



**Shropshire
County
Pension Fund**

Business Plan

2024-2026



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Version History

| Version Number | Revision Date | Author(s) | Change |
|----------------|---------------|---|---|
| V0.1 | 24/05/2023 | Justin Bridges, Debbie Sharp, Peter Chadderton, Cheryl Morrell, Helen Tomkins, Alison Grange, Ben Driscoll, Ed Roberts, Jake Glover | Document creation and initial content added. |
| V0.2 | 18/10/2023 | Justin Bridges, Debbie Sharp, Peter Chadderton, Cheryl Morrell, Helen Tomkins, Alison Grange, Ben Driscoll, Ed Roberts, Jake Glover | Content amended / further additions. Photos added. |
| V0.3 | 07/11/2023 | Justin Bridges, Peter Chadderton, Cheryl Morrell, Helen Tomkins, Alison Grange, Ben Driscoll, Ed Roberts, Jake Glover | Added Revision History section. Further photos added. Action Plan updated. Wording added to Workforce Planning. |
| V0.4 | 20/11/2023 | Jake Glover | Accepted all changes and resolved all comments - finalised to be shared with Pensions Committee in December 2023. |
| V0.5 | 11/12/2023 | Peter Chadderton Vicky Jenks | Business Plan updated. Workforce planning updated. |
| V0.6 | 25/01/2024 | Justin Bridges, Peter Chadderton, Vicky Jenks, Cheryl Morrell, Helen Tomkins, Alison Grange, Ben Driscoll, Ed Roberts, Jake Glover | Accepted all changes and resolved all comments - finalised to be shared with Pensions Committee in March 2024. |
| V1.0 | 18/03/2024 | Jake Glover | Removed watermark, updated version number and date following approval/sign-off by Pensions Committee 15/03/2024 |



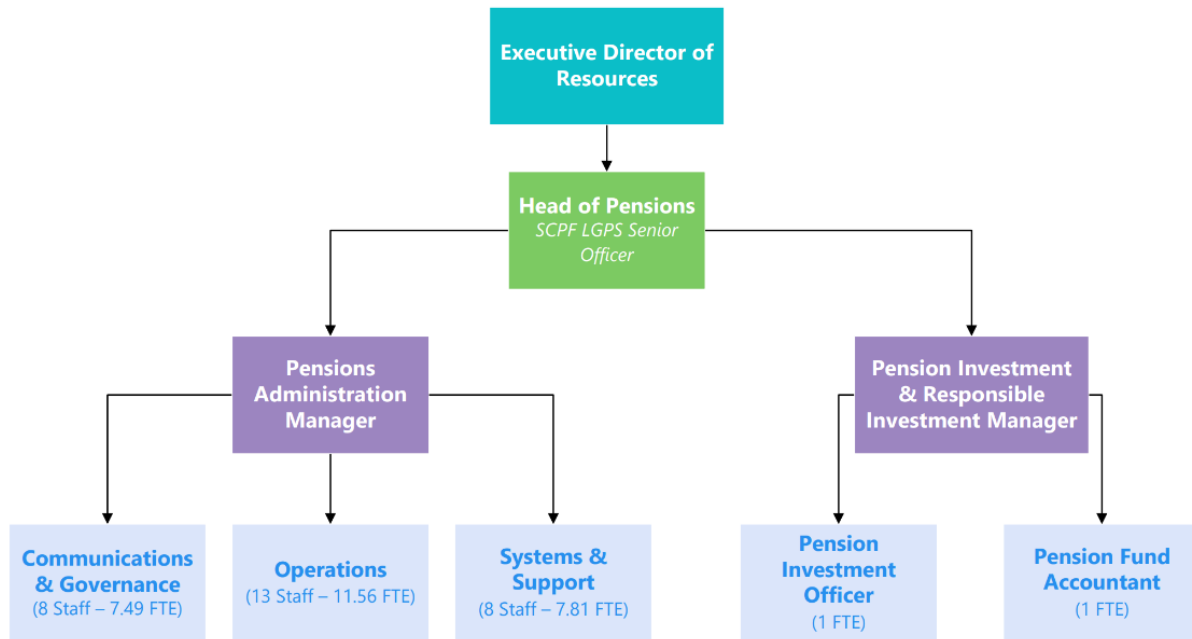
Background

This is the Business Plan for the Shropshire County Pension Fund, which is part of the Local Government Pension Scheme (LGPS) and has more than 49,500 members, including 14,316 in receipt of a pension. It makes investments so that it can pay pensions to these members when they reach retirement age. At its last financial year end - 31st March 2023, these investments were valued at £2.244 billion.

Shropshire Council is the administering authority for the Shropshire County Pension Fund. It has delegated responsibility for this to the Pensions Committee who are charged with the governance and management of the Pension Fund. The Committee meets quarterly or more often if required and has 9 members, made up of six councillors, two scheme member representatives and a pensioner employer representative. A Pension Board consisting of 3 employer representatives and 3 member representatives has also been set up to assist with oversight and governance of the Pension Fund. These membership arrangements have been designed to allow all key stakeholders to have the opportunity to be represented.

The Executive Director of Resources (section 151 Officer) 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 accounting in the United Kingdom.

Responsibility for administration of the Shropshire County Pension Fund has been delegated by the Executive Director of Resources to the Head of Pensions - LGPS Senior Officer. Shropshire County Pension Fund carry out the day-to-day administration of the fund. There are 30 full time equivalent (FTE) staff involved in the administration and governance of the fund.



The management and administration of the fund are both carried out in conjunction with several key suppliers, in particular the fund’s Actuary - Mercers, its bank - NatWest, custodian of the fund’s investment – Northern Trust and the administration software supplier – Heywood. More details of the fund’s suppliers, including its arrangements for investment management, are contained in its Annual Report published on the website <http://www.shropshirecountypensionfund.co.uk/>

Shropshire County Pension Fund is a member of LGPS Central Limited with eight other funds in the Midlands region. LGPS Central Ltd is jointly owned on an equal share basis by the 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.

LGPS Central Ltd has been established to manage investment assets on behalf of its eight Local Government Pension Scheme (LGPS) funds across the Midlands region. It is a multi-asset manager, investing up to potentially £55.3 billion of assets (£26.4 billion invested as of March 2023), on behalf of 900,000 LGPS members and 2,500 employers. As at the 31st March 2023 the Fund had approx. £700 million of assets and commitments with LGPS Central. The transition of assets to LGPS Central will continue as appropriate opportunities arrive.

The Pensions Committee takes responsible investment and environmental, social and governance issues very seriously. The Pension Fund is a signatory of the Stewardship Code 2020, Principles of Responsible Investment (PRI) and has adopted the principles of the Taskforce for Climate-Related Financial Disclosure (TCFD). The Fund has agreed its own climate strategy and publishes climate risk reports annually.



Introduction

The Local Government Pension Scheme (LGPS) is a national scheme administered on a local basis by Shropshire Council providing current and future benefits for over 49,500 scheme members.

The fund is governed by the Superannuation Act 1972 and the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016
- the Public Services Pensions (Information about Benefits) Directions 2014 [with effect from 01/04/15]

As of 31st March 2023, there were 227 employer organisations in the fund, including the Council, with 88 scheme employers, 42 scheduled / designated employers and 97 admitted employers.

Membership numbers as of 31st March 2023 were:

| | |
|-------------------------|---------------|
| Active members | 16,825 |
| Pensioner members | 12,682 |
| Deferred members | 18,448 |
| Widows / Dependents | 1,634 |
| Total membership | 49,589 |

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. Employer contributions are set based on triennial actuarial valuations. The last valuation was 31st March 2022, and employer contribution rates were set ranging from 0% to 27.6% of pensionable pay. Some employers also pay annualised cash sums in respect of the recovery of their pension deficit.

The value of the Fund on 31st March 2023 was £2.244 billion. The Funds strategic asset allocation was agreed in June 2023 following the completion of the Actuarial Valuation and can be found in the Investment Strategy Statement (ISS) on the fund's website. The actual allocation at any point in time reflects the decisions and views of the fund's investment managers and the movement of financial markets. The next valuation will be undertaken on 31 March 2025.

Governance: To put stakeholders at the centre of everything we do, act with integrity and be accountable for decisions made. This will be achieved through a robust and well-based governance framework which considers risk management, compliance and appropriate resourcing.

Investments and funding: The fund's primary long-term investment objective is to achieve and maintain a funding level at, or close to, 100% of the fund's estimated liabilities; and within this, to endeavour to maintain stable employer contribution rates. Employing authorities are pro-actively consulted on the funding strategy statement on which the valuation and employer contribution rates are based.

Climate Change and Responsible Investment: The Fund takes responsible investment very seriously as has a Climate Change Strategy in place committing to net zero by 2050 in line with the Paris accord on climate change adopted in 2015.

Shropshire County Pension Fund is a signatory to the UK stewardship code and has published Climate Risk Reports and TCFD reports annually since December 2020.

Administration and communication: To continue delivering a high-quality administration service to all stakeholders. This will be done by working closely with our partners and the continual review of processes and procedures to ensure that the fund receives all income due, and payments are made to the right people at the right time. There is clear communication with all stakeholders and robust accounting and reports.

The Business Plan is an important document which sets out the aims and objectives of the Fund over the coming years and the outcomes the Committee and Board want to achieve for its stakeholders. The Business Plan is one of several documents that govern how the Pension Fund is managed. These are:

- Administration strategy statement
- Climate Change strategy
- Communication Policy
- Employer Events Policy
- Funding Strategy Statement
- Governance Compliance Statement
- Investment Strategy Statement
- Reporting Breaches Policy
- Training Policy

These policies are published on the fund's website <http://www.shropshirecountypensionfund.co.uk> and reviewed at least once a year by the Pension Committee and Board.

The key actions and areas of focus in the business plan are grouped into the areas of governance, funding and investments, and administration; the objectives for these are summarised as follows:

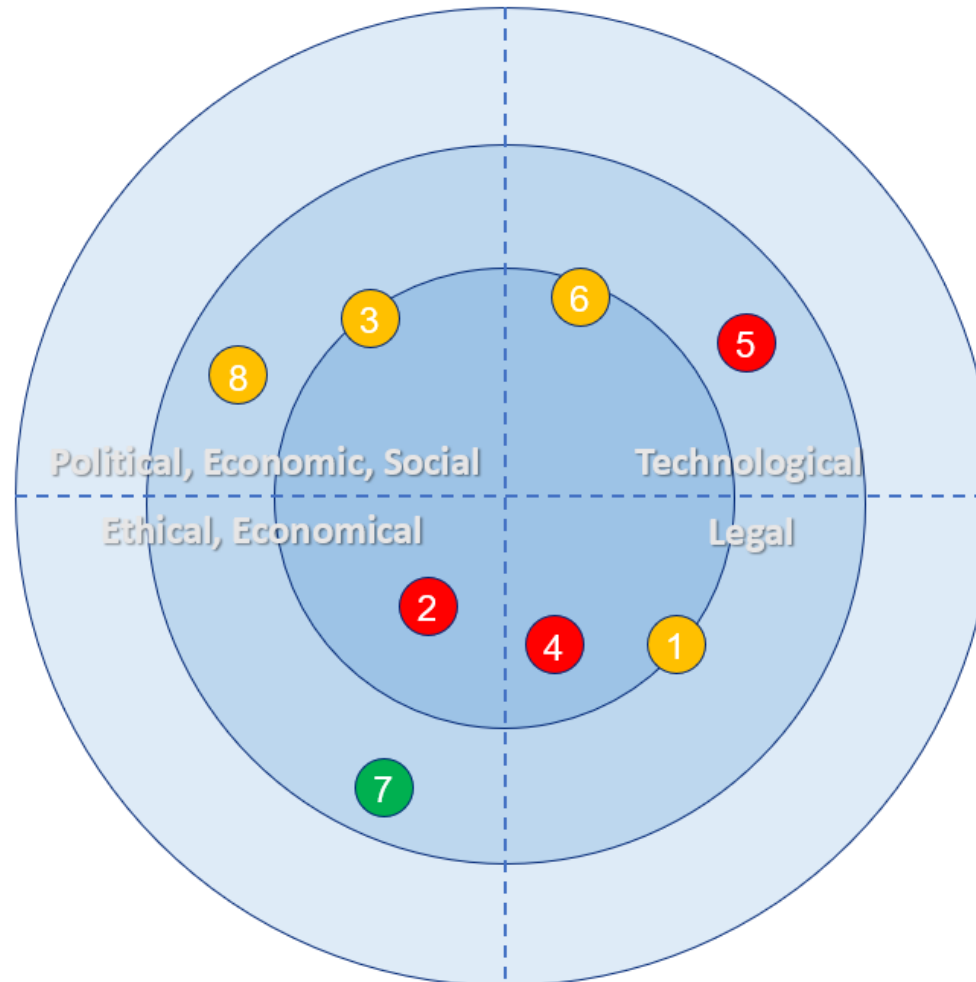




Horizon Scanning

Within the LGPS, certain elements are known under current legislation and can be included on the business plan and processes developed. However, there are also changes that occur to new legislation or reviews of best practice. The fund is aware of the following potential changes, and these will be kept under constant review. Any unknowns will be added at the appropriate time.

| Event | |
|--|--|
| 1 | TPR expectations on Cyber Risk |
| 2 | Climate Reporting compliance |
| 3 | Good Governance regulations |
| 4 | McCloud Judgement |
| 5 | Pensions Dashboards |
| 6 | Bots and AI |
| 7 | Member Demographic changes |
| 8 | Asset Transfer to LGPS Central |
| Impact Assessment | |
| ■ Low | ■ Medium ■ High |
| Time Horizon | |
| ■ 5+ years | |
| ■ Within 5 years | |
| ■ Already here | |





Delivering the Business Plan

Monitoring and Reporting

To identify whether we are meeting our agreed business plan we will:

- continue to monitor progress of the key priorities and the agreed budgets on an ongoing basis within the Pension Fund Management Team.
- provide updates on progress against these key priorities on a quarterly basis to the Pension Fund Committee, which will be shared with the Pension Board.
- As part of these quarterly updates, we will:
 - i. highlight any areas where we are exceeding or failing to achieve our targets and the reasons why and identify any changes to the planned priorities because of this.
 - ii. highlight any significant additional spend or underspend in relation to the agreed budget as it becomes apparent.

Business as Usual

The business plan highlights the key priorities for the next three years. This focuses on area of change and one-off project work which are in addition to day-to-day “business as usual” duties.

Managing the fund on a day-to-day basis involves a wide range of processes and procedures, examples of which are outlined below and all of which support achievement of the Funds objectives. The management of the Fund is significant, complex, and highly regulated requiring expert knowledge of officers and external advisors.

The following key elements are examples of day-to-day duties.

Governance

- Setting the agendas, reporting and presenting to the Pensions Board and Committee.
- Implementing and monitoring the achievement of other governance areas such as training policy, conflict of interest policy, risk register and compliance against The Pensions Regulator’s Code of Practice. Please note a new Code of Practice comes into force on 27th March 2024, this code replaces Code of Practice 14, which covered

Public Sector Pension Schemes. The new code has introduced some new areas of guidance which will need to be addressed, however the majority of the recommendations which are relevant to the Local Government Pension Scheme should already be in place.

- Ensuring we adhere to legal requirements for procurement, health & safety and data protection.
- Replying to Freedom of Information requests.
- Assisting internal and external auditors with their role.
- Preparing and publishing the fund's Annual Report and Statement of Accounts.
- Preparation of statutory and non-statutory returns as required.
- Running an annual meeting for employers.
- Ensuring any breaches are recorded and reported to Board/committee.
- Having a cyber security policy.

Investments

- Production of year end annual accounts and annual report
- Quarterly monitoring and reporting of the investment position and governance re investor engagement for both Pensions Board and Committee.
- Quarterly reconciliation of private market investments to investment manager capital account statements.
- Monitoring and review of investment costs in line with Cost transparency initiative.
- Completion of statutory returns.
- Monitoring of fund's cashflow position including the raising and payment of invoices across several areas.
- Bank Reconciliation.
- Preparation of monthly management accounts with reconciliation between manager and custodian records.
- Working with LGPS Central and other funds within the pool through investment and responsible investment working groups
- Preparation of data in respect of IAS 19 accounting disclosures for employers.
- Monitoring of strategic asset allocation.

Administration

- Maintaining accurate and up-to-date scheme member records.
- Calculating and notifying entitlement to pension and death benefits.
- Providing estimates of retirement benefits, including any additional costs to employers.
- Calculating and paying monthly pensions to all pensioners and beneficiaries.
- Producing Annual Benefit Statements for all active and deferred scheme members and payslips and P60s for pensioner members and making these documents available on 'My Pension Online'.
- Providing ongoing information to scheme members and their beneficiaries as they join, leave, or change their status in the fund.
- Answering ad-hoc enquiries received by phone, email, letter, or 'My Pension Online' message.
- Maintaining the fund's website and member portal 'My Pension Online'.
- Provide new employers with information about their fund responsibilities.
- Providing on-going training and technical updates to employers.
- Maintaining records of all Officer, Committee and Board training completed as well as future needs.
- Administering the fund's Internal Dispute Resolution Procedure.
- Providing information to the fund's Actuary as required.

- Managing any employers who wish to join or leave the fund.
- Completing statutory reporting requirements and other provisions of information to stakeholders, including reporting against KPIs.
- Maintaining and updating the pensions software system.
- Regular updates to employers and members regarding LGPS legislation changes and how it impacts on them including newsletters and emails.
- Maintaining the Pensions Administration software system to effectively deliver all the above.



Business Plan

| Project Name | Context | Actions | Progress |
|--|--|---|----------|
| ADMINISTRATION | | | |
| Year-end 2023/2024 | All records to be checked from postings. All employer forms to be reconciled to total of monthly postings | Data cleansing to be undertaken following last i-Connect submission for March 2024. Reconciliation forms and communication to employers to be issued February 2024. Forms reconciled to accounts. Project to completed by 30 th June 2024. | |
| Annual Benefit Statements | All Annual Benefit Statements issued by 31 August | Project plan to be put in place by 31 st March 2024. Statement preparation to commence following completion of year end processes. | |
| Preparation of Pension Fund Annual Report | To produce annual report by statutory deadline of 1 st December 2024. | Project plan to be put in place by March 2024. Review new guidance when available. This will be compulsory from 2025. Draft version available to be signed off by September 2024 pension committee. | |

| Project Name | Context | Actions | Progress |
|---|---|--|---|
| TPR One Code of Practice outcome | To demonstrate compliance with any recommendations/regulation changes put in place | Review guidance when available. | The new code has been issued in January 2024 and comes into force from 27 March 2024. The team will be reviewing the code over the coming months so that a gap analysis can be completed. Many of the recommendations for the LGPS have been lifted from Code 14, |
| SAB Good Governance Review Outcome | To demonstrate compliance with any recommendations/regulation changes put in place | Review guidance when available. | |
| McCloud Remedy | To implement the 1 st October 2023 McCloud legislation and to ensure any guaranteed amounts are paid to protected members. | <p>Ensure the system is configured to allow all calculations to perform the underpin calculation.</p> <p>All relevant documentation to be amended.</p> <p>Disclosure requirements to be met by 31st December 2023 due to the change in legislation.</p> <p>Rectification cases of past cases during the remedy period to be undertaken.</p> | <p>Went live 8th November 2023. For members in scope an indicator has been added so that the underpin check can be performed when benefits are calculated.</p> <p>Priority documentation updated for go live. Website updated.</p> <p>Pensioners notified by InTouch newsletter October 2023. Active and Deferred members were notified in December 2023.</p> <p>For past cases the underpin indicator and underpin check has been run, the team are</p> |

| Project Name | Context | Actions | Progress |
|--|---|---|---|
| | | | <p>working through these to identify any members who may require an adjustment to pension.</p> <p>The Home Office have issued guidance on the priority order for cases that should be worked through.</p> |
| Employer Spreadsheet | Creation of a central spreadsheet of employers to track starters, leavers, and actuarial data. | Spreadsheet created by Mercer for use by the team. | <p>In use from November 2023. The team are creating a central repository so that employers can be tracked more easily.</p> <p>The spreadsheet from Mercer lists employers, but needs to be reviewed so that details regarding contract end dates, bonds and convenance can be added, processes to be delivered in order to make sure reviews are in place</p> |
| Review of Bonds (Employer guarantor) | For certain types of admitted bodies a Bond is required to provide an assurance that contributions can be collected in the event of an employer having financial difficulties | As part of the valuation process Bond values are reviewed. The administration team need to liaise with employers to ensure bonds are put in place and reviewed before they expire | Information regarding Employers with bonds is being captured on the central Employer list. Contact is being made with those employers where the Bond requires review |
| Heywood Contract Performance Monitoring | Working with GMPF and Audit to produce a contract performance monitoring document for the hosted service. | Document to be finalised and presented to Heywood's | Document has been created and shared with Heywood, review meetings to be scheduled on a quarterly basis |

| Project Name | Context | Actions | Progress |
|---|---|--|--|
| External Audit of Pension Fund | Annual requirement | Providing information required within the agreed timescales. | Meeting held with external Auditor to plan Audit work to be completed in 2024, this will include system audit |
| Production of Pension Savings Statements | Comply with HMRC regulations | Identify the members who have breached the annual allowance. Provide a pension saving statement by the 5 th October 2024 deadline. | Work to commence completion of Year end processes |
| Pensions Increase 2024 | To ensure pensioners and deferred are uprated with annual increase amount | Bulk process to update the system with the confirmed CPI increase on 8 th April 2024. | Systems and Operations team planning has commenced |
| Pensions Dashboard Implementation | Implement in line with national guidelines by October 2026. | To procure an ISP provider in 2024. | Project plan for Dashboard being created. ISP provision can be purchased via LGPS framework. Initial discussion with software provider held regarding implementation of ISP. Data readiness report to be run in order to identify areas of data that require improvement. Tracing exercise will be required for scheme members who are currently listed as 'gone away' |
| Bulk Revaluation | Annual CARE uprating to be applied to active records | Bulk process to be run after year end postings are complete in May/June 2024 | |

| Project Name | Context | Actions | Progress |
|--|--|--|---|
| P60 to Pensioners | To produce a P60 for pensioner members by 31 st May | Following year end 2023/24 payroll processes run P60 production in end March/April 2024. | |
| Implementation of Transformative] Member Experience (TME) to replace my pensions online | The my pensions online portal is being phased out by Heywood and replaced with TME, the platform should provide clearer information to scheme members regarding their pension and provide tools to help plan for retirement | The administration team will need to work with Heywood and internal IT teams in implement this change. Communications to scheme members to inform them of new look online portal with be required. | This work is being planned for September -December 2024 |
| INVESTMENTS | | | |
| UK Stewardship Code | Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The UK Stewardship Code 2020 comprises a set of 12 'apply and explain' Principles for asset owners. As part of the Fund's desire to demonstrate its good governance and stewardship of its assets, the Fund submitted its first report in October 2022. The Fund was successful in its submission and is now a signatory to the UK Stewardship Code. The Fund has received feedback from the FRC on its submission and the Fund will develop its submission following this feedback. | ESG monitoring is in place as part of business as usual. Resources have been allocated to review positions with Investment Managers at end of 2022 to address any points from the 2022 application. Lead Officer: Pensions Investment and Responsible Investment Manager | An updated draft application will be presented to the Pensions Committee in March 2024 for submission in May 2024 |

| Project Name | Context | Actions | Progress |
|------------------------------------|---|--|--|
| | <p>The Fund will submit a report annually to the Financial Reporting Council (“FRC”) to maintain its status as signatory to the Code.</p> <p>As part of the work on the Stewardship Code the Fund will review its approach to stewardship and engagement to ensure that it continues to meet the requirements of the Committee.</p> | | |
| Triannual Valuation Results | <p>Work with Actuary to prepare and consider the Actuarial valuation results. The next valuation date is the 31st March 2025 alongside the Fund’s Funding Strategy Statement.</p> | <p>Regular update meetings are held with the Actuary. Communications will be issued to scheme employers in 2024/25 in respect of the valuation process. The Funding Strategy Statement has been updated as part of the 2022 valuation and will be reviewed and issued for consultation following the 2025 valuation.</p> <p>Lead Officer: Head of Pensions – LGPS Senior Officer</p> | <p>All action has been taken in respect of the March 2022 valuation and an indicative timeline of work is in place for the 2025 valuation.</p> |
| Covenant Review | <p>Work with Actuary to review Employer covenants on an annual basis to monitor risk to fund.</p> | <p>Meetings have been held with Actuary to discuss employers subject to review and the terms and reference of the reviews.</p> <p>Lead Officer: Pensions Investment and Responsible Investment Manager</p> | <p>The covenant review for 2023/24 is currently in progress</p> |
| Climate Change Risk | <p>The Fund issues an annual climate risk report and TCFD report as part of its commitment to net zero. In addition, the Fund supports these reports by</p> | <p>Climate Risk reports and TCFD reports have been commissioned with LGPS Central.</p> | <p>The 2023 Climate Risk & TCFD Reports will be presented to Pensions Committee in December 2023</p> |

| Project Name | Context | Actions | Progress |
|--------------------------------------|--|---|--|
| | undertaking Climate scenario analysis on a bi-annual basis to ensure that developments in this field are fed into ongoing analysis. | Alternative Investment managers ESG policies and progress on Climate Risk monitoring are reviewed periodically with a view to establishing full portfolio monitoring. Lead Officer: Pensions Investment and Responsible Investment Manager | |
| Biodiversity Risk | The Government is currently consulting on TNFD (Taskforce for Nature related Financial Disclosures). The Fund is monitoring the position and discussing potential data sources with investment managers and other Funds with a view to be able to report in a similar context to TCFD on climate. | Discuss the format of TNFD reports with LGPS Central to establish what can be accurately reported. Consider integration of Biodiversity risk into climate change strategy as whilst different risks there is an underlying fundamental link. Liaise with Investment Managers with a view to establishing full portfolio monitoring. Lead Officer: Pensions Investment and Responsible Investment Manager | Continue to raise TNFD monitoring with Investment Managers pending full release of guidelines expected in 2024. |
| Investment Strategy Statement | The Fund sets a triannual investment strategy which was last reviewed in June 2023 and the Fund is currently working on transition plans to meet the new strategic asset allocation. The investment strategy review took place concurrently with the review of the Funding Strategy Statement in 2022/23. The outstanding actions now are implementing the agreed changes to the investment strategy. The implementation of the revised investment | Reports on the Investment transition to meet the new ISS were presented to Pensions Committee in September 2023. The transition will take approx. 18 to 24 months to fully implement given some of the illiquid asset classes involved. | The Investment strategy was agreed in June 2023 Transition to Investment Grade Corporate Bonds was completed in October 2023. |

| Project Name | Context | Actions | Progress |
|----------------|--|---|---|
| | strategy will occur over a period to manage transition risks. | <p>A full timetable is in place and Pensions Committee will be updated on a quarterly basis of major changes.</p> <p>Lead Officer: Head of Pensions – LGPS Senior Officer</p> | |
| Pooling | <p>The Fund works directly with LGPS Central to ensure that appropriate products are available to meet future investment requirements and allow transition from legacy managers as investments mature.</p> <p>The Fund will review and respond to DLUHC consultations on the future development of pooling</p> | <p>The Fund Continues to work with LGPS Central to ensure that appropriate investment vehicles are available to allow the transfer of the Funds uncommitted assets.</p> <p>The transition of illiquid assets will continue to be reviewed based on maturity profiles and investment opportunities available.</p> <p>The Fund has responded to the DLUHC consultation on moving pooling forward.</p> <p>Lead Officer: Head of Pensions – LGPS Senior Officer</p> | <p>The Fund Continues to transition assets as opportunities arise.</p> <p>The outcome of the DLUHC consultation on moving pooling forward is awaited.</p> |



Budget

The pension fund categorises its expenditure for the management of the Pensions Fund according to CIPFA's definitions:

- **Investment management** – the cost of managing the Fund's assets, which includes fees paid to the Funds Investment managers and custodian.
- **Administration** – All activities the Administering Authority must perform to administer entitlements and provide members with scheme and benefit entitlement information.
- **Oversight & Governance** – the costs of accounting for and monitoring the Pension Fund, including any professional advice and support the Fund requires.

| Operational Expenses | 2022/23 Actual £m | 2023/24 Budget £m | 2024/25 Budget £m | 2025/26 Budget £m |
|-----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Investment Management | | | | |
| Management & Performance Fees | 8.618 | 9.450 | 9.600 | 9.750 |
| Transaction Costs | 4.305 | 3.800 | 3.900 | 4.000 |
| Other Fees | 2.899 | 2.990 | 3.082 | 3.174 |
| Total | 15.822 | 16.240 | 16.582 | 16.924 |
| Administration | | | | |
| Staff Costs | 1.074 | 1.128 | 1.162 | 1.196 |
| IT | 0.278 | 0.600 | 0.450 | 0.450 |
| Premises | 0.019 | 0.020 | 0.020 | 0.020 |
| Supplies and Services | 0.086 | 0.138 | 0.147 | 0.156 |
| Total | 1.457 | 1.886 | 1.779 | 1.822 |
| Oversight & Governance | 1.530 | 1.554 | 1.609 | 1.669 |
| Total Management Expenses | 18.809 | 19.680 | 19.970 | 20.415 |

The Budget is reviewed annually and has been prepared to reflect the cost of delivering the Pension Fund's statutory responsibilities for the administration of the scheme and

management of investments. The resources within the budget are sufficient to meet the Fund’s regulatory requirements at the time of writing. The new developments and initiatives in the Fund’s Business Plan are included in the forward budget.



Risk Register

Risk management is the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods of controlling or responding to them. Shropshire Council has a formal risk management strategy and risk registers for Pension Fund Investment, Investment Pooling and Pension Administration are included within this overall Strategy. Please see below a summary of the Pension Fund’s key risks which were identified for 2022/23.

| Risks | Controls in Place |
|---|--|
| Climate change and responsible investment (RI) – Funds are facing increasing pressure on divestment and to take action to address climate risks in the portfolio. | Climate risk assessment carried out. Robust RI policies, engagement and collaboration. Public TCFD report. Climate Strategy/Climate Stewardship plan in place. Signatory to the UK Stewardship Code. Work finalised to become signatory to the new Stewardship Code. |
| Regulatory risk – climate and responsible investment (RI) | RI integrated into the investment process. Monitoring of developments, responding to consultations when issued. Appointment of new Pension Investment and Responsible Investment manager post. |
| Cyber-attack resulting in loss of data leading to fines by the ICO and reputational damage. | Cyber security currently undertaken by Shropshire Council ICT. Separate Cyber Security policy being developed for SCPF. |
| Loss or inappropriate disclosure of personal data leading to fines and reputational loss. | ICT security used such as data encryption, secure mail and document management software with strict security profiles. Secure |

| Risks | Controls in Place |
|---|---|
| | working environment. Protecting information training undertaken by all staff annually. |
| 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 and monitoring arrangements. Investment Strategy Statement and Funding Strategy Statement published. Clear and relevant mandates. Audit of investment managers. |
| Liquidity risk in government bond markets due to higher interest rates and tighter monetary policy. Potential for quantitative tightening by Bank of England to further reduce liquidity from Bond markets. | Monitoring of investment performance relative to estimated growth in liabilities on an annual basis. Some investment in bonds (and similar investments) helps to mitigate this risk. Investment Strategy reviewed regularly with Aon and full review with committee. |
| Vulnerable to loss of or over-reliance of key staff due to long-term sickness or staff turnover resulting in reduction of service to scheme employers. | Procedure notes updated. Team restructured and additional resource added in 2022 to allow for succession planning. Training undertaken annually. Training policy and training log put in place. |
| Savings from pooling are not realised as fully or as quickly as planned for due to market factors or inaccurate assumptions in LGPS Central's business plan. | Research is being undertaken to ensure predictive savings are realistic. Plan for reviewing progress against the business plan has been agreed with the Board. Prudent assumptions have been used when estimating fee reductions and transition timescales. Financial model is continually updated. |
| Investments in LGPS Central not delivering the required investment return which could result in the need for increased employer contributions. | Investment performance regularly reported and monitored by the Pension Committee and action taken to report any concerns via the Joint Committee and Shareholders Forum. |
| Insufficient range of asset classes or investment styles being available through the investment pool. | Investment workstream set up to create sub-funds to implement participating funds investment strategies. Participating fund data gathered and analysed in detail at Officer Practitioner Advisory Forum meetings. Product Development Plan agreed by the Partner Funds/LGPS Central. |
| Inappropriate investment strategy | Funding strategy statement published following consultation with scheme |

| Risks | Controls in Place |
|---|---|
| | 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. |
| 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. |
| Economic recession impacting on investment returns. | Diversified investment strategy to spread risk across several different asset classes. |
| Pay and price inflation significantly higher than anticipated and pensioners in receipt of pensions for longer resulting in an increase in the Fund's liabilities, deterioration in funding position and increase in employer contribution rates. | Actuarial valuation process focuses on real returns on assets. Monitoring of investment performance in relation to the estimated growth in liabilities. Some investment in index-linked bonds (and other inflation linked investments) 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. Equity protection strategy in place. |
| Incorrect information/benefits provided to members of the scheme. | Benefits calculations are checked. All supporting calculations are provided to the member. Team training, Employer training. |
| Late payment of contributions by fund employers leading to the fund having to report to the Pension Regulator and possibly be fined. | Employer training/guidance on website. Employer newsletter. Contributions check and balance. Adhere to internal governance compliance statement. Adhere to Pension Regulator code of practice. Breaches log monitoring. Engage with employers to ensure contributions received on time. |
| Failure of employers to provide accurate data leading to incorrect benefit statement/payments or Fund valuations. | Employer training. Administration Strategy Statement. Team training. Introduction of i-Connect has resulted in improvement of data. Employers trained on TPR Code. Breaches log records any issues which are reported to Pension Committee/Pension Board. |
| Policies or strategies of the administering authority adversely impacting on the work of the pension team for the Shropshire County Pension Fund. | Segregation of duties, delegated decision making to Pension Committee and LGPS Senior Officer. Quarterly report to Pension Committee on administration. Embedding of |

| Risks | Controls in Place |
|--|--|
| | Pension Board and Pension Regulator Code and Scheme Advisory Board. |
| Failure to identify and report breaches of law, in accordance with the requirements of the Pensions Regulator leading to reputational damage and potential fines. | Breaches policy in place together with a breaches log which is reported to the Pension Committee, Pension Board and LGPS Senior Officer. Training undertaken by key staff. |
| Non-compliance with the law around LGPS Benefit Administration leading to fines by the Pensions Regulator. | The use of a good LGPS administration software solution together with experienced trained staff mitigates the risks to the council. |
| Failure of support systems: ERP, CIVICA Icon which will result in incorrect data collection, payment of benefits and incorrect accounting. | Key systems reviews, contractual arrangements, systems administration and IT support. |
| Regulatory change occurs which impacts either LGPS Central or partner funds. Government changing stance on pooling such that the model no longer meets requirements. | Regulatory intelligence and working collaboratively with partner funds and pool project. Lobbying through Government working groups. Responding to consultations on legislative change. Collaborating with partner pools to share best practice. |
| Key persons for either LGPS Central or partner funds either choose to leave or unable to fulfil their responsibilities. | Succession planning taking place with LGPSC and partner funds. Exit/handover plans. Different notice periods for key roles. Use of temporary resources. Governance structures – collective decision-making process. |



Governance

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).

Pension 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.



Funding and Investments

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 2022 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.

The FSS sets out the Funds approach to the following key areas:

- Actuarial Method and Assumptions: These define the approach used for assessing the funding position of the fund and individual employers.
- Deficit Recovery and Surplus Offset Plans: These set out the key principles in considering deficit recovery and surplus offset plans as part of the valuation.
- Ill Health Insurance Arrangements: This sets out the captive insurance arrangement which pools the risk associated with ill health retirement costs for employers whose financial position could be materially affected by the ill health retirement of one of their members.
- Employer Events Framework: This provides details of key areas of employer participation in the fund, such as joining the fund or exiting the fund etc.

The FSS is developed alongside the Investment Strategy Statement (ISS) detailed below) on an integrated basis considering the overall financial and demographic risks inherent in the fund to meet the objective for all employers over different periods.

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.

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.

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 taxpayers.

The fund's intention is to invest its assets through the LGPS Central Pool as and when suitable pool investment solutions become available.

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 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.
- Property, private equity and infrastructure.
- absolute return investments such as hedge funds, absolute return bond funds, insurance linked securities and other liquid alternative investments.
- derivatives, including equity options.

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 assets 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 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 the fund expects responsible investment integration to be a key part of the selection criteria for appointing new managers.
- 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.

Climate Change

Climate change has been identified as a significant investment risk by the Committee and as a result the Fund has a Climate Strategy that is due for review in 2024 confirming the funds commitment to net zero by 2050.

Below are some of the steps the Fund has taken to address climate change issues:

- Established carbon benchmarks to allow the funds carbon footprint to be reviewed on an annual basis and track progress against the stated commitments.
- Transition all passive equity into a low carbon transition fund.
- Transitioned former UK active equity mandate into global sustainable equity portfolio's with LGPS Central.
- Commitment to new equity investments being in sustainable funds.
- Working with LGPS Central to ensure better carbon data for wider portfolio.
- Working with private market managers to collect both responsible investment and climate data on portfolios.

The Task Force on Climate-Related Financial Disclosures ("TCFD") have released climate-related financial disclosure recommendations to help organisations provide better information to support informed capital allocation. The Fund has issued three TCFD reports to date and each report has been supported by a climate risk report and a climate Stewardship plan setting out the actions required in the following 12 months.

The DLUHC consultation on climate risk was launched in Q3 2022, which the Fund responded to. Whilst the Fund note that TCFD reporting at this stage was not compulsory and that report was likely to evolve over time to ensure that the reporting meets the necessary LGPS requirements, the Fund Believes that early adoption is the best way to show transparency over actions taken.

The Taskforce on Nature-related Financial Disclosures (“TNFD”) aims to replicate the success of the TCFD. It seeks to understand the interactions between business and natural capital, with the aim of agreeing a framework to monitor nature impacts, and to encourage businesses and investors to minimise negative impacts and maximise positive impacts on nature. TNFD will seek to create a toolkit for business leaders and the financial community to allocate capital away from nature-negative and towards nature-positive outcomes. Nature based solutions are one of the few investment opportunities that are net negative in terms of carbon emissions and natural capital opportunities will form a vital and increasingly important part of investment portfolios as investors seek to realise their net zero ambitions. The Fund will be considering how to integrate TNFD into its investment strategy as more information becomes available.



Training Policy and Plan

Shropshire Council recognises the importance of its role as Administering Authority of the Shropshire County Pension Fund. In relation to training, the Administering Authority's objectives are to ensure that:

- Those persons charged with the financial management and decision-making regarding 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 and the creation of this policy, the fund adopts the following seven principles and the guidance included in the Chartered Institute of Public Finance (CIPFA) Code of Practice 2021:

- This LGPS administering authority adopts the key principles of the Code of Practice on LGPS Knowledge and Skills.
- This LGPS administering authority recognises that effective management, governance, decision making and other aspects of the delivery of the LGPS can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them.
- This administering authority has in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of LGPS knowledge and skills for those responsible for the management, delivery, governance, and decision making of the LGPS.
- These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as those set down in the CIPFA LGPS Knowledge and Skills Framework.
- This administering authority will ensure that it has adequate resources in place to ensure all staff, members, or other persons responsible for the management, decision making, governance and other aspects of the delivery of the LGPS acquire and retain the necessary LGPS knowledge and skills.
- This administering authority will report annually on how its knowledge and skills policy has been put into practice throughout the financial year in the fund's annual report.
- This administering authority has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the appropriate officer, who will act in accordance with the administering authority's knowledge and skills policy statement, and, where they are a CIPFA member, with CIPFA Standards of Professional Practice (where relevant).

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 on the fund's website.

This policy has been prepared following the key areas of relevant legislation and guidance include the following:

- The Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills framework for LGPS Committee members and LGPS Officers, Pension Board Members and the Code of Practice
- MiFID II
- Pensions Act 2004
- Public Service Pensions Act 2013
- Statutory Government guidance
- Guidance from England and Wales Scheme Advisory Board (SAB)
- The Pensions Regulator's (TPR) Code of Practice

Training will be delivered through a variety of methods including:

- in-house training sessions provided by officers and/or external providers.
- virtually using webinars, online conferences and e-learning platforms
- 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)
- 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 Pensions Regulator.
- the fund's website www.shropshirecountypensionfund.co.uk and national LGPS websites where scheme information is available.
- fund policies and documents such as the Annual Report, Governance Compliance Statement, Administration Strategy, Funding Strategy Statement and Investment Strategy Statement.
- Telephone conference briefings
- Qualifications, particularly those relevant to senior officers

The fund has also invested in the Hymans e-learning platform which allows all officers, committee and Board members to access the latest updates with modules covering:

- Introduction to the LGPS
- Governance & Regulators
- Administration & Management
- Funding & Actuarial Matters
- Investments
- Current Issues including McCloud, Goodwin, cost-sharing, cyber security, GAD Section 13,
- Pensions Dashboard and cost cap.

Pensions Committee

The Pensions Committee meets quarterly or more often if required and at each meeting there is a training session usually delivered by the fund investment advisors, Aon, LGPS Central, investment fund managers, Mercer, Columbia Threadneedle Investments or officers.

Topics are wide ranging and have included the following:

- Actuarial Valuation
- Market Outlook
- Equity Protection
- Responsible Engagement Overlay Service (REO)
- LGPS Central Limited Update
- Investment Strategy & Equity Protection update
- Targeted Return Fund
- Audit findings for SCPF
- Climate risk report

In addition, three investment strategy training workshops were run by Aon, Mercer & LGPS Central in 2022/23 in preparation for agreeing the investment strategy statement at a future committee meeting.

Pensions Board

Each Pension Board member received training throughout 2022/23. The training was either provided by the Local Government Association (LGA), Aon, TPR, CIPFA or was provided by officers in-house. Each Pension Board member and senior officers have completed the Pensions Regulator's eLearning programme and a skills assessment to identify areas where further training may be required in the future. Pension Board members also attended the investment strategy training workshops and Pension Committee meetings where key themes this year were the actuarial valuation results, cyber security, McCloud, Pensions Dashboards and the TPR Single Code of Practice.

The following information is also available on the fund's website e.g. Annual Report & Accounts, Investment Performance, Actuarial Valuation reports, Administration updates, Climate Strategy & Stewardship Plan, Climate Risk reports, TCFD reports, Responsible Investment information, LGPS pooling updates/information, general policies and newsletters with regular scheme updates. In addition, all Pension Committee and Pension Board meetings are now live streamed and recorded and available.

Both Board and Committee members have completed an online questionnaire to assess their knowledge and skills against the CIPFA framework and responses are being used to determine future training needs.

Workforce Planning

Workforce planning is essential in order for all the above work to be delivered. There have been many challenges to recruiting and retaining team members, with the ever-changing environment in which we work, which incorporates complex pension legislation and evolving technological developments, this can make it extremely difficult to meet demand.

The loss of experienced team members can have a real impact on the ability to deliver an effective and efficient service.

A review of the team structure will be undertaken at the beginning of 2024 and a workforce plan will be created. This is to ensure we have the right resources and have a succession plan to remove any issues of resilience when key members leave the team.

A focus on career pathways, with team members having a clear training plan and an opportunity to study for a qualification should be included in the plan.

Best use of automated processes to help tackle areas of high volume is required, so that the team can focus on higher value work and providing an excellent service to all stakeholders.

