
- 117. Appendix 05**
Communications Policy Statement
- 127. Appendix 06**
Reporting Breaches Policy Statement
- 135. Appendix 07**
Training Policy Statement

■ 1. Introduction

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

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

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

■ 2. Compliance

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

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

■ 3. Review

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

■ 4. Regulatory framework

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

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

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

■ 5. Scheme employer duties and responsibilities

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

Monthly/Annual Data transfer

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

Appointing a main contact

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

Their key responsibilities will be to:

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

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

Authorised signatories

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

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

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

Employer Training

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

Policy Discretions

Each employer is required by statute to prepare and publish, a written statement of its

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

Notification of employee's rights

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

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

Nominated person

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

Computer Links

The Fund can provide the links to the Pensions Administration System to appropriate large employers, in order for employing authority staff to produce retirement estimates and enquire on their employees' record of membership. There is a charge for this access.

The Fund will ensure that the Pensions Administration System is available for use during normal office hours with the exception of any necessary scheduled maintenance of the system. Employers must notify the Fund when registered users leave the organisation or no longer requires access.

6. Service standards to Scheme members

Overriding legislation dictates minimum standards that Pension Schemes and Employers should meet in providing certain pieces of information to the various associated parties – not least of which the Scheme member. The LGPS Regulations also identifies a number of requirements for the Fund and Employers, which may not have been all covered in this document.

Some of these performance standards are held within the following tables but not all:

NEW APPOINTMENTS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To ensure that pensions information is included as part of any induction process including in contracts of employment and appointment letters.</p> <p>To provide each new employee with a Brief Scheme Guide and New Member Form with their contract of employment. This may be in the form of issuing a paper copy, or PDF or directing all new members to the Funds website where the information can be viewed or downloaded. The most up to date versions can always be found on our website. Employers should ensure that whoever deals with new joiners within their organisation is issuing or directing members to the latest version of both the New Member Form and the Brief Scheme Guide.</p> <p>Employers must also determine the appropriate contribution rate (whether individually or by an automated process on payroll) and the employer must (as soon as is reasonably practicable) notify the employee of the contribution rate to be deducted from the employee's pensionable pay and the date from which the rate is payable. It is for the employer to determine the method by which the notification is given to the employee but the notification must contain a conspicuous statement giving the address from which further information about the decision may be obtained; must notify the employee of the right to appeal and including the process and timescales involved. To apply the correct employee contribution rate according to the scheme the member is in – either the 50/50 or 100/100 scheme. To alter employee contribution rates at all other times in line with the employers' discretionary policy on adjusting employee contribution rates.</p>	<p>To support employers request to attend inductions.</p> <p>To update pension information in accordance with regulatory changes and to keep PDF versions up to date on the Fund website www.shropshirecountypensionfund.co.uk</p>

NEW STARTERS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To ensure that all employees subject to automatic/contractual admission are brought into the Scheme from the relevant date, and provide the Pension Administration Team, with accurate details within 4 weeks of their start date by the agreed monthly return format.</p> <p>To assist the Fund in ensuring that all new starters complete the New Member Form containing information including on previous pension schemes and personal details such as their National Insurance Number, Date of Birth and Home Address. New starter information should also be added to the agreed monthly return within four weeks of the employees first pay date.</p> <p>Where there is more than one contract of employment with the same employer, each membership shall be maintained separately and the Fund notified as above.</p> <p>To send the Fund notification in agreed monthly return of any eligible employees subject to automatic entry, who opt out of the scheme within three months of joining.</p>	<p>To accurately record and update associated member records on the pension administration system.</p> <p>To apply for any Transfer Value details within two weeks of receipt of all the relevant information from the member and to produce Membership Certificates and forward them to member's home address, within thirteen weeks of joining the Scheme or as stated within the Regulations.</p> <p>To accurately create member records on the pension administration system within four weeks of receipt of the notification.</p> <p>To accurately record and update member records on the pension administration system within four weeks of receipt of the documents.</p>

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

CHANGES IN CIRCUMSTANCES FOR ACTIVE MEMBERS

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To ensure that the Fund is informed of any changes in the circumstances of employees on the agreed monthly return or on the appropriate form within four weeks of the change. Guidance can be found in the Employers Guide at: www.shropshirecountypensionfund.co.uk</p> <p>CHANGES INCLUDE: Personal Information:</p> <ul style="list-style-type: none"> • Change of Name • Marital Status • National insurance Number <p>Conditions of employment affecting pensions:</p> <ul style="list-style-type: none"> • Contractual Hours (mandatory for members who meet the underpin requirements only) • Any remuneration changes due to promotion and down grading - pre April 2014 members only • Full-time equivalent pensionable pay according to the Pre 2014 definition • Actual pensionable pay (including overtime/additional hours) in 100/100 and 50/50 Schemes according to the Post 2014 definition (CARE). • Employees Contribution Rate • Employee Number and/or Post Number • Date Joined Scheme (if adjusted) • Confirmation of 50/50 or 100/100 scheme entry <p>NB. An Employee can easily exceed HMRC Annual Allowance if their pay increases. You therefore are asked to inform the Fund of:</p> <ul style="list-style-type: none"> • Augmentation, • Honorariums • AVC contributions <p>Further information is available from the fund on this issue or visit the page on 'Monthly returns' on the website www.shropshirecountypensionfund.co.uk</p> <p>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.</p> <p>Employer contributions should be deducted from pay and any APP. If the employee receives no pay the employer contributions should still be deducted from APP.</p> <p>Should an employee wish to purchase Additional Pension Contribution (APC) or Shared Cost (SCAPC) contract to buy back the pension 'lost' during the absence, the APP amount will need to be calculated and provided to the members employer. Employers must bring to the attention of the member before a period of absence that they can buy back the 'lost' pension. Employers should also direct members to the website www.igpsmember.org so they can calculate the cost to buy back the 'lost' pension.</p> <p>Types of absences include:</p> <ul style="list-style-type: none"> • Maternity, Paternity and Adoption • Paid & Unpaid leave of absence • Industrial Action (SCAPC not available) • Any other material/authorised period of absence <p>See section 'ADDITIONAL PENSION CONTRIBUTIONS (APCs) and SHARED COST APC's' for further information.</p>	<p>To provide template forms and spreadsheets for recording any key changes in circumstance and to provide advice on the secure submission of data electronically.</p> <p>To accurately record and update member records on pension administration systems within four weeks of notification or any shorter period as requested by the employer with regard to specific requirements.</p> <p>To highlight annually if an individual has exceeded their Annual Allowance.</p>

RETIREMENT, TRANSFER, DIVORCE ESTIMATES / OUT SOURCINGS ETC

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To submit a request using forms PEN010 by post or attaching it to an e-mail.</p> <p>For larger bulk estimates, requests can be made in alternative agreed formats.</p> <p>To provide pay and other relevant data as requested and provided in the format requested at the time either on an individual or group basis for;</p> <ul style="list-style-type: none"> • Employee requests e.g. Transfer requests, divorce requests, retirement. • Actuary Requests e.g. Triennial Valuation, FRS17/IAS 19 • Staff transfers e.g. Outsourcings etc. 	<p>To issue the individual quotations within seven working days of receiving the request or by separate agreed timescales for bulk requests.</p> <p>To provide large employers links to the appropriate software to produce retirement estimates without the resource of Fund staff. (Employers should note there is a charge for this access).</p>

ACTUAL RETIREMENTS

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To submit the appropriate PEN007 form to the Fund as soon as the information is available. The PEN007 form must be completed fully as it confirms the information required to enable the benefits to be calculated and the employer's decision as to the type of benefit is to be paid to member. Evidence of the calculation of final pensionable pay is preferred so the Pensions Team can check the accuracy of the pay provided. If not provided the PEN007 form would be returned if it appeared to be incorrect.</p> <p>Further information can be found in the Employers Guide via www.shropshirecountypensionfund.co.uk</p>	<p>To issue the member with a letter and benefits information within seven days of employer's notification.</p> <p>To make payment of any lump sum within seven working days of receipt of all relevant forms and certificates from the member, if later than retirement date.</p> <p>To pay any pension payment on the 29th of each month into the bank, following retirement, unless this falls on a weekend or bank holiday when the payment will be made on the last working day before.</p>

ILL HEALTH RETIREMENTS

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To determine whether an ill health award is to be made, based on medical evidence and the criteria set in the current LGPS regulations after obtaining an opinion from a Fund approved Independent Medical Registered Practitioner (IMRP) on the appropriate certificate. If an award is made, to then determine which tier 1, 2 or 3 is to be awarded.</p> <p>Arrange for completion of the PEN007 and then submit to the Fund with all related paperwork.</p> <p>To keep a record of all Tier 3 ill health retirements, particularly in regard to arranging the 18 month review. Arranging if necessary with an (IMRP) approved by the Administration Authority for a further medical certificate. To recover any overpayment of pension benefits following a discovery of gainful employment and notify the Fund, where appropriate.</p> <p>To review all Tier 3 ill health retirement cases prior to discontinuance at three years. Further information on Ill health retirements can be found on the employers pages on our website www.shropshirecountypensionfund.co.uk</p>	<p>To calculate and pay required benefits in line with actual retirement timescales.</p> <p>To assist the employer in performing their legislative responsibility to review Tier 3 ill health cases at eighteen months.</p>

MEMBERS LEAVING EMPLOYMENT BEFORE RETIREMENT

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To notify the Fund using the Leavers Form PEN007 form of the employee's date and reason for cessation of membership and all other relevant information on approved forms within four weeks of the event at the latest.</p>	<p>To accurately record and update member records on the pension administration system.</p> <p>To inform members who leave the Scheme, who are not entitled to immediate payment of benefits, the options available and deferred benefit entitlement within one month of receiving all relevant information.</p>

FORMER MEMBERS WITH DEFERRED BENEFITS

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To keep adequate records of the following for members who leave the Scheme with deferred benefits as early payment of benefits may be required:</p> <ul style="list-style-type: none"> • Name & Last known address • National Insurance Number • Payroll Number • Date of Birth • Last job including job description • Salary details • Date and reason for leaving <p>To determine, following an application from the former employee to have their deferred benefits paid early, as to whether or not they are eligible for early payment on ill health grounds in line with the criteria set in the relevant regulations and after seeking a suitable medical opinion from an (IMRP) approved by the Administering Authority or to determine whether benefits should to be released early and in some cases any actuarial reduction waived on compassionate grounds.</p>	<p>To record and update member records on pension administration system.</p> <p>To provide former members, where possible, an annual benefit statement of their deferred benefits updated by accrued annual pensions increase awards.</p> <p>To provide estimates of benefits that may be payable and any resulting employer costs within seven days of request.</p>

DEATH IN SERVICE & TERMINAL ILLNESS

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

FINANCIAL OBLIGATIONS

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To pay the Fund all contributions deducted from payroll (not including AVCs) of its employees and employer contributions and any deficit Lump Sum payments due on a monthly basis, no later than the 19th day of the month following the period of deductions. Further information can be found in the Employer Guide via www.shropshirecountypensionfund.co.uk</p> <p>Each payment must be accompanied by the agreed monthly statement providing;</p> <ul style="list-style-type: none"> • the breakdown of the payment, at employee level (if not using iConnect). • Employee 100/100 (main scheme) contributions • Employee 50/50 scheme contributions • Employee additional contributions • Employer contributions • Employer SCAPC contributions • Deficit payment <p>To pay all rechargeable items to the Fund on receipt of the invoice. Benefits will not commence until the invoice is paid.</p>	<p>To allocate the received contributions to each employers record.</p> <p>Interest may be charged for late payment in the following circumstances;</p> <ul style="list-style-type: none"> • 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. <p>Inform each employer of any new contribution bandings tables.</p> <p>Inform employers of any rechargeable items as they become due.</p>

ADDITIONAL PENSION CONTRIBUTIONS (APCS) AND SHARED COST APC'S (SCAPCS)

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To communicate to employees regarding the option of SCAPC's to cover periods of 'lost pension' and the timeframe they must elect to purchase a SCAPC. Members must elect within 30 days of returning to work following the absence but employers have the discretion to extend this period.</p> <p>To calculate and collect from the employee payroll contributions and to arrange the prompt payment to the Fund, according to the published schedule and to be no later than the 19th of the month following deduction. More information can be found in the Employers Guide on www.shropshirecountypensionfund.co.uk</p>	<p>To provide information on APCs to members/employers through www.shropshirecountypensionfund.co.uk where a modeller can be found.</p>

Standards of data

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

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

and any future amendments to the above legislation.

Data Protection

To protect any personal information held electronically the Administering Authority is registered under the Data Protection Act 1998. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund. Members who wish to apply to access their data on data protection grounds should contact the Data Protection Officer on: (01743) 252774

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

Your information is processed for the sole purpose of administering your pension and your personal details will be retained.

The Fund may, if it chooses, pass certain details to a third party, where the third party is carrying out an administrative function of the Fund or where we are legally obliged to do so.

Members who wish to see a copy of information held about them by the Shropshire County Pension Fund should make a subject access request under the Data Protection Act 1998 to the Information Governance Team at Shropshire Council. For details:

Tel: 01743 252774 or 01743 252179

Email: governance@shropshire.gov.uk

Visit the website: www.shropshire.gov.uk

Secure Data Transfer

The Fund will follow Shropshire Council's data security guidelines when sending any personal data in bulk, including its published data sharing policy. This means that if data is shared:

- We will agree an authentication process and confirm that it is an appropriate person and contact number in the receiving organisation.
- Encryption software will be used, which will be self-extracting, and allow the recipient to open the file,
- Without the need for the software, it should be password protected and we will follow delivery guidelines if the data is sent by courier.
- The appropriate agreed person will confirm the data has been received, request the password and confirm the file is successfully opened.

The full guidelines can be made available on request.

8. Fund administration performance measures

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

All these measures start from the date of receipt of all relevant information. The annual figures for the Fund's performance measures across all employers are recorded in the Annual Report.

Audit

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

Benchmarking

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

9. Employer performance reporting

As part of this Pensions Administration Strategy the Fund will develop, with employer consultation, arrangements for quarterly reporting on key performance measures as contained in section 6 of this document

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

Poor Performance

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

In the event of continued poor performance and a

lack of any evidence of any measures being taken to achieve improvement by an employing authority, the Fund will seek to recover any additional costs arising.

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

In dealing with poor performance the Fund will:

- write to the employer setting out the area (s) of poor performance;
- meet with the employing authority, where possible, to discuss area(s) of poor performance and how these can be addressed;
- issue formal written notice, where no improvement is demonstrated by the employing authority or where there has been a failure to take agreed action by the employing authority;
- Make claim for cost recovery, taking account of time and resources in resolving the specific area(s) of poor performance.
- Will report any claim for the cost of recovery to the Pension Committee at the next available meeting and may form part of the administration report in the Fund's published Annual Report.

Reporting Breaches

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

- all members of the Shropshire Pension Board;
- all officers involved in the management of the Pension Fund including members of the Treasury Team and Pensions Administration Team, and the Head of Finance, 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 Local Government Pension Scheme matters.

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

If a breach needs occurs the breaches policy must be followed. The most up to date breaches policy can be found on the Funds website.

If a breach occurs by an employer the Fund will notify the employer to ensure improvements are made and will record and monitor the breach. If this failure to comply with the regulations is likely to be of material

■ 10. Associated policy statements

The statement outlines the Fund's policy on:

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

Governance Policy

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

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

Employer Discretions

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

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

A list of the Employer discretions can be found on www.lgpsregs.org

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

■ 11. Regulations Extracts

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

80. — (1) A Scheme employer must —

- a. Inform the appropriate administering authority of all decisions made by the employer under regulation 72 (first instance decisions) or by an adjudicator appointed by the Scheme employer under regulation 74 (applications for adjudication of disagreements) concerning members; and
- b. give that authority such other information as it requires for discharging its Scheme Functions

(2) If—

- a. (a)an administering authority makes any decision under regulations 72 (first instance decisions), 75 (decisions of the adjudicator) or 76 (reference of adjudications to administering authority) about a person for whom it is not the Scheme employer; and
- b. (b) information about that decision is required by the person's Scheme employer for discharging that employer's Scheme functions, that authority must give that employer that information if asked to supply it.

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

- a. the employee's name and gender;
- b. the employee's date of birth and national insurance number;
- c. a unique reference number relating to each employment in which the employee has been an active member; and (d) the information relating to the employee for the Scheme year in question for each employment which is specified in paragraph (4).

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

- a. the dates of active membership;
- b. the pensionable pay received and employee contributions deducted while regulation 9 (contributions) applied;
- c. the pensionable pay received and employee

- contributions deducted while regulation 10 (temporary reduction in contributions) applied;
- d. any contributions by the employer in relation to the employee's pensionable pay;
- e. any contributions by employee or employer under regulation 16 (additional pension contributions);
- f. any contributions by employee or employer under regulation 17 (additional voluntary contributions).

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

59. — (1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are —

- a. procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");
- b. the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—
 - i. the setting of performance targets,
 - ii. the making of agreements about levels of performance and associated matters, or
 - iii. such other means as the administering authority considers appropriate;
- c. procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
- d. procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;
- e. the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance

- in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);
- f. the publication by the administering authority of annual reports dealing with—
 - the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
 - such other matters arising from its pension administration strategy as it considers appropriate; and
- g. such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must —

- a. keep its pension administration strategy under review; and
- b. make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making

revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

- a. its pension administration strategy; and
- b. where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

Funding Strategy Statement

Appendix

03

Agreed by Pensions Committee on 17 March 2017

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

Appendices

- 67. Appendix 01**
Governance Compliance Statement
- 79. Appendix 02**
Administration Strategy Statement
- 89. Appendix 03**
Funding Strategy Statement
- 107. Appendix 04**
Investment Strategy Statement
- 117. Appendix 05**
Communications Policy Statement
- 127. Appendix 06**
Reporting Breaches Policy Statement
- 135. Appendix 07**
Training Policy Statement

> Executive summary

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

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

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

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

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

■ **The Fund’s objective**

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

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

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

■ **Solvency and long term cost efficiency**

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

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

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

■ **Deficit recovery plan and contributions**

As the solvency level of the Fund is 84% at the valuation date i.e. the assets of the Fund are less

than the liabilities, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

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

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

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

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

■ Actuarial assumptions

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

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

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

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

■ Employer asset shares

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

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

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

■ Fund policies

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

1. Covenant assessment and monitoring

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

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

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

2. Admitting employers to the Fund

Various types of employers are permitted to join the LGPS under certain circumstances, and the conditions upon which their entry to the Fund is based and the approach taken is determined by the Fund's admission policy. Examples of new employers include:

- Fund Employers
- Designated bodies - those that are permitted to join if they pass a resolution
- Admission bodies - usually arising as a result of an outsourcing or a transfer to an entity that provides some form of public service and their funding primarily derives from local or central government.

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

3. Termination policy for employers exiting the Fund

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

Where there is no guarantor who would subsume the liabilities of the exiting employer, the Fund's policy is that a discount rate linked to government bond yields and a more prudent longevity assumption is used for assessing liabilities on termination. Any exit payments due should be paid immediately although instalment plans will be considered by the Administering Authority on a case by case basis. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it.

4. Insurance arrangements

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

■ 1. Introduction

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

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

Benefits

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

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

Employer contributions

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

Primary rate

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

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

Secondary rate

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

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

■ 2. Purpose of the FSS in policy terms

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

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

The purpose of this Funding Strategy Statement is therefore:

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

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

■ 3. Aims and purpose of the fund

The aims of the Fund are to:

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

The purpose of the Fund is to:

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

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

■ 4. Responsibilities of the key parties

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

Key parties to the FSS

The Administering Authority should:

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

The Individual Employer should:

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

The Fund actuary should:

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

5. Solvency funding target

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

Solvency and long term efficiency

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

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

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

Determination of the solvency funding target and deficit recovery plan

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

- that the Fund is expected to continue for the foreseeable future;
- and

- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

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

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

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

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

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

applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan in Appendix B). These principles have resulted in an target recovery period of 16 years being adopted across all Fund employers.

- Individual employer contributions will be expressed and certified as two separate elements:
 - the **Primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits
 - the **Secondary rate**: a schedule of lump sum monetary amounts over 2017/20 in respect of an employer's surplus or deficit
- For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from April 2020 based on the results of the 2019 actuarial valuation.
- Where increases in employer contributions are required from 1 April 2017, following completion of the 2016 actuarial valuation, if the Administering Authority agrees then the increase from the rates of contribution payable in the year 2017/18 may be implemented in steps, over a maximum period of 3 years.
 - On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer.
 - In all cases the Administering Authority reserves the right to apply a different approach at its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole. Any employer affected will be notified separately.

Funding for non-ill health early retirement costs

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

6. Link to Investment Policy and the Investment Strategy Statement

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

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

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

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

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

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

The current strategy is:

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

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

7. Identification of risks and counter measures

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

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

Financial

The financial risks are as follows:

- Investment markets fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses

- Pay and price inflation significantly more or less than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle.

Demographic

The demographic risks are as follows:

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

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

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

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

Insurance of certain benefits

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

Regulatory

The key regulatory risks are as follows:

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to Fund,

- Changes to national pension requirements and/or HMRC Rules

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

Governance

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

Governance risks are as follows:

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

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

■ 8. Monitoring and review

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

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

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

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

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

> Appendix A

Method and assumptions used in calculating the funding target

Method

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

Financial assumptions - solvency funding target

Investment return (discount rate)

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

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

Inflation (Consumer Prices Index)

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

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

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

Salary increases

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

Pension increases/Indexation of CARE benefits

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

Demographic Assumptions

Mortality/Life Expectancy

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

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

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

Commutation

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

Other Demographics

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

Expenses

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

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a

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

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

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

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

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

Employer asset shares

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

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional

individual employer investment strategy identical to that adopted for the Fund as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

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

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

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

LONG-TERM YIELDS	
Market implied RPI inflation	3.2% p.a.
SOLVENCY FUNDING TARGET FINANCIAL	
Investment return/Discount Rate	4.35% p.a.
CPI price inflation	2.2% p.a.
Long Term Salary increases	3.7% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.
FUTURE SERVICE ACCRUAL FINANCIAL ASSUMPTIONS	
Investment return/Discount Rate	4.95% p.a.
CPI price inflation	2.2% p.a.
Long Term Salary increases	3.7% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.

Life expectancy assumptions

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

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

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

> Appendix B

Employer deficit recovery plans

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

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

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

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

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

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

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

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

Other factors affecting the Employer Deficit Recovery Plans

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

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an

evidenced based affordable level of contributions for the organisation for the three years 2017/2020. Any application of this option is at the ultimate discretion of the Fund officers and Section 151 officer in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need

to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

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

➤ Appendix C

Glossary

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

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

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

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

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

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

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

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

Covenant: the assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have

difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

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

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

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

Employer's Future Service Contribution

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

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

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

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

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

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

Government Actuary's Department (GAD):

the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Profile: the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

Rates and Adjustments Certificate: a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

Real Return or Real Discount Rate: a rate of return or discount rate net of (CPI) inflation.

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.

Scheduled bodies: types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

Valuation funding basis: the financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

Investment Strategy Statement

Appendix

04

Agreed by Pensions Committee on 22 September 2017

Appendices

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Governance Compliance Statement

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■ 1. Introduction

The Local Government Pension Scheme (“LGPS”), of which the Fund is a part, is established under the Superannuation Act 1972 and is regulated by a series of Regulations made under the 1972 Act. All LGPS funds in England and Wales are required to have an Investment Strategy Statement (“ISS” or “Statement”). Regulation 7 of The LGPS (Management and Investment of Funds) Regulations 2016 governs the requirements of this Statement. The Shropshire County Pension Fund (the “Fund”) has complied with these requirements. Under the regulations the Secretary of State has the power to intervene in the investment function of an administering authority if the administering authority does not have regard to the Regulations, guidance or if other concerns are raised. This may include changing the ISS and, in the extreme, the transfer of investment powers to the Secretary of State or another nominated person. Shropshire Council (the “Authority”) is the Administering Authority for the Fund.

This ISS has been prepared by the Fund’s Pension Committee (the “Committee”), following advice received from the Fund’s consultant, Aon Hewitt.

The document takes account of the Fund’s:

Approach to pooling

- the Authority’s approach to the pooling of investments, including the use of collective investment vehicles and shared services.

Asset allocation and risk

- to ensure that asset allocation strategies are sufficiently diversified;
- to include the Authority’s assessment of the suitability of asset classes;
- set out the maximum percentage of the total value of all investments that it will invest in in particular asset classes;
- to include the Authority’s approach to risk, the assessment of risks and how they are to be managed.

Policies regarding investments

- the Authority’s policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;

- the Authority’s policy on the exercise of the rights (including voting rights) attaching to investments.

The ISS will be reviewed every three years after the investment strategy has been reviewed and is confirmed as fit for purpose. In addition the ISS will be reviewed following changes to the investment strategy.

A copy of this ISS will be made available on request to any interested party.

■ 2. Governance

Shropshire Council has delegated responsibility for the management of the Fund to the Pension Committee. The Pension Committee has responsibility for establishing investment policy and ongoing implementation.

The Pension Committee is made up of nine members comprising both elected councillors and a non-voting employee and pensioner representative.

Members of the Pension Committee recognise that they have a fiduciary duty to safeguard, above all else, the financial interests of the Fund’s beneficiaries. Beneficiaries, in this context, are considered to be the Fund Members (pensioners, employees and employers), other stakeholders being local Council Tax Payers.

Decisions affecting the Fund’s investment strategy are taken with appropriate advice from the Fund’s advisers. Only persons or organisations with the necessary skills, information and resources take decisions affecting the Fund. The Members of the Pension Committee will ensure they receive training as and when deemed appropriate, to enable them to critically evaluate any advice they receive.

The Committee receives independent investment advice from the following sources:

- Roger Bartley - strategic and overall investment approach advice.
- Aon Hewitt (the Investment Consultant) - analysis and advice of a technical nature in relation to all investment related aspects of the Fund.

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

Local Pensions Board

The role of the Local Pensions Board is to assist in the good governance of the scheme through the monitoring of adherence to statutory duties.

The Board consists of 2 employer and 2 member representatives.

The Pensions Board is not a decision-making body, nor does it hold a scrutiny function; its role is to assist in the compliance with scheme rules.

Investment Principles

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

3. Approach to Pooling

The Fund is a participating member of the LGPS Central Pool. The proposed structure and basis on which the LGPS Central Pool (the "Pool") will operate was set out in the July 2016 submission to Government.

Assets to be Invested in the Pool

The Fund's intention is to invest its assets through the LGPS Central Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government.

It is expected that the majority of the Fund's liquid assets will be transferred to the Pool on 1st April 2018, although it will take some time for the Pool to restructure the assets into appropriate sub-funds within the Pool. These sub-funds are likely to be set-up over a period of 2 – 3 years, with the timing being dependent on market conditions and operational circumstances, and until such time

as the appropriate sub-fund is set up the assets transferred into the Pool will be overseen by LGPS Central on behalf of the Fund. It is not expected that any significant decisions (e.g. replacement of a manager) will be taken on the assets transferred over to the Pool without prior consultation with the Fund, unless it is part of the process that leads to the setting up of a sub-fund.

At present it is expected that any transitory cash will be held outside the Pool (but not strategic cash holdings), and it is possible that currency management will continue to be carried out at an individual fund level.

Structure and Governance of the LGPS Central Pool

The eight administering authorities of LGPS Central will all be equal shareholders of the company. A Shareholders' Forum, comprising of one elected member from each administering authority, will fulfil the shareholders' role in ensuring that the company is managed efficiently and effectively and in the best interests of the funds.

A Joint Committee, also comprising one elected member from each administering authority, will be formed that will hold the company to account on all investment-related issues. The Joint Committee will have no decision making powers and all actions that are felt to be appropriate will ultimately require approval at an individual fund level.

A Practitioners' Advisory Forum, comprising of Officers of the administering authorities, will also be set up. The intention of this forum is to provide support and guidance to elected members on some of the practical issues, and to act as a conduit between the Joint Committee and the Committees of individual funds.

4. Asset allocation and risk

Strategic Asset Allocation

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

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

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

The Committee formulates the investment strategy with a view to:

- the advisability of investing money in a wide variety of investments;
- the suitability of particular investments and types of investment;
- ensuring that asset allocation strategies are sufficiently diversified.

The Committee will consider a full range of investment opportunities including:

- quoted and unquoted equity;
- government and non-government bonds;
- Liability Driven Investment (“LDI”);
- property and infrastructure;
- hedge funds and other alternative investments;
- derivatives, including equity options

The Committee further considers the legality of all investments for compliance with the LGPS.

Investment Beliefs

The following investment beliefs are taken into account when agreeing an asset allocation policy:

- A long term approach to investment will deliver better returns.
- The long term nature of the Fund’s liabilities is well suited to a long term approach to investment.
- Asset allocation policy is the most important driver of long term return.
- Risk premiums exist for certain types of asset and taking advantage of these can help to improve investment returns.
- Markets can be inefficient, and sometimes ‘mispriced’ for long periods of time, and there is a place for both active and passive investment management.
- Diversification across investments with low

correlation improves the risk/return profile, but over-diversification is both costly and adds little value.

- The Fund should be flexible enough in its asset allocation policy to take advantage of opportunities that arise as a result of market inefficiencies, and also flexible enough to protect against identifiable short-term risks when this is both practical and cost-effective.
- Responsible investment can enhance long term investment performance and investment managers will only be appointed if they integrate responsible investment into their decision-making processes.
- Investment management fees are important and should be minimised wherever possible, but it is ultimately the net return to investors (i.e. the return after all fees and costs) that is the most important factor.

Asset-liability Study and Expected Returns

The Committee determines the strategic asset allocation policy after considering projections of the Fund’s assets and liabilities which are calculated by the Fund’s investment adviser, in liaison with the Fund Actuary. This asset-liability study examines different combinations of assets to determine which combination will best meet the Fund’s objectives. The asset-liability study takes into account the particular liabilities of the Fund.

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

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

Expected annualised returns are formulated for each asset class based on long term capital market assumptions, using ten year expected returns and volatilities. The returns and volatilities used for each asset class are shown in the table below, and represent the current 10 year annualised nominal return assumptions from Aon Hewitt at 31 December 2016 (as used in the Asset-Liability Modelling study carried out at that time).

ASSET CLASS	31 DECEMBER 2016	
	EXPECTED RETURN %	VOLATILITY %
UK Equities	7.8%	19.2%
Global Unconstrained Equities	8.7%	21.2%
Global Passive Equities	7.1%	20.2%
Property	6.3%	12.7%
UK Index-Linked Gilts (Over 5 year duration)	0.5%	10.2%
Unconstrained Bonds	4.3%	5.2%
Global Fund of Hedge Funds	2.7%	9.3%
Global Private Equity	8.2%	27.6%
Infrastructure	5.7%	18.6%
Inflation (CPI)	2.1%	1.1%

Investment Strategy and Control Ranges

The Fund's strategic asset allocation was agreed by Pensions Committee in September 2015 as follows:

ASSET CLASS	ALLOCATION	CONTROL RANGE
Total Equities	52.0	47.0 – 57.0
Unconstrained Global Equities	24.0	20.0 – 28.0
UK Equities	8.0	5.5 – 10.5
Passive Equities (100% Hedged to GBP*)	20.0	16.0 – 24.0
Total Alternatives	23.0	18.0 – 28.0
European (Incl UK) Property	5.0	n/a
Private Equity	5.0	n/a
Infrastructure	3.0	n/a
Fund of Hedge Funds	5.0	n/a
Multi-Strategy Hedge Funds**	5.0	n/a
Total Bonds	25.0	20.0 – 30.0
Liability Driven Investment (LDI)	3.5	2.0-5.0
Unconstrained Bonds	21.5	17.5-25.5

* The Fund has implemented an equity derivatives programme with Legal & General Investment Management in order to manage the SCPF's exposure to equity markets over the short to medium term. The strategy protects £280m of equities with £140m of protection expiring in June 2018 and £140m expiring in December 2018. The protection targeted is such that when expected dividend income is allowed for, total losses over the terms of the protection will be no greater than 3%, unless the extent of price losses are sufficiently large to result in total returns losses exceeding 23%, in which case the protection structure reduces the total return losses by 20%. The strategy was funded by selling upside returns on the equity protected with the amount retained varying by region.**The Fund is disinvesting from the multi-strategy hedge fund and temporarily increasing the allocation to fund of hedge funds and unconstrained bonds.

Rebalancing Policy

Officers will review the position of the Fund quarterly to ensure the assets are within the control ranges listed above, and will rebalance as appropriate.

Risk

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, 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 <ul style="list-style-type: none"> Administrating authorities should ensure that: <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Administrating authorities should <ul style="list-style-type: none"> Adopt or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents Include a statement of their policy on responsible ownership in the statement of investment principles Report periodically to scheme members on the discharge of such responsibilities 	Comply	The Investment Strategy Statement includes a statement on responsible ownership. An independent advisor is appointed to engage with companies on socially responsible issues and voting at company meetings is effected through the Fund's investment managers.

PRINCIPLE	COMPLY OR EXPLAIN	COMMENT/EXAMPLES
6. Transparency and reporting <ul style="list-style-type: none"> • Administrating authorities should • Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives • Provide regular communication to scheme members in the form they consider most appropriate 	Comply	A range of documents are published relating to the Fund's investment management and governance including the Governance Compliance Statement, Funding Strategy Statement, Investment Strategy Statement, Communication Policy Statement and Annual report and accounts. These documents are available in full on the Fund's website and any amendments are published. Stakeholders are also invited to attend the annual meeting of the Fund.

> Appendix B

Investment manager mandates

INVESTMENT MANAGER	ASSET CLASS	BENCHMARK	TARGET
ACTIVE PORTFOLIOS			
PIMCO Europe Ltd	Unconstrained bonds	1 month Sterling LIBOR	+4% p.a.
BlackRock	Unconstrained bonds	3 month USD LIBOR	+ 4-6% p.a.
GAM	Unconstrained bonds	3 month Sterling LIBOR	+ 3-5% p.a.
BMO	Liability Driven Investment (LDI)	Hedge Benchmark (based on FTSE over 5 yrs Index Linked Gilt Index)	Outperform the benchmark
Majedie Asset Management	UK Equities	FTSE All Share	+2% p.a. over rolling 3 year periods
MFS Investment Management	Global Equities	MSCI World	+1% p.a. over rolling 3 year periods
Investec Asset Management	Global Equities	MSCI All Country World NDR	+ 3-5% p.a. over rolling 3 year periods
Harris Associates	Global Equities	MSCI World	+ 2-3% p.a. over 3 to 5 years
Harbour Vest Partners Limited	Private Equity Fund of Funds	Broad public equities index	+ 3-5% p.a.
Global Infrastructure Management	Infrastructure	n/a	RPI +5% p.a.
Aberdeen Property Investors	European (incl UK) Property	Composite of INREV VA Europe Index, vintage 2005 – 2008 and IPD UK All Balanced Funds Index	RPI +4% p.a.
Brevan Howard	Multi-Strategy Hedge Fund	3 month Sterling LIBOR	+6.0% p.a.
BlackRock	Fund of Hedge Funds	3 month Sterling LIBOR	+5.0% p.a.
INDEXED (PASSIVE) PORTFOLIOS			
Legal & General Investment Management	Global Equity	FTSE Developed World – GBP Currency Hedged	Match benchmark*

* The Fund has implemented an equity derivatives programme with Legal & General Investment Management in order to manage the SCPF's exposure to equity markets over the short to medium term.

> Appendix C

Principles of the UK Stewardship Code

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities.
2. Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.
3. Monitor their investee companies.
4. Establish clear guidelines on when and how they will escalate their stewardship activities.
5. Be willing to act collectively with other investors where appropriate.
6. Have a clear policy on voting and disclosure of voting activity.
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.

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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

- 67. Appendix 01**
Governance Compliance Statement
- 79. Appendix 02**
Administration Strategy Statement
- 89. Appendix 03**
Funding Strategy Statement
- 107. Appendix 04**
Investment Strategy Statement
- 117. Appendix 05**
Communications Policy Statement
- 127. Appendix 06**
Reporting Breaches Policy Statement
- 135. Appendix 07**
Training Policy Statement

1. Introduction

1.1 This document sets out the procedures to be followed by certain persons involved with the Shropshire County Pension Fund, the Local Government Pension Scheme managed and administered by Shropshire Council, in relation to reporting breaches of the law to the Pensions Regulator.

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

1.3 This Procedure document applies, in the main, to:

- all members of the Shropshire Pension Board;
- all officers involved in the management of the Pension Fund including members of the Treasury Team and Pensions Administration Team, and the Head of Finance, Governance 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:

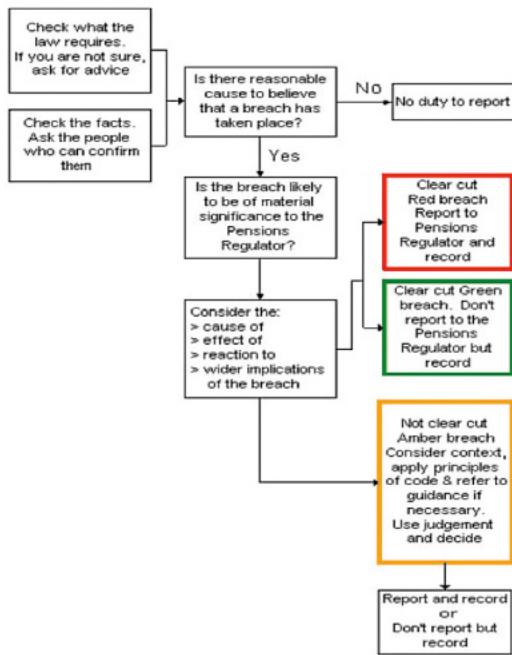
- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

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

- 67. Appendix 01**
Governance Compliance Statement
- 79. Appendix 02**
Administration Strategy Statement
- 89. Appendix 03**
Funding Strategy Statement
- 107. Appendix 04**
Investment Strategy Statement
- 117. Appendix 05**
Communications Policy Statement
- 127. Appendix 06**
Reporting Breaches Policy Statement
- 135. Appendix 07**
Training Policy Statement

■ Introduction

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

■ Aims and objectives

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

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

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

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

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

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

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

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

■ To whom this Policy applies

This Training Policy applies to all individuals that take on a decision making, scrutiny or oversight role in the Fund. This includes:

- Officers of the administering authority involved in the management and administration of the Fund
- Members of the Pension Fund committee, including scheme member and employer representatives
- Members of the pension board, including scheme member and employer representatives.

■ CIPFA knowledge and skills framework

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

They are:

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

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

at Shropshire Council is the Fund's designated named individual responsible for ensuring that the this Training Policy is implemented. This is in line with principle five of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge.

■ **Shropshire County Pension Fund Training Plan**

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

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

Individual training needs

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

Topic based training

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

General awareness

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

How training will be provided

Training will be delivered through a variety of methods including:

- in-house training days provided by officers and/or external providers;
- shared training with other LGPS Funds or framework arrangements

- training at meetings (e.g. committee or pension board) provided by officers and/or external advisers;
- external training events, such as those organised by the Local Government Association (LGA), CIPFA, or Pensions and Lifetime Saving Association (PLSA), previously NAPF.
- attendance at seminars and conferences offered by industry-wide bodies, such as those organised by the LGA, LGC Pension Investment Seminars, CIPFA, Local Authority Pension Fund Forum or PLSA
- circulation of reading material, including Fund committee reports and minutes from attendance at seminars and conferences;
- attendance at meetings and events with the Fund's investment managers and advisors
- links to on-line training such as that provided by the TPR;
- the Funds website www.shropshirecountypensionfund.co.uk 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:

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Shirehall, Abbey Foregate, Shrewsbury,
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