



**SHROPSHIRE COUNTY
PENSION FUND**
ANNUAL REPORT
2013/14



you

us

together



Sections

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8

Welcome

- 04. Introduction
- 07. Committee Members
- 09. Participating Employers

Administration

- 11. Review of the year
- 12. Pension News
- 18. Communications

Governance

- 20. Governance arrangements
- 21. Training Policy Statement

Accounts

- 22. Pension Fund Account
- 23. Net Assets Statement
- 24. Notes to the Accounts

Investments

- 43. Investment of Funds
- 48. Investment Performance
- 50. Corporate Governance and Socially Responsible Engagement

Independent Opinions

- 52. Statement by the Consulting Actuary
- 55. Statement of Responsibilities for the Statement of Accounts
- 56. Audit Opinion and Certificate

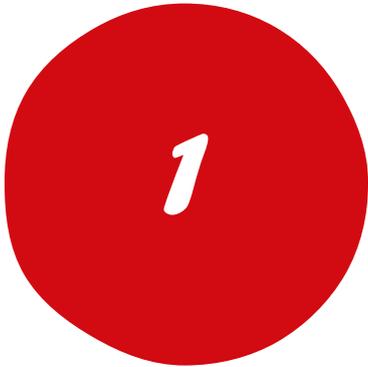
Glossary

- 58. Glossary of Terms

Appendices

- 61. 8:1 Governance Compliance Statement
- 73. 8:2 Funding Strategy Statement
- 85. 8:3 Statement of Investment Principles
- 95. 8:4 Communications Policy Statement
- 105. 8:5 Administration Strategy Statement

The LGPS is an important part of an employment package and from the day you join the scheme you get peace of mind that you and your family are protected.



WELCOME TO THE 21ST ANNUAL REPORT AND ACCOUNTS OF THE SHROPSHIRE COUNTY PENSION FUND.

SHROPSHIRE FUND INFORMATION:



Fund value increase
over the year



Is the Fund value as
at 31 March 2014



Outperforming
benchmark by 3.3%

The Shropshire Fund benefited from positive investment returns in a number of markets.

The strongest of these returns were experienced in UK Equities where the Fund's investments increased in value by 21.3% in the year. Equities, which saw a diverse range of positive results across the majority of geographic regions, achieved an absolute gain of 12.7% whilst achieving a relative outperformance of more than 3.3% compared to

benchmark. In the last year Infrastructure delivered 9.6% and Private Equity returned 8.1%. Hedge Funds delivered a positive return of 3.7% and Property delivered a small positive gain of 1%. The only asset classes which did not deliver positive returns over the last 12 months were index linked bonds and global government bonds earning negative returns of 4.4% and 1.1% respectively. In aggregate Fixed Income managers delivered a negative return of 1.8% with only one of the Fund's bond managers delivering positive returns.



THE PENSIONS COMMITTEE DETERMINE THE STRATEGIC ASSET ALLOCATION FOR THE FUND

This allocation 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 Committee are currently reviewing the strategic asset allocation of the Fund now the results of the 2013 actuarial valuation are published.

Structural Review

During 2013/14, the Committee carried out a review of the structure of the Fund with its investment consultant, Aon Hewitt. The recommendations from the review have now been implemented and involved replacing one of the Fund's Hedge Fund of Fund managers, Man Investment Ltd, with a Multi Strategy Hedge Fund manager, Brevan Howard and moving from regional equity managers (with the exception of UK Equities managed by Majedie), and appointing two Global Unconstrained Equity managers, Investec Asset Management & Harris Associates. Each of the active equity managers manage 8% of the total Fund. The Fund also increased the equity allocation managed on a passive basis from 9% (European Equities) to 20% (Global Equities) which is managed by Legal & General. In April 2014 the Fund further reduced its allocation in global government bonds by 5% by terminating the contract with Strategic and increasing the allocation to absolute return bonds (2.5%) and investment grade credit bonds (2.5%) managed by PIMCO due to the excess yields available compared to Government Bonds.

Manager Monitoring

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. In August 2013 Brevan Howard were appointed to manage a 5% allocation in Hedge Funds. In September 2013, Investec Asset Management, Harris Associates and Legal & General were also appointed. It is expected that these appointments will provide further diversification of returns and will help maintain the high standards expected from Shropshire's investment managers.

Actuarial Valuation

The Fund undergoes an independent actuarial valuation every 3 years. The latest actuarial valuation was conducted at the end of March 2013, identifying that the Fund had a funding level (the relationship between estimated future pension payments and the funds held to pay for these pensions) of 76%. This funding level is above the average of council pension funds and has one of the lowest employers' contribution rates of all council funds. The next actuarial valuation is being undertaken in March 2016 and the results will be known in November 2016.

As a local government pension scheme the Fund is able to take a long term view to the recovery of any funding deficit and is able to phase in any changes in the employer contribution rate in a manageable way. Whilst there is a lot written in the press about gold plated public sector pensions the reality is very different. The average pension paid from the Shropshire Fund last year was £4,700.

A New Scheme

The Local Government Pension Scheme has been replaced from April 2014, with a new career average scheme. This is a year earlier than other public sector schemes. Legislation is now in place covering provisions relating to membership, contributions and benefits and administration. Details on transitional protection in respect of all accrued rights to 31 March 2014, keeping the final salary link, the protection underpin for those within 10 years of retirement and the rule of 85 protections were also finally agreed in March 2014. Further regulation is still outstanding covering the governance and cost control mechanisms.

Administration Team

The Pension Administration Team worked hard to ensure Scheme employers and the membership were kept up to date during the year. Employers training sessions were run throughout the year and these were well attended. Presentations and surgeries were run across the County giving active members plenty of opportunity to learn about the 2014 Scheme. The website has also been upgraded to include information on the new scheme and the protections. Where possible the Fund is now using electronic communication and from June 2013 paper copies of payslips for pensioners are no longer being sent out by post. This has been well received as this information can now be accessed securely on line.

The Team also continued to work closely with all the scheme employers to ensure that as well as fulfilling their Scheme responsibilities they are aware of their responsibilities under Auto Enrolment. Not all Fund Employers have reached their staging date yet so this work will continue over the next few years.

Policy Updates

Fund Policies were updated following the Actuarial Valuation in consultation with Fund Employers and the Fund Actuary to take account of the decisions made in the Valuation.

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

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



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



Malcolm Smith
Chair of Pensions Committee
Telford & Wrekin Council



COMMITTEE MEMBERS 2013/14

1. Malcolm Pate
(Chairman)
Shropshire Council

2. Malcolm Smith
(Vice Chairman)
Telford & Wrekin Council

3. Anne Chebsey
Shropshire Council

4. Andrew B Davies
Shropshire Council

5. Thomas Biggins
Shropshire Council

6. Bill McClements
Telford & Wrekin Council

7. Jean Smith
Pensioner Representative

8. Charles Tranter
Employee Representative

9. John Fox
Employee Representative





Members, Managers & Advisors as at 31 March 2014

Independent Advisors

- Aon Hewitt Limited
- Roger Bartley

Custodian

- Northern Trust Company

Banker

- Natwest Bank

Legal Advisor

- Shropshire Council

Auditor

- Grant Thornton UK LLP

Fund Managers

- Aberdeen Fund Managers Ltd
- Blackrock Alternative Advisors
- Brevan Howard
- Global Infrastructure Partners
- HarbourVest Partners (UK) Ltd
- Harris Associates
- Investec Asset Management
- Legal & General
- Majedie Asset Management
- MFS Investment Management
- PIMCO Europe Ltd
- Strategic Fixed Income

Actuary

- Mercer Ltd

AVC Providers

- Prudential Assurance Company Ltd
- Equitable Life Assurance Society

Responsible Engagement Advisor

- F & C Management Ltd

Performance Measurement

- Northern Trust Company

Participating Employers

Scheme Employers have the right to join the scheme and their employees are automatically admitted to the Fund unless they indicate in writing that they do not wish to participate. Employees of Parish and Town Councils and other Admission Bodies must be nominated by their employer before they are admitted to the scheme.

Scheme Employers

- Abraham Darby Academy
- Abraham Darby School *
- Adams Grammar School*
- Haberdashers' Adams' Federation Trust (Adams Grammar School)
- Barrow 16-18 Free school
- Blessed Robert Johnson College
- Bridgnorth District Council **
- Bridgnorth Endowed School
- Charlton School
- Church Stretton Academy
- Corbet School *
- Corbet School Academy
- Ercall Wood School
- Greenacres Primary School
- Lakelands School, Sports & Language College
- Ludlow College*
- Madeley Academy Trust Ltd
- Marches School & Technology Academy
- Moorfield Primary School
- New College Wellington
- Newport Girls High School Academy
- North Shropshire District Council **
- North West Education Action Zone*
- Oswestry Borough Council **
- Priorslee Primary Academy
- The Priory School Academy
- Severndale Academy
- Shrewsbury & Atcham Borough Council **
- Shrewsbury College of Arts & Technology
- Shropshire Magistrates Court Committee *
- Shrewsbury Sixth Form College

- Shrewsbury Academies Trust (Sundorne & Grange Multi Academy Trust and Grange Primary School)
- Shropshire & Wrekin Fire Authority
- Shropshire County Council **
- Shropshire Council
- Shropshire Probation Committee *
- South Shropshire District Council **
- Telford College of Arts & Technology
- Telford & Wrekin Education Action Zone *
- Telford & Wrekin Council
- Telford Co-op Multi Academy Trust
- Walford & North Shropshire College
- West Mercia Supplies*
- West Mercia Energy
- William Brookes School
- Woodside Primary Academy
- Woodside Start Centre

Admission Bodies

- Accord Housing Association
- Age UK Shropshire, Telford & Wrekin
- Alliance in Partnership
- Association of Local Councils
- Care Quality Commission
- Compass (UK Ltd)
- Connexions *
- Coverage Care Ltd
- Coverage Care Crowmoor House
- Crime Reduction Initiatives (CRI)
- Energize
- Fastrack Maintenance*
- Funeral Services LTD
- Harper Adams University College
- (TheHive) Belmont Arts Centre HMM Arts Ltd
- Initial Catering Services *
- Interserve (Facilities Management) Ltd
- Ironbridge Gorge Museum Trust
- Landau Consultants*
- Mencap
- Meres & Mosses Housing Association
- Relate Shropshire*
- Ringway Infrastructure LTD
- Severnside Housing Association
- Severn Gorge Countryside Trust
- Shrewsbury, Telford & Wrekin Learning Hub*
- Shropshire County Leisure Trust
- Shropshire Disability Consortium*
- South Shropshire Housing Association

- South Shropshire Leisure Ltd
- Taylor Shaw Ltd (Priory School Catering)
- Taylor Shaw Ltd (Bridgnorth Endowed School)
- Telford & Wrekin Services Ltd
- Telford Development Corporation *
- Telford Trust*
- The Boathouse
- Transforming Telford ***
- Womens Royal Voluntary Service*
- Wrekin Housing Trust
- Veolia Environmental Services (UK) Plc

Designated Bodies

- Albrighton Parish Council*
- Alveley Parish Council*
- Bayston Hill Parish Council
- Bishop Castle Town Council
- Bridgnorth Town Council
- Broseley Town Council
- Church Stretton Town Council
- Condoover Parish Council
- Craven Arms Town Council*
- Dawley Hamlets Parish Council
- Ellesmere Town Council
- Ford Parish Council
- Gorge Parish Council
- Great Dawley Parish Council
- Great Hanwood Parish Council
- Hadley & Leegomery Parish Council
- Hollinswood & Randlay Parish Council
- IP&E Group
- Ketley Parish Council
- Lawley & Overdale Parish Council ****
- Lilleshall & Donnington Parish Council
- Ludlow Town Council
- Madeley Town Council
- Market Drayton Town Council
- Much Wenlock Town Council
- Newport Town Council
- Oakengates Town Council*
- Oswestry Town Council
- Shifnal Town Council
- Shrewsbury Town Council
- Shropshire Towns and Rural Housing
- Stirchley & Brookside Parish Council
- St Georges & Priorslee Parish Council*
- Wellington Town Council
- Wem Town Council
- Whitchurch Town Council
- Wrockwardine Parish Council

* Employers with pensioner/deferred liability but no current employees. / ** Employers merged on 1st April 2009 to form Shropshire Council. / *** Employer became part of Telford and Wrekin Council on 1st April 2010./ ****No current members

Participating Employers

The Fund administers the LGPS for a number of employers including organisations such as local authorities, academies, further education colleges and voluntary and charitable organisations.

All employers are provided with Scheme Guidance and a link to the Administration Strategy, Appendix 5, which is on the Fund website.



The current number of employers to participate in the Shropshire County Pension Fund

New Scheme Employers for 2013/14

- Church Stretton Academy
- Severndale Academy
- West Mercia Energy
- William Brookes School
- Woodside Primary Academy
- Woodside Start Centre
- Shrewsbury Academies Trust (Sundorne & Grange Multi Academy Trust and Grange Primary School)
- Telford Co-op Multi Academy Trust

New Admission Bodies for 2013/14

- Alliance in partnership
- Taylor Shaw Ltd (Bridgnorth Endowed School)
- Shropshire Towns & Rural Housing Ltd
- The Boathouse
- Compass (UK Ltd)

New Designated Bodies for 2013/14

- Ford Parish Council

Team News

In November 2013 the Pensions Administration System upgrade took place. Training was undertaken in September before implementation and then a follow up training session in March to cover the New Scheme changes. Onsite visits took place during and after implementation by the system provider.

The pensions team attended a 1 day practitioners workshop which covered the New Scheme from 1 April 2014 and each team member received a comprehensive set of notes. A number of individual members of the pensions team have also attended individual training courses and conferences throughout the year.

Pensions Helpdesk Statistics

The pension helpdesk team manages the funds first point of contact queries by telephone, face to face, email and by post. In 2013/14 the team took over 10,328 phone calls and received over 3,942 emails to the help desk inbox, all of which were answered within 3 working days. In 2013/14 the team also measured the number of Pension Fund members dropping in to see the team. 839 members received face to face contact with a member of the team at the Guildhall, Shrewsbury.

The number of telephone calls received by the pensions helpdesk has risen significantly in the past 12 months with an extra 1428 calls taken during the year 2013/14.

Actuarial Valuation

Funds within the Local Government Pension Scheme are required to be actuarially valued every three years. The last valuation was undertaken as at 31 March 2013 and employer contribution rates were set for the forthcoming three year period from April 2014.

All requested data was submitted to the Scheme Actuary on time and with very few queries. An employer's meeting was held on 13 November 2013 where the fund actuary provided an update to employers on the valuation results. All employers have agreed the new contribution rates from April 2014.

2

REVIEW OF THE YEAR ADMINISTRATION

The LGPS is a statutory scheme, and operates on a “*defined benefit basis*”. The benefits are paid under the provisions of the LGPS Regulations 1997, the LGPS (Transitional Provisions) Regulations 1997, the LGPS Regulations 2008, the LGPS Regulations 2013 and other applicable overriding legislation.

The government issues the pension scheme regulations through the Department of Communities and Local Government. The Regulations have the force of law. Under Part 2 regulation 57 of The Local Government Pension Scheme Regulations 2013 all LGPS funds are required to publish an Annual Report.

Shropshire Council is required by law to administer the Scheme within the geographical area of Shropshire and the responsibilities for both administration and investments are met in-house.

The LGPS was a contributory final salary scheme until the 31 March 2014 and from 1 April 2014 the scheme is a Career Average Revalued Earnings (CARE) scheme. Both schemes are contracted-out of the Second State Pension (S2P) and exempt approved for tax purposes.

Since 1922 The Local Government Pension Scheme has developed from a scheme which just provided pensions for officers only, to today’s Scheme which provides pensions and lump sums for all members, spouses, civil and cohabiting partners and children’s pensions. It also offers ill health, redundancy and death cover.



1



2

1. Pension Administration Team

2. Scheme Administrator, Head of Treasury and Pensions, and Treasury Team

PENSION NEWS

New look LGPS from 1 April 2014

The new regulations for Local Government Pension Scheme 2013 were laid before Parliament on 19th September 2013 with the accompanying Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 laid before Parliament on 10th March 2014, both coming into force on 1 April 2014.



New Local Government Pension Scheme and Regulations came into force

The fund fully participated in the consultations during the year on the new regulations and the pensions team have been busy in 2013/14 with preparation for the introduction of the new scheme from 1 April 2014. A project team was set up to cover 3 specific areas; employers, members and team administration.

Joint working and knowledge sharing also took place in preparation for the New Scheme with other funds with various collaboration projects and Senior Pension Officer Group meetings taking place regularly.

Academies

Academies are employing bodies in the LGPS. The Shropshire County Pension Fund had 11 schools convert to Academy Status in 2013/14. The number of Converter Academies in the Fund is likely to continue to grow. The Fund visits these new employers as well as providing specific guides to directly meet their needs.

Pension Fund Policies

During 2013/14 the Governance Compliance Statement, Administration Strategy, Communications Strategy, Funding Strategy Statement and Statement of Investment Principles were all updated to take account of the change in regulations and the valuation. Employers were consulted on all changes.

See Appendices 1-5 for the latest policies in place.

Year End Procedures

At the end of each financial year all the Fund employers have to disclose details of the contributions paid by each of their employees who are members of the Local Government Pension Scheme (LGPS). The data is used to update records and provides the basis of the information for the production of the Annual Benefit Illustrations.



MEMBERSHIP WITHIN THE SHROPSHIRE COUNTY PENSION FUND CONTINUES TO GROW...

AS AT 31ST MARCH 2014 THERE WERE:



MEMBERSHIP WITHIN THE SHROPSHIRE COUNTY PENSION FUND CONTINUES TO GROW

As at 31st March 2014 there were 15,417 active contributors, 13,669 deferred beneficiaries (former members who have left the scheme prior to retirement but who have elected to keep their benefits in the scheme until they become payable at retirement age) and 10,322 pensioners and dependents.

Graphs 1 & 2:

Summaries of how the Fund membership has grown and changed over the last 6 years and the age profile of the membership.

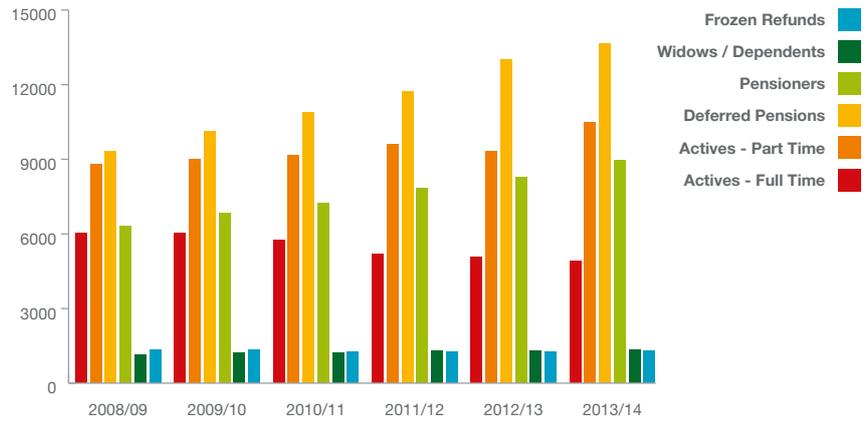
Graph 3: Benchmarking

The Fund continues to participate in the Chartered Institute of Public Finance and Accountancy (CIPFA) annual benchmarking survey.

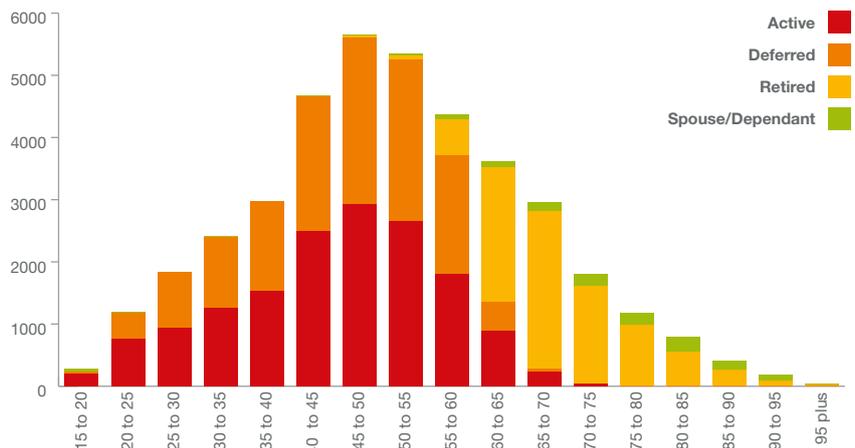
The results of the unit cost comparison for the most recent survey published are shown in graph 3 opposite. The graph illustrates cost per member of providing a service to active, retired and deferred members. The Shropshire Fund has a cost per member of £21.77 and is below the benchmark.

We use this data to target areas for improvement in our service plan, to understand the specific service pressures that the Shropshire Fund faces and to operate as efficiently and effectively as possible.

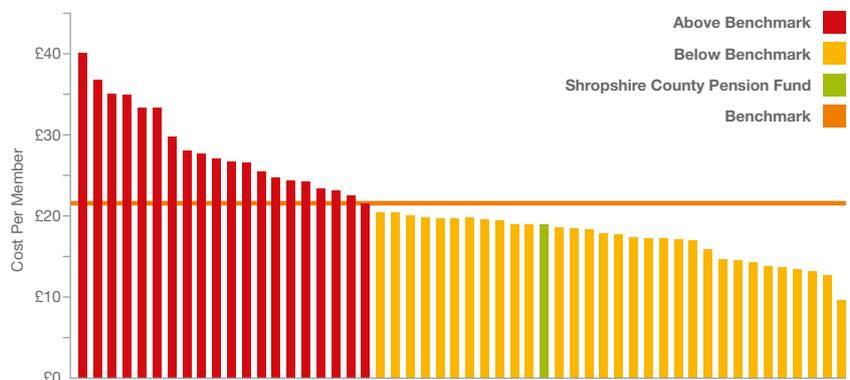
1. Scheme Membership Numbers Summary Over last 6 years



2. Age Profile of Membership 2013/14



3. Benchmarking



STATISTICS PENSIONS CASEWORK / COMPLAINTS & APPEALS

**Table 1: Pensions
Casework 2013/14**

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

1		
Process Commenced 2013/14	No. of Cases	% Within Target
Retirement Quotes	1582	61%
Normal retirement (65+)	164	75%
Early Retirements (55+), Flexible & Ill Health Retirements	518	87%
Deferred Benefits	1221	63%
Transfer in Quotes	121	83%
Deaths	1221	63%
Divorce	78	52%
New Starters	839	35%
Member self service pin requests	192	96%
New member registers on Member Self Service (from 8th November 2013)	380	100%
Hours changes tasks	606	96%

**Table 2: Internal Dispute
Resolution Procedure
2013/14**

Despite our best efforts we do, sometimes, receive complaints from our members when they have not been satisfied with scheme decisions. Members have the right to ask for the decision to be looked at again under the formal complaint procedure and also has 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. The stage 1 and 2 cases are listed.

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



"Sarah has been very patient with me and always been very helpful answering my questions even after I have called multiple times with questions!" Scheme Member

*Service
from you
don't feel
enough
Emp*

The scheme is flexible - you can choose to pay less or more

"May I please formally register my thanks and compliments to the pension team and especially Sarah Atkinson for sorting out my Voluntary Redundancy figures in so short a time. This is much appreciated at a time that could have been very stressful." Scheme Member

"Thank you for your excellent service and support throughout my move to retirement - an outstanding team." Scheme Member

"We really do value the service that we have from you – we probably need that back more than ever." Scheme Member

"I enjoy meeting up with former colleagues, as well as hearing updates on Fund performance and any changes to the Scheme." Retired Scheme Member attending the Retired Members Meeting

"Thank you Laura for your help and efficiency in getting this sorted out! Thanks also to Ben. It's nice to know that some people know how to do their job!" Scheme Member

"You have a really terrific member of staff in Mark and I hope that he receives the recognition he fully deserves. Over the years I was lucky enough to work with Mark and other members of your team on various projects and everyone was always a total joy to work with and for. Thanks to your department for still helping me." Scheme Member

FEEDBACK

Our membership regularly contacts us with their thoughts about the service that they receive from individual Pensions Team members. We use this feedback to improve the service that we offer. The Shropshire County Pension Fund like every organisation receives occasional complaints, but every effort is made to address any issues that do arise, quickly and efficiently.

COMMUNICATIONS TO CONTRIBUTING, DEFERRED & RETIRED MEMBERS

1. Communications Policy

The Local Government Pension Scheme Regulations state that an administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with members, representatives of members, prospective members and scheme employers.

The Communications Policy was recently updated to take account of changes in legislation from the introduction of the new LGPS on 1 April 2014 and other relevant legislation. The revised Statement is attached at Appendix 4. Following approval this document was issued to all employers and published on the website.

2. New Scheme for 2014

Communication continues to be very important to the Fund in providing Scheme Members and Scheme Employers with as much information as possible concerning the operation of the Local Government Pension Scheme (LGPS). Communication to fund employers and members was particularly important in the months leading up to the introduction of the New Scheme on 1 April 2014. In order to meet Disclosure Regulations a notification was issued to all active members in the scheme at 31 March 2014 providing key details on the changes to the scheme. In 2013/14 the Local Government Association launched two websites to assist funds and to provide members with information about the new scheme and can be found at www.lgpsregs.org and www.lgps2014.org

The fund has provided employers with links to these sites and communicated with members numerous times on the modellers, fact sheets and the worked examples on www.lgps2014.org

The fund has also provided employers with the links to www.lgpsregs.org as useful payroll and HR guides and the updated regulations are also held there.

3. Newsletters

During the last twelve months a number of newsletters have been issued to all contributing members, some of these have been collaboration projects with other funds. The main purpose of the newsletters is to satisfy disclosure requirements, by informing contributing members about changes in the regulations of the LGPS. These publications were not produced at fixed times, but rather in response to changes in the regulations.



4. New Scheme Consultations

A number of consultations have been run in members' places of work at the request of scheme employers. In the lead up to the new scheme a number of presentations were provided around the county at various times throughout the day for all members to attend.

5. Annual Benefit Statements

Annual Benefit Statements were issued to deferred members in June 2013 and to active members in September 2013. The deferred benefit statement was a joint project with Cheshire, Warwickshire and Staffordshire Pension Funds.



6. Website

www.shropshirecountypensionfund.co.uk holds the core information about the Scheme. Latest news and updates is also published on the website as soon as is practical. There is also an on-line facility where members can calculate their own benefits, after obtaining a secure password and log-in. Retired members can also securely view their previous payslips and P60s via our website. Preparations have been made in the last twelve months to launch a new site on 1 April 2014 covering the new scheme changes.

7. Payslips

On 1 June 2013 the Fund stopped issuing hard copy payslips to all pensioners and this was reflected in the communications policy. Payslips are only issued to Fund pensioners when net pay (i.e. the amount that is paid into the bank or building society account) either increases or decreases by £5 from the previous month. This means that pensioners will still be alerted when their pension amount has changed but has made a substantial amount of savings in printing, postage and paper costs.

8. Employer Meetings

Three meetings were held to which all Fund employers were invited in November 2013 these covered the Valuation Results, New Scheme training and the Annual Report and performance of the Fund.

At the valuation meeting John Livesey from Mercer, the Fund Actuary, made a presentation on the valuation and provided employers who attended interim valuation results.

The second meeting was provided by Tim Hazelwood from Pentag who provided a 1 day workshop on the changes to the LGPS from 1 April 2014.

A further meeting took place in April 2014 for employers to cover discretions in the new scheme and updating policies.

9. Fund Staff & Elected Members

Team and Management meetings were held on a regular basis where information was exchanged with regard to workloads and procedures as well as training and development.

Members of the Pension Committee also attended a training day with a number of Fund Officers, which included a detailed look at the current structure of the Fund.

3

GOVERNANCE ARRANGEMENTS

LOCAL GOVERNMENT PENSION SCHEMES ARE REQUIRED TO PUBLISH A NUMBER OF DOCUMENTS WHICH ARE SHOWN WITHIN THE APPENDICES OF THIS REPORT.

Governance Compliance Statement **Appendix 01 | Page 61**

This document describes how the Shropshire Fund is governed. It explains the role of the Pensions Committee 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 representatives are 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.

Funding Strategy Statement **Appendix 02 | Page 73**

This document provides the basis for the actuarial valuation which occurs every three years. The Funding Strategy Statement formed the basis of the 2013 actuarial valuation. It sets out in a transparent way the Fund's prudent approach to meeting pension liabilities and maintaining stable employer contribution rates. It outlines the financial assumptions used in the actuarial valuation and identifies the risks and countermeasures employed by the Fund.

Statement of Investment Principles **Appendix 03 | Page 85**

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.

Communications Policy Statement **Appendix 04 | Page 95**

This document sets out the principles on which the Fund bases its communication activities. The Communications Strategy is outlined and the many methods of communication and publications are described to the reader.

Administration Strategy Statement **Appendix 05 | Page 105**

This document sets out the administration processes for the Fund.

TRAINING

POLICY STATEMENT

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.

The Pension Committee meets quarterly or more often if required. At these committee meetings a wide range of topical investment issues are embraced and include responsible engagement overlay and corporate governance, asset classes and investment products, the economy and market conditions and administration changes. Delivery is by investment managers, consultants and senior officers.

The Scheme Administrator is responsible for ensuring that policies and strategies are implemented.

The following training has been provided during the year:

Pensions Training Day

LGPS regulation update, Review of the Structure of the Fund and Scheme Governance.

Pensions AGM

Review of Investment Performance, Presentation on Infrastructure and Actuarial Valuation, Call for Evidence and 2014 Scheme Changes.

Quarterly training at Committee

Asset Allocation, Investment Strategy Review and Scheme Governance.

Officer attendance at conferences, seminars & networking groups

LGC Investment Symposium, LGC Investment Summit, Aon Hewitt seminar, NAPF conference, CIPFA Pension network seminars, North West & Wales Pension & Accounting Group.

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

19 September 2014

4

ACCOUNTSPENSION FUND ACCOUNT
FOR THE YEAR ENDED
31 MARCH 2014

2012/13 £m		Notes (pgs 24-42)	2013/14 £m
	Contributions & Benefits		
	Contributions		
40.495	Employers	8	45.077
13.455	Employees	8	13.660
6.191	Transfers In from other pension funds	3,8	3.213
60.141	Total Income		61.950
	Benefits Payable		
44.613	Pensions	8	47.094
9.404	Commutation of pensions and lump sum retirement benefits	8	10.528
1.079	Lump sum death benefits	8	1.365
	Payment to & account of leavers		58.987
0.002	Refund of contributions	8	0.008
3.306	Transfer to other Funds	3,8	3.299
0.905	Administration Expenses	10	1.112
59.309	Total Expenditure		63.406
0.832	Net additions from dealings with scheme members		(1.456)
	Returns on Investments		
26.369	Investment Income	3,7,14,15	19.823
(4.707)	Gain/(loss) on cash and currency hedging	12,13	26.860
(0.211)	Taxes on Income	6	(0.195)
134.107	Profits and losses on disposal of investments and changes in value of investments	11	70.022
(8.692)	Less Investment Management Expenses	9	(10.576)
146.866	Net increase (decrease) in the net assets available for benefits during the year		105.934
147.698	Surplus / (deficit) on the pension fund for the year		104.478
1087.027	Opening Net Assets of the Scheme		1234.725
1234.725	Closing Net Assets of the Scheme		1339.203

ACCOUNTS

NET ASSETS STATEMENT AS AT 31 MARCH 2014

31/03/2013		Notes	31/03/2014	
£m		(pgs 24-42)	£m	%
	Investment Assets			
	Fixed Interest Securities			
47.749	Public Sector		61.798	4.61
0.000	Other		0.000	0.00
555.561	Equities		207.853	15.52
	Pooled Investment Vehicles	11a		
116.634	Unitised Investment Vehicles		131.773	9.84
457.168	Other Managed Funds		912.315	68.12
	Derivative Contracts	11a		
1.098	Futures	13	0.016	0.00
1.627	Forward Foreign Exchange	12	0.637	0.05
	Cash Deposits			
5.233	Margin Balances		4.916	0.37
46.513	Deposits		22.241	1.66
2.860	Temporary Investments	26	2.650	0.20
1234.443	Total Investment Assets		1344.199	100.37
	Investment Liabilities			
	Derivatives Contracts			
(0.832)	Futures	13	(0.010)	(0.00)
(0.469)	Forward Foreign Exchange	12	(0.005)	(0.00)
	Other Financial Liabilities			
(1.349)	Margin Balances		(4.959)	(0.37)
1231.793	Net Investment Assets		1339.225	100.00
	Current Assets			
2.650	Contributions due from Employers	19	2.722	0.20
3.309	Other Current Assets	19	2.156	0.16
0.863	Cash Balances	26	0.038	0.00
	Current Liabilities			
(0.184)	Unpaid Benefits	20	(1.800)	(0.13)
(3.706)	Other Current Liabilities	20	(3.138)	(0.23)
1234.725	Net Assets of the Scheme - Available to Fund Benefits as at 31 March		1339.203	100.00

NOTES

TO THE SHROPSHIRE COUNTY PENSION FUND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

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 Superannuation Act 1972. The Fund is administered in accordance with the following secondary legislation:

- The LGPS (Benefits, Membership and Contributions) *Regulations 2007* (as amended).
- The LGPS (administration) *Regulations 2008* (as amended).
- The LGPS (Management and Investment of Funds) *Regulations 2009*.
- The LGPS Regulations 2013

It is a contributory defined 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. 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.

A list of all participating employers in the Shropshire County Pension Fund can be found on page 9.

Benefits are funded by contributions and investment earnings up until 31 March 2014 contributions were made by active members of the fund in accordance with the LGPS (benefits, membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2014. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuation. The last valuation was as at 31 March 2013.

Pension benefits under the LGPS are 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.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1 April 2011.

The LGPS is changing from 1 April 2014 and moving to a career average scheme. All members paying into the scheme prior to this date

automatically transfer to the new scheme. Active Members will contribute between 5.5% and 12.5% depending on pensionable pay in accordance with the LGPS Regulations 2013. There is also a new option in the scheme called 50/50 whereby members can elect to pay half of the normal contributions and build up half the normal pension whilst still receiving full life assurance cover.

Note 2: Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2013/14 financial year and its position as at 31 March 2014. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 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

Contribution income and normal contributions, both from the member 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' augmentation 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 and amounts not due until future years are classed as long term financial assets.

Transfers to and from other schemes

Transfer values represent amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local

Government Pension Scheme Regulations (see note 8). Individual transfers in/out are accounted for on a receipts and payments basis. 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 8).

Investment Income

Interest income is recognised in the Fund accounts as it accrues, using the effective rate of interest of the financial instrument as at the date of acquisition or origination. Income includes the difference between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

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 asset 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 asset 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.

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 asset statement as current liabilities.

Taxation

The Fund is a registered public service scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and is therefore exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises and in 2013/14 this figure is £195,490.

Administration expenses

All administration expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with Shropshire Council's policy.

Investment management expenses

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

Fees of the external investment managers and custodian are agreed in each of their mandates governing their appointment, broadly based on the market value of the investments under their management and therefore increase or decrease as the value of these investments change. In addition, the Fund has negotiated with several managers that an element of their fee will be performance related. Performance related fees were £3.639m in 2013/14 (2012/13 £2.608m). The cost of obtaining investment advice from consultants is also included in investment managers expenses.

Net Assets Statement: Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. The values of investments as shown in the net assets statement have been determined as follows:

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

- Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rate at the date of transaction.
- The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. They are valued at fair value at bid prices and liabilities fair valued at offer prices.
- The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin. The future value of forward currency contracts is based on market forward exchange rates at the year- end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.
- Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.
- The Fund recognises financial liabilities at fair value as at the reporting date and is recognised in the net assets statement on the date the Fund becomes party to the liability.

Note 4: Critical judgments in applying accounting policies

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers set out by the British Venture Capital Association.

The pension fund liability is calculated every three years by the Fund Actuary. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

Note 5: Assumptions made about estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Fund. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates used.

The items in the net assets statement as at 31 March 2014 for which there is a risk that the assumption or estimate could be misstated.

Item	Uncertainties	Effect if actual results differ from assumptions
Private Equity	Private Equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. 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 £61.8 million. There is a risk that this investment may be under or overstated in the accounts.
Hedge Funds	The fund of funds is 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 £130.3 million. There is a risk that these investments may be under/over - overstated in the accounts.

Note 6: Taxes on Income

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

2012/13		2013/14
0.000	Withholding tax - Fixed interest securities	0.001
0.186	Withholding tax - equities	0.170
0.025	Withholding tax - pooled	0.024
0.211		0.195

Note 7: Investment Income

The table below analyses the investment income received by the Fund (mostly in the form of dividends) over the last 12 months. There has been a reduction in equity dividends due to the restructure of the Fund in September 2013 which meant several equity manager contracts were terminated. The decrease in "other" income mainly represents a reduction in futures income due to the termination of the contract with Russell.

2012/13		2013/14
1.165	Interest from Fixed Interest Securities	1.029
12.148	Dividends from equities	10.797
0.000	Income from index-linked securities	0.000
1.109	Income from pooled investment vehicles	1.474
0.031	Interest on cash deposits	0.017
11.915	Other	6.506
26.368		19.823

Note 8: Analysis of the main revenue account transactions

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

	Administering Authority	Admission Bodies	Designation Bodies / Scheme Employers	Total
2013/14	Contributions Received			
Employees	5.652	2.021	5.987	13.660
Employers	22.600	6.030	16.447	45.077
Transfers In	0.716	1.027	1.470	3.213
Total Income	28.968	9.078	23.904	61.950
	Payments Made			
Pensions	29.362	5.367	12.365	47.094
Lump Sums	6.032	1.607	2.889	10.528
Death Benefits	0.683	0.068	0.614	1.365
Refunds	0.008	0.000	0.000	0.008
Transfers Out	1.794	0.378	1.127	3.299
Administration Fees	1.112	0.000	0.000	1.112
Total Expenditure	38.991	7.420	16.995	63.406
2012/13	Contributions Received			
Employees	6.090	1.911	5.454	13.455
Employers	19.733	5.980	14.782	40.495
Transfers In	1.483	3.445	1.263	6.191
Total Income	27.306	11.336	21.499	60.141
	Payments Made			
Pensions	27.985	5.076	11.552	44.613
Lump Sums	5.189	1.697	2.518	9.404
Death Benefits	0.472	0.218	0.389	1.079
Refunds	0.002	0.000	0.000	0.002
Transfers Out	1.455	0.368	1.483	3.306
Administration Fees	0.905	0.000	0.000	0.905
Total Expenditure	36.008	7.359	15.942	59.309

Note 9: Investment Expenses

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.

2012/13		2013/14
8.210	Management Fees	9.909
0.231	Custody Fees	0.232
0.227	Investment Advisory Fees	0.376
0.024	Actuarial Fees - Investment Consultancy	0.059
8.692		10.576

Note 10: Administration Expenses

The costs incurred by the Council in administering the Fund totalled £1.112 million for the year ended 31 March 2014. During the year £0.155 million was spent on an upgrade to the pensions IT system in preparation for the new scheme introduced in April 2014. This included all implementation costs and these are included within other costs shown in the table of significant items of expenditure below:

2012/13		2013/14
0.783	Employee costs	0.797
0.035	IT	0.035
0.015	Legal and Committee	0.015
0.023	External Audit Fees	0.023
0.008	Office Accommodation	0.008
0.019	Internal Audit	0.015
0.022	Other Costs	0.219
0.905		1.112

Note 11a: Reconciliation of movements in investments & derivatives

Investment type	Value as at 1 April	Purchases at cost & derivative payments	Sale proceeds & derivative receipts	Transition	Other cash transactions	Change in market value	Value as at 31 March
	£m	£m	£m	£m	£m	£m	£m
2013/14							
Fixed Interest Securities - Public Sector	47.748	134.695	(116.470)			(4.175)	61.798
Equities	555.562	221.313	(255.412)	**(345.709)		32.099	207.853
Pooled Investment Vehicles - Unitised Investment Vehicles	116.634	19.795	0.000			(4.656)	131.773
Pooled Investment Vehicles - Other Managed Funds	457.168	478.434	(416.515)	345.709		47.519	*912.315
Derivative contracts	1.424	0.000	(0.013)			(0.773)	0.638
	1178.536	854.237	(788.410)	0.000	0.000	70.014	1314.377
Cash deposits - with Managers	46.513				(24.280)	0.008	22.241
Cash deposits - margin balances	3.884				(3.927)		(0.043)
Temporary Investments	2.860				(0.210)		2.650
TOTAL	1231.793	854.237	(788.410)	0.000	(28.417)	***70.022	1339.225
2012/13							
Fixed Interest Securities - Public Sector	40.821	127.744	(123.722)			2.905	47.748
Equities	465.375	268.603	(258.681)			80.265	555.562
Pooled Investment Vehicles - Unitised Investment Vehicles	104.479	0.000	0.000			12.155	116.634
Pooled Investment Vehicles - Other Managed Funds	408.363	37.845	(27.492)			38.452	457.168
Derivative contracts	1.146	0.000	(0.039)			0.317	1.424
	1020.184	434.192	(409.934)		0.000	134.094	1178.536
Cash deposits - with Managers	55.666				(9.166)	0.013	46.513
Cash deposits - margin balances	3.493				0.391		3.884
Temporary Investments	4.610				(1.750)		2.860
TOTAL	1083.953	434.192	(409.934)		(10.525)	134.107	1231.793

*Within the Pooled Investment Vehicles - other managed funds total of £912.315m are £187.625m of level 3 investments as at 31 March 2014. The value of the level 3 investments were £147.625m as at 1st April 2013 which increased to £187.625m as at 31 March 2014. The increase in value is due to purchases of £98.609m, sales of £61.426m and change in market value of £2.817m.

** In September 2013 the Fund completed a transition exercise moving assets from regional equity managers to global equity managers. Some of the assets were transferred in species to the

new managers via a special transition account held by the Fund Custodian Northern Trust. The £345.709m shown in table 11a is the value of these transfers. No assets have been reclassified during 2013/14.

*** The total change in market value for 2013/14 as per the table above is £70.022m. This figure is made up of profit on sales of £134.047m and also the difference between book cost and market value for the whole Fund which for 2013/14 was £64.025m

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

2012/13 £m		2013/14 £m
Fixed Interest Securities		
UK		
120.578	Corporate quoted	131.170
120.578		131.170
Overseas		
47.749	Public sector quoted	61.798
47.749		61.798
Equities		
UK		
292.742	Quoted	109.673
292.742		109.673
Overseas		
412.001	Quoted	628.995
412.001		505.716
Pooled Funds - additional analysis		
UK		
116.634	Index Linked Bonds	131.773
0.009	Unit Trusts	0.000
116.643		131.773
Overseas		
92.757	Hedge Funds	130.277
92.757		130.277
32.975	Pooled property investments	51.999
54.868	Private Equity	57.348
6.799	Infrastructure	10.746
94.642		120.093
1177.112		1313.739

Note 12: Analysis of derivatives

Between November 2007 and September 2013 the Fund passively hedged 50% of all currency exposure to eliminate some of the risks over the longer term involved in holding an increased proportion of overseas investments.

In 2013 a decision was made to terminate the contract with Northern Trust who provided this service due to the restructure of the Fund which took place on 30 September 2013. Legal & General, who manage the global equity passive portfolio hedge 100% of their foreign currency exposure back to sterling.

At the end of the financial year the Fund had open foreign exchange contracts with unrealised gains and losses as shown below.

Contract	Settlement	Currency bought	
Forward OTC	3 months	British pound	
Currency sold		Asset	Liability
000's		£000's	£000's
1,989	Australian dollar		(2)
36,615	Euro	336	
809,672	Japanese Yen	82	
117,632	US dollar	214	
1,375	Danish Krona	2	
2,042	Canadian Dollar		(2)
15,922	Mexican Peso	2	
2,843	Norwegian Krona	1	
760	New Zealand Dollar		(1)
TOTAL		637	(5)

Note 13: Cash Equitisation

In September 2013 a review of the structure of the Fund was completed and a decision was taken to terminate the contract with Russell Investment Group who conducted a cash equitisation programme of behalf of the Fund. The programme was designed to reduce risk by maintaining the Fund close to its strategic asset allocation and minimise the drag on investment performance caused by holding cash. This was completed using futures. Following on from the restructure cash equitisation is no longer required as this is now managed within the Pension Team.

Strategic Fixed Income also use futures within their portfolio and the Fund had future contracts outstanding at year end with unrealised gains and losses. The economic exposure represents the notional value of the stock purchased under the futures contract and therefore the value subject to market movements.

Contract	Settlement Date	Underlying Investment	Economic exposure £000's	Asset £000's	Liability £000's
Fixed Income Derivatives					
Future	3 months	Australia	(499)		(3)
Future	3 months	Canada	349	1	
Future	3 months	Germany	1,775	8	
Future	3 months	Japan	5,862		(3)
Future	3 months	UK	551		(4)
Future	3 months	US	(2,290)	7	
TOTAL				16	(10)

Note 14: Securities Lending

In February 2011 the Fund reactivated its arrangement 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 £57,297 in 2013/14 and this is included within investment income in the Pension Fund Account. At 31 March 2014 £7,161,214 worth of stock (approx 0.5% of the Fund) was on loan, for which the Fund was in receipt of £7,648,374 worth of collateral.

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.

Note 15: Commission Recapture

For many years the Fund participated in Russell Investment Group's Commission Recapture programme whereby Investment Managers execute a proportion of trades through specific brokers nominated by Russell Investment Group. In return the Fund receives a rebate which is included within the investment income in the Pension Fund Account. This programme allowed the Fund to reduce trading costs without compromising the Investment Managers ability to achieve best execution. In September 2013 the Fund withdrew from the programme as Russell Investment Group were no longer a manager of the Fund. The income generated up to the 30 September 2013 was £418.

Note 16a: Classification of financial instruments

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

31 March 2013			31 March 2014		
Fair value through profit & loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit & loss	Loans & receivables	Financial liabilities at amortised cost
£m	£m	£m	£m	£m	£m
Financial Assets					
47.749			61.798		
555.561			207.853		
116.634			131.773		
457.168			912.315		
2.725			0.653		
	53.257			24.849	
	6.822			4.916	
1179.837	60.079	0.000	1314.392	29.765	0.000
Financial liabilities					
(1.301)			(0.015)		
		(3.890)			(4.939)
(1.301)	0.000	(3.890)	(0.015)	0.000	(4.939)
1178.536	60.079	(3.890)	1314.377	29.765	(4.939)

Note 16b: Net gains and losses on financial instruments

2012/13		2013/14
£m		£m
Financial Assets		
134.094	Fair value through profit and loss	70.787
0.013	Loans and receivables	0.007
0.000	Financial liabilities measured at amortised cost	0.000
Financial Liabilities		
0.000	Fair value through profit and loss	(0.772)
0.000	Loans and receivables	0.000
0.000	Financial liabilities measured at amortised cost	0.000
134.107		70.022

Note 16c: Valuation of financial instruments carried at fair value

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

Level 1:

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2:

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

Level 3:

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Shropshire County Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken quarterly. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate. The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The table on page 35 provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Asset Type	Investment Manager	Investment Type	Market Value	Quoted market price	Using observable inputs	With significant unobservable inputs
				Level 1	Level 2	Level 3
			£m	£m	£m	£m
2013/14						
Fixed Interest Securities	Strategic Fixed Income	Global Government Bonds	61.798	61.798		
Equities	Majedie Asset Management	UK Equities	110.258	110.258		
	Harris Associates	Global Equities	97.584	97.584		
Pooled Investment Vehicles	Legal & General	UK Index Linked Bonds	131.773	131.773		
	Majedie Asset Management	UK Pooled Fund	11.680	11.680		
	Pimco Europe Ltd	Global Aggregate Bonds	131.170	131.170		
	MFS	Global Equities	123.238	123.238		
	HarbourVest Partners Ltd	Private Equity	57.348			57.348
	Aberdeen Property Investors	Property Unit Trusts	51.999		51.999	
	Blackrock	Hedge Fund	67.802			67.802
	Global Infrastructure Partners	Infrastructure	10.746		10.746	
	Legal & General	Global Equities	289.037	289.037		
	Investec	Global Equities	106.818	106.818		
	Brevan Howard	Hedge Fund	62.475			62.475
Net Derivative Assets			0.639	0.639		
Net Current Assets (including cash)			24.838	24.838		
			1339.203	1088.833	62.745	187.625
2012/13						
Fixed Interest Securities	Strategic Fixed Income	Global Bonds	47.748	47.748		
Equities	Majedie Asset Management	UK Equities	168.755	168.755		
	Legal & General	European Equities	91.991	91.991		
	F&C Management Ltd	Emerging Market equities	51.043	51.043		
	Martin Currie Ltd	Pacific Equities	55.606	55.606		
	Baillie Gifford & Co	Japanese Equities	57.909	57.909		
	Goldman Sachs Asset Management	US Equities	130.256	130.256		
Pooled Investment Vehicles	Legal & General	UK Index Linked Bonds	116.634	116.634		
	Majedie Asset Management	UK Pooled Fund	16.069	16.069		
	Pimco Europe Ltd	Global Aggregate Bonds	120.579	120.579		
	MFS	Global Equities	133.114	133.114		
	Man Investment Ltd	Hedge Fund	55.845			55.845
	HarbourVest Partners Ltd	Private Equity	54.868			54.868
	Aberdeen Property Investors	Property Unit Trusts	32.975		32.975	
	Blackrock	Hedge Fund	36.912			36.912
	Global Infrastructure Partners	Infrastructure	6.799		6.799	
Net Derivative Assets			1.424	1.424		
Net Current Assets (including cash)			56.198	56.198		
			1234.725	1047.326	39.774	147.625

Note 17: Nature and extent of risks arising from financial instruments

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

Market risk

The risk that the value of a portfolio will decrease due to the change in value of market risk factors. 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. Excessive volatility in market risk is managed through the diversity of the portfolio of geographical and industry sectors and individual securities. To mitigate market risk the Pension Fund Officers and the Fund investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

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

monitored by Fund Officers to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historic data and expected investment return movement during the financial year the Fund has determined that the following movements in market price risk are reasonably possible for the 2014/15 reporting period:

Asset Type	Potential market movements (+/-)
UK Equities	12.3%
Global Equities	11.2%
Global Bonds	2.7%
Property	2.7%
Private Equity	5.3%
Hedge Funds	4.5%
Global Aggregate Bonds	2.5%
UK ILG over 5 years	8.8%
Infrastructure	4.0%

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

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (see table on *Page 37*):

Asset Type	Value as at 31 March 2014	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
2013/14				
Net Assets including Cash	24.825	0.0	24.825	24.825
Investment Portfolio Assets				
UK Equities	232.911	12.3	261.559	204.263
Global Equities	505.716	11.2	562.356	449.076
Corporate Bonds	131.170	2.5	134.449	127.891
Property	51.999	2.7	53.403	50.595
Private Equity	57.348	5.3	60.388	54.309
Hedge Funds	130.278	4.5	136.140	124.415
Global Government Bonds	61.798	2.7	63.467	60.130
UK Index linked Gilts over 5 years	131.773	8.8	143.369	120.177
Infrastructure	10.747	4.0	11.176	10.317
Net derivative assets	0.638	0.0	0.638	0.638
Total assets available to pay benefits	1,339.203		1,451.770	1,226.636
2012/13				
Net Assets including Cash	56.198	0.0	56.198	56.198
Investment Portfolio Assets				
UK Equities	176.188	13.0	199.092	153.284
Overseas Equities	528.556	11.9	591.454	465.658
Corporate Bonds	120.579	2.2	123.232	117.926
Property	32.975	1.8	33.569	32.381
Private Equity	54.868	5.2	57.721	52.015
Hedge Funds	92.757	4.1	96.560	88.954
Global Government Bonds	47.748	2.7	49.037	46.459
UK Index linked Gilts over 5 years	116.634	8.3	126.315	106.953
Infrastructure	6.799	4.2	7.085	6.513
Net derivative assets	1.423	0.0	1.423	1.423
Total assets available to pay benefits	1,234.725		1,341.686	1,127.764

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 recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. The following analysis shows the effect in the year on the net assets available to pay benefits of a +/- one percent change in interest rates assuming all variables remain constant.

Asset Type	Carrying amount	Change in year in the net assets available to pay benefits	
		+1%	-1%
As at 31 March 2014	£	£	£
Cash deposits	22,240,553	222,406	(222,406)
Cash balances	38,018	380	(380)
Total change in assets available	22,278,571	222,786	(222,786)
As at 31 March 2013	£	£	£
Cash deposits	46,513,058	465,131	(465,131)
Cash balances	862,599	8,626	(8,626)
Total change in assets available	47,375,657	473,757	(473,757)

As at 31 March 2014 the Fund also had £2.650 million of Pension Fund revenue cash invested. All of this was invested in two call accounts and is classified as a variable rate investment.

If interest rates throughout the year had been 1% higher this would have increased the amount of interest earned on these investments by £0.027m. Similarly, the impact of a 1% fall in interest rates would be a £0.027m reduction in interest received. The Fund had nothing invested in fixed term deposits as at 31 March 2014.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than £ sterling. The following table summarises the Fund's currency exposure as at

31 March 2014 and as at the previous year end:

Currency exposure - asset type	Asset value as at 31 March 2014	Asset value as at 31 March 2013
	£m	£m
Overseas Equities	614.250	437.368
Overseas Private Equity	61.807	55.658
Overseas Pooled Property	18.871	20.790
Overseas Government Bonds	64.302	44.425
Overseas Infrastructure	11.471	6.799
Total overseas assets	770.701	565.040

Following analysis of historical data the Fund considers the likely volatility associated with foreign exchange rate movements to be 5% (as measured by one standard deviation). A 5% 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 remain constant. A 5% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency Exposure - Asset Type	Carrying amount	Change in year in the net assets available to pay benefits	
As at 31 March 2014	£	5%	5%
Overseas Equities	614.250	644.963	583.538
Overseas Private Equity	61.807	64.897	58.717
Overseas Pooled Property	18.871	19.815	17.927
Overseas Government Bonds	64.302	67.517	61.087
Overseas Infrastructure	11.471	12.045	10.897
Total change in assets available	770.701	809.237	732.166
Currency Exposure - Asset Type	Carrying amount	Change in year in the net assets available to pay benefits	
As at 31 March 2013	£	5%	5%
Overseas Equities	437.368	450.489	424.245
Overseas Private Equity	55.658	57.328	53.988
Overseas Pooled Property	20.790	21.414	20.166
Overseas Government Bonds	44.425	45.758	43.092
Overseas Infrastructure	6.799	7.003	6.595
Total change in assets available	565.040	581.992	548.086

Credit Risk

Credit risk is the risk that the counterparty to a transaction 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 therefore the risk of loss is provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

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

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

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

Asset type	Rating	Balances as at 31 March 2014	Balances as at 31 March 2013
		£m	£m
NatWest Instant Access Account	BBB+	650,000	200,000
Handelsbanken Instant Access Account	AA-	2,000,000	
Lloyds TSB	A		2,660,000
TOTAL		2,650,000	2,860,000

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 there is adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs and also to meet investment commitments. The Fund has immediate access to cash through the instant access account which at any one time could have up to £4 million available. The Fund also has the ability to access immediate cash held by Northern Trust which as at 31 March 2014 was £2.886 million.

The Fund does not have access to an overdraft facility. All financial liabilities at 31 March 2014 are due within one year.

Note 18: Funding Arrangements

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

The key elements of the funding policy are:

- To ensure the long term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- To ensure that employer contribution rates are as stable as possible

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

At the 2013 actuarial valuation, the Fund was assessed as 76% funded (81% at the March 2010 valuation). This corresponded to a deficit of £383 million (2010 valuation was £226 million) at that time. Revised contributions set by the 2013 valuation will be introduced in 2014/15 and the common contribution rate (i.e. the average employer contribution rate in respect of future service only) is 14.0% of pensionable pay. The valuation of the Fund has been undertaken by the projected unit method under which the salary increases assumed for each member are projected until the member is assumed to leave active service.

Note 19: Analysis of Debtors

Provision has been made for debtors known to be outstanding as at 31 March 2014. An analysis of debtors is shown below:

2012/13 £m		2013/14 £m
0.004	Central Government bodies	0.004
3.265	Other Local Authorities	3.406
0.000	NHS Bodies	0.000
0.000	Public corporations	0.000
2.690	Other entities and individuals	1.468
5.959		4.878

Note 20: Analysis of Creditors

Provision has also been made for creditors known to be outstanding at 31 March 2014. An analysis of creditors is shown below:

2012/13 £m		2013/14 £m
0.299	Central Government bodies	0.000
1.782	Other Local Authorities	3.960
0.000	NHS Bodies	0.000
0.000	Public corporations	0.000
1.809	Other entities and individuals	0.978
3.890		4.938

Note 21: Additional Voluntary Contributions

Scheme members have the option to make Additional Voluntary Contributions (AVC's) to enhance their pension benefits. These contributions are invested with an appropriate provider and used to purchase an annuity at retirement. Contributions are paid directly from scheme members to the AVC provider and are therefore not represented in these accounts in accordance

with regulation 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No3093).

Contributions are invested in with-profit, unit linked or deposit funds of the scheme member. At present there are around 531 scheme members with AVC policies. These policies are held either by Equitable Life or Prudential.

During 2013/14 contributions to the schemes amounted to £642,549. The combined value of the AVC funds as at 31 March 2014 was £4,155,891.

Note 22: Value Added Tax

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

Note 23: 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 Custodians own assets.

Note 24: Contractual Commitments

The Fund has a 5% (£67 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 2014 £100m had 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 2014 the funds Private Equity investments totalled £61.8m.

Note 25: 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 26: Pension Fund Bank Account

In March 2010 a separate bank account was opened for the Shropshire County Pension Fund and from the 1 April 2010 all income received is being paid into this account. The balance on this account is monitored daily and surplus cash balances invested and as at 31 March 2014 £2.650 million was invested. The cash balance in the Pension Fund account as at the same date was £0.038 million. All expenditure is still being paid by Shropshire Council on behalf of the Fund and this is reimbursed to Shropshire Council on a monthly basis.

Note 27: 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 £1,111,867 (2012/13 £904,890) 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 £17.627 million (2012/13 £18.234 million). All monies owing to the Fund were paid across in the year. The Scheme Administrator of the Shropshire County Pension Fund is also the Head of Finance, Governance & Assurance for Shropshire Council.

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

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

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

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

Molly Andrews and John Fox, employee representatives are also both scheme members as is Jean Smith, Pensioner representative.

Legislation coming into force on 1 April 2014 means the LGPS is only available to councillors and elected mayors of an English County Council or District Council who elected to joined before 31 March 2014. From 1 April 2014 access to the LGPS for councillors has been removed. Current members can continue in the LGPS until the end of their individual office.

Note 28: Contingent Assets

10 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 29: Events after the Balance Sheet date

There have been no events since 31 March 2014, and up to date when these accounts were authorised, that require any adjustments to these accounts.

Note 30: Fund Structure update

During 2012/13 a decision was taken to disinvest funds with Man Investments and the regional equity managers. Tender exercises were completed during the first half of 2013/14 to find a replacement Hedge Fund manager and also various Global Equity Managers to replace the current regional managers.

Brevan Howard were appointed on the 1 August 2013 and Legal & General, Harris Associates and Investec Asset Management were appointed in July 2013 and funds were transferred on 1 October 2013.

At the March 2014 Pensions Committee a decision was taken to disinvest funds with Strategic Fixed Income and invest additional assets with Pimco. This process took place in May 2014, however, Strategic Fixed Income still held the assets as at 31 March 2014.



INVESTMENT OF FUNDS THE FUND PURSUES A POLICY OF MANAGING RISK BY DIVERSIFYING BOTH INVESTMENTS AND INVESTMENT MANAGERS.

The Fund's investment consultant Aon Hewitt, in conjunction with Officers and Members, completed a formal review of the structure of the Fund's investment arrangements during the year.

A review of the Fund's strategic asset allocation will now be undertaken following the results of the actuarial valuation.

Assets are held by the Fund in order to achieve returns consistent with the cost of future pension liabilities as assessed by the actuary. Actuarial valuations are undertaken every three years with the next valuation due in 2016, the results of which will be known in November 2016.

FOR 2013/14 THE FUND'S STRATEGIC ALLOCATION WAS:



Fixed Interest Stocks



Equities



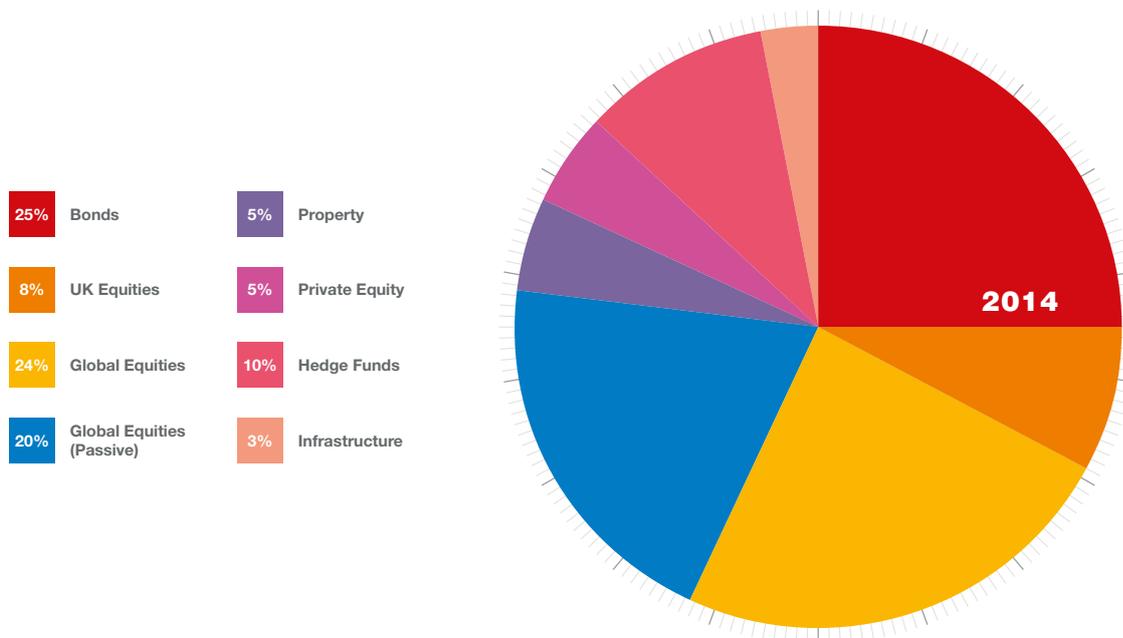
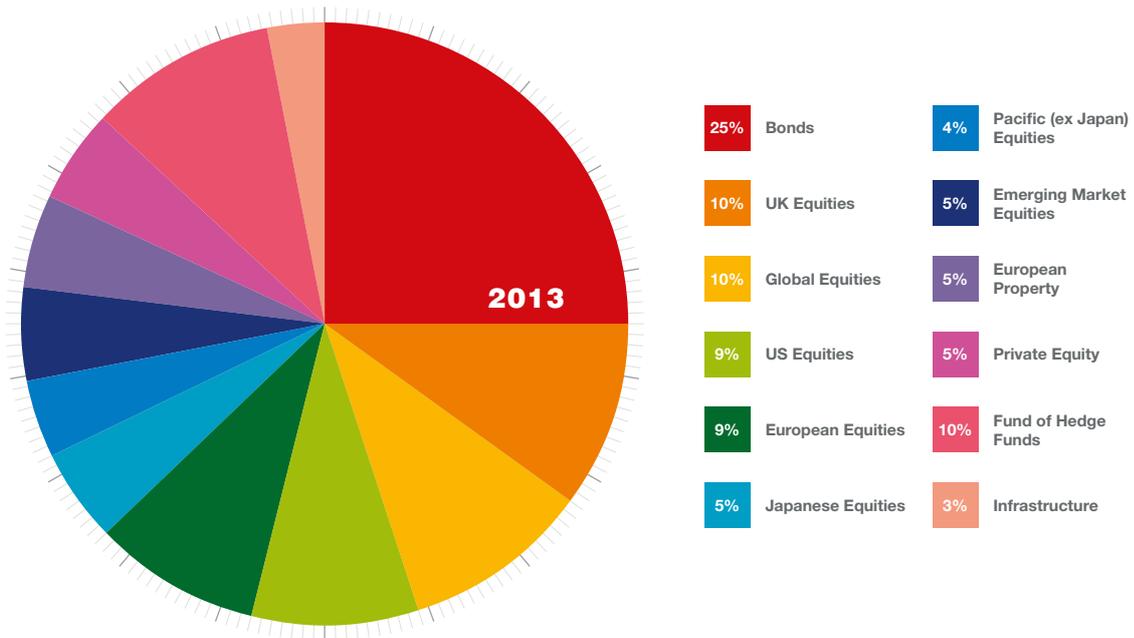
Alternatives
(e.g. Property, Private Equity,
Hedge Funds, Infrastructure)

Fixed Interest Stocks (also known as Bonds) are generally considered to be less risky, as returns are less volatile than Equities. Bonds are deemed to closely match liabilities as they are both valued on the same basis. Over longer periods, investment returns achieved by Bonds are expected to be lower than those achieved by Equities. During May 2014 a switch was made from global government bonds (5%) managed by Strategic into PIMCO's investment grade credit fund (2.5%) and their absolute return bond fund (2.5%). The 5% redemption from global government bonds was made due to the low yields currently available on government bonds.

In August 2013 the Fund appointed a multi strategy Hedge Fund Manager, Brevan Howard, to manage a 5% allocation of the Fund following a tender process. Brevan Howard replaced Man

Investments who were a Fund of Hedge Fund Manager. Further appointments were made in September 2013 following the decision to replace our regional equity managers (excluding Majedie). Two new active global equity managers, Investec Asset Management and Harris Associates were appointed to manage 8% each of the Fund. The amount managed by the Fund's other two active equity managers reduced from 10% to 8% so each active equity manager now manages 8% each of the total Fund. The decision was also taken to increase the passive equity allocation from 9% to 20% which will be managed by Legal & General in global equities. It is expected that these appointments will help maintain the high standards expected from Shropshire's investment managers. The Fund's strategic asset allocation at the start and end of the year are shown on *Page 45*.

STRATEGIC ASSET ALLOCATION



GLOBAL EQUITY

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.

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

Spread of Assets between Fund Managers

Fund Manager	% of Fund	Value of Fund Held (£m)	Portfolios Held
Legal & General Investment Managers	21.58	289.037	Global Equities
Legal & General Investment Managers	9.84	131.773	UK Index Linked Bonds (Passive)
PIMCO Europe Ltd	9.79	131.171	Global Aggregate Bonds
Majedie Asset Management	9.43	126.344	UK Equities
MFS	9.20	123.238	Global Equities
Investec Asset Management	7.98	106.818	Global Equities
Harris Associates	7.51	100.517	Global Equities
Blackrock	5.06	67.803	Fund of Hedge Fund
Strategic Fixed Income	4.88	65.367	Global Government Bonds
Brevan Howard	4.67	62.475	Multi Strategy Hedge Fund
HarbourVest Partners Ltd	4.61	61.807	Private Equity
Aberdeen Property Investors	4.17	55.857	Property Unit Trusts
Global Infrastructure Partners	0.86	11.471	Infrastructure
Other	0.22	2.897	Other
Total Assets Held by Fund Managers	99.80	1,336.575	
Net Current Assets	0.20	2.628	Net Current Assets
Total Fund	100.00	1,339.203	

MAJOR SHAREHOLDINGS

31 MARCH 2014

● UK ● OVERSEAS

				
Royal Dutch Shell Energy	BP Ord Energy	GlaxoSmithKline Health Care	Diageo United Kingdom	Astrazeneca Health Care
£11.176m	£9.485m	£7.234m	£6.579m	£5.158m
0.835%	0.708%	0.540%	0.491%	0.385%
				
Vodafone Telecommunication	Centrica Utilities	BT Group Telecommunication	Marks & Spencer Retailing	BAE Systems Indrials
£5.082m	£4.803m	£3.873m	£3.685m	£3.669m
0.379%	0.359%	0.289%	0.275%	0.274%
				
Nestle Switzerland	Apple United States	JP Morgan Chase United States	Wells Fargo United States	Allianz SE Germany
£7.672m	£7.007m	£6.675m	£6.163m	£5.838m
0.573%	0.523%	0.498%	0.460%	0.436%
				
American Intl Grp United States	Novartis AG Switzerland	Walt Disney United States	Credit Suisse Switzerland	Toyota Japan
£5.498m	£5.169m	£4.935m	£4.471m	£4.463m
0.411%	0.386%	0.369%	0.334%	0.333%

INVESTMENT PERFORMANCE

THE LAST YEAR HAS SEEN POSITIVE RETURNS IN MOST STOCK MARKETS AROUND THE WORLD



On UK equities portfolio



Fund equity managers delivered a notably absolute return



Outperformance of benchmark

During the year the Shropshire Fund increased in value by over £105 million to be valued at £1.339 billion at the end of the year. The Fund increased in value by 9% over the year outperforming its benchmark by 3.3%.

The Fund invests in a range of asset classes so as to diversify risk and provide more stable returns. The Fund does not typically expect all of its investments to perform well at the same time and this was highlighted during the last year.

The Shropshire Fund benefited from strong investment returns in a number of markets including UK equities where the Fund's investments increased in value by 21.3% in the year. The Fund has also achieved strong returns in Global Equities which delivered an investment return of 8%. Returns in Private Equity and Infrastructure were also positive, earning 8.1% and 9.6% respectively. Hedge Funds also delivered a positive return of 3.7%. The Funds Global Aggregate Bonds portfolio achieved a slight positive return of 0.4% in the year.

The asset classes which produced negative returns during the financial year were global government bonds and index linked bonds which posted an absolute loss of 1.1% and 4.4% respectively.

Emerging market equities, pacific equities and one of the Hedge Fund managers also delivered negative returns for the first six months of the year but both mandates were terminated in September 2013 following a review of the structure of the Fund. Brevan Howard delivered a small negative return since inception in August 2013.

Graph 1: The graph shows total fund investment returns compared with the benchmark. The stock markets that make up the benchmark showed positive returns in 2013/14 of 5.7%. The Fund increased in value by 9% over the year outperforming its benchmark by 3.3%. Overall the Fund has increased in value by an average of 9.2% per annum over the last 3 years and 7.7% per annum over the last 10 years.

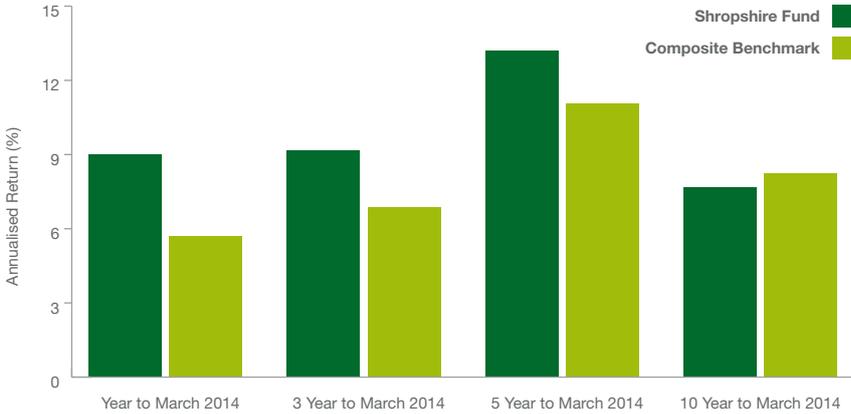
Performance data used in this report is provided by Northern Trust who supplies independent confirmation of the investment performance of individual managers on the Fund's behalf.

Graph 2: 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 2.

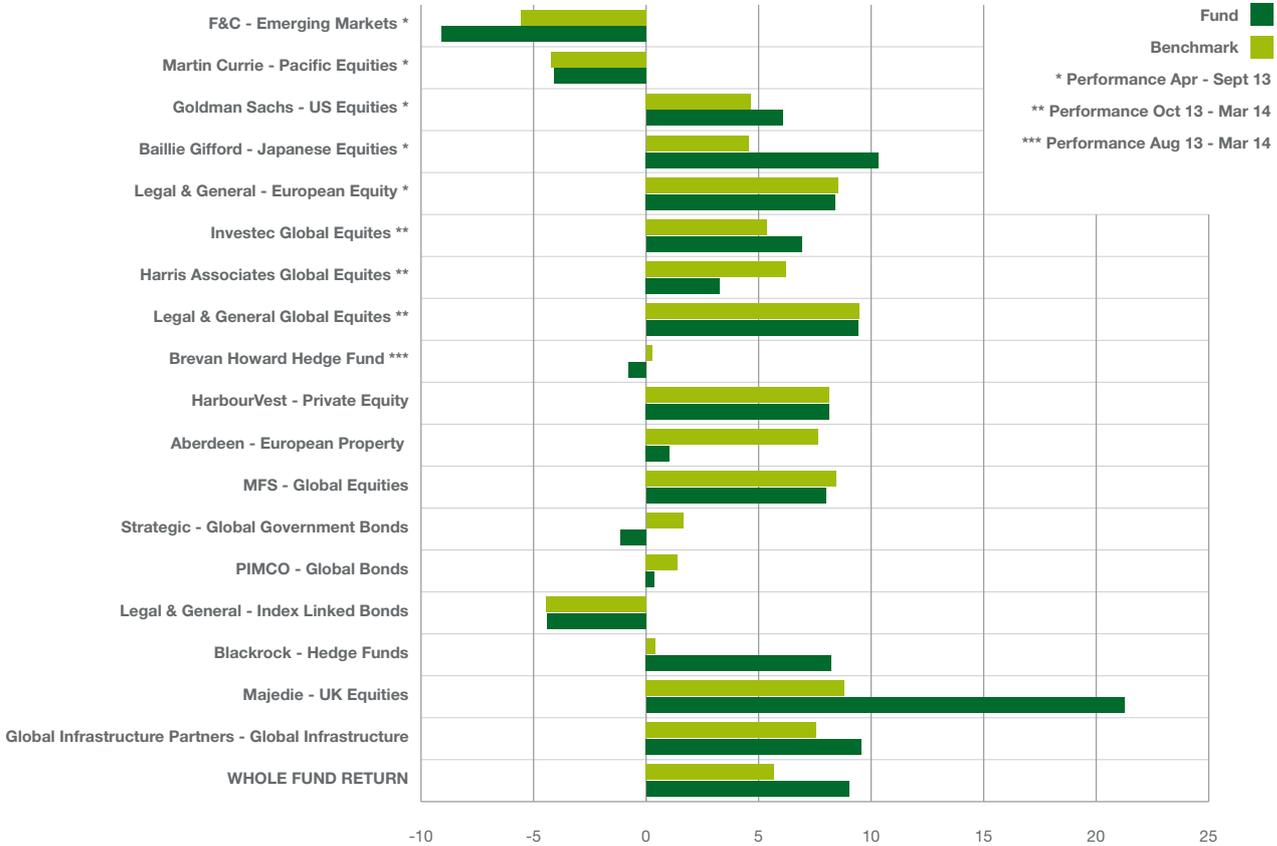
GRAPHS

PERFORMANCE

1. Whole Fund performance



2. Individual fund manager performance



CORPORATE GOVERNANCE & SOCIALLY RESPONSIBLE ENGAGEMENT

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

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

Shareholder voting

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

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

Through ISS (Institutional Shareholder Services) the Fund has adopted a corporate governance policy based on codes of best practice and governance reports. The Fund has incorporated the recommendations of the Combined Code on internal controls and the Higgs report on roles and responsibilities of directors.

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. F&C Asset Management provide this responsible engagement overlay on the Fund's UK Equities portfolios. F&C 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, F&C started engaging the apparel sector on supply chain labour standards in 2000 and since then there have been clear improvements in policies & practices. However, accidents such as the Rana Plaza factory disaster in Bangladesh indicate the depth of the problem. In the aftermath of the accident F&C have been engaging with one of the companies directly affected, Associated British Foods (ABF), as well as pressing for a broader, industry-wide response to the underlying causes of safety failings across the country.

Less than a month after the accident, F&C held an in-depth meeting with the Company Secretary of ABF, a company that sourced from the Rana Plaza factory for its Primark stores. Following this meeting, F&C's assessment is that ABF's board is committed to improving labour standards in Bangladesh, but need to review how the board and management can be alerted to significant safety risks earlier and have better oversight of what is happening on the ground. The company was among the first to come forward and accept '*moral responsibility*', committing to compensation for victims, and continuing to source from Bangladesh and improve practices. F&C plan to meet the company again to assess the progress made.

ABF has also indicated its commitment to co-operative industry action and was the first British company to support a new multi-stakeholder initiative, the Accord on Fire & Building Safety in Bangladesh.

Local authority pension fund forum

Shropshire remains a committed and active member of the Local Authority Pension Fund Forum (LAPFF). The LAPFF brings together 60 public sector pension funds (as at 31 March 2014) representing more than 75% of local government pension funds when measured by assets. LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders in promoting corporate social responsibility and high standards in corporate governance among the companies in which they invest.

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

Executive pay

LAPFF's new 'Expectations on Executive pay' report was sent out to the FTSE 350 companies seeking feedback from a list of 16 companies in advance of their AGMs.

Meetings were held with Societe Generale, WM Morrison Supermarkets, Legal & General, Standard Chartered, M&S and Burberry on executive pay and remuneration issues.

Carbon Emission Management

The issue of Carbon Emission Management was raised with National Grid chair. The company subsequently improved its CDP scoring (Carbon Disclosure Project: set up to disclose greenhouse gas emissions of major corporations), as did Rio Tinto, with whom the Forum met earlier in the year.

Working Conditions

LAPFF met with Sainsbury's to enquire about the impact of the Bangladesh factory tragedy on its supply chain and sourcing practices. A meeting was also held with Lonmin to discuss ongoing challenges at the Marikana mine in South Africa and the efforts by the company to settle the union dispute and improve working conditions.

6

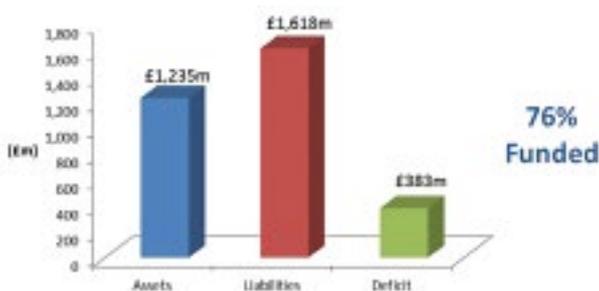
INDEPENDENT OPINIONS STATEMENT BY THE CONSULTING ACTUARY

Accounts for the year ended 31 March 2014 - Statement by the Consulting Actuary

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

An actuarial valuation of the Shropshire County Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

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



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

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

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

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

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

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)	4.95% per annum	5.6% per annum
Rate of pay increases (long term)*	4.1% per annum	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

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

The assets were assessed at market value.

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

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2014 (the 31 March 2013 assumptions are included for comparison):

	31 March 2013	31 March 2014
Rate of return on investments (discount rate)	4.2% per annum	4.5% per annum
Rate of pay increases (long term)*	3.9% per annum	3.9% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.4% per annum

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



The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.5% p.a. versus 4.2% p.a.). The pay increase assumption at the year end has also changed to allow for a short-term public sector pay restraint as detailed in the actuarial valuation.

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2013 was estimated as £1,814 million. The effect of the changes in actuarial assumptions between 31 March 2013 and 31 March 2014 as described above is to decrease the liabilities by c£128 million. Adding interest over the year increases the liabilities by a further c£76 million, and allowing for net benefits accrued/paid over the period increases the liabilities by another c£14 million (including any increase in liabilities arising as a result of early retirements/augmentations). Finally, allowing for actual vs expected membership experience, which emerged at the 2013 valuation, gives an increase in liabilities of c£31 million.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2014 is therefore £1,807 million.

John Livesey

Fellow of the Institute and Faculty of Actuaries

Mercer Limited

June 2014



you

us

egps

The freedom to choose when to take your pension - you can draw your benefits anytime from age 55 to 75

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 19 September 2014.



Malcolm Pate
Vice Chair of Pensions Committee
19 September 2014

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 2014 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)
19 September 2014

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHROPSHIRE COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS

We have examined the pension fund financial statements for the year ended 31 March 2014, which comprise the Fund Account, the Net Assets Statement and the related notes.

This report is made solely to the members of Shropshire Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance, Governance and Assurance & Scheme Administrator and the auditor.

As explained more fully in the Statement of Responsibilities, the Head of Finance, Governance and Assurance & Scheme Administrator is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Shropshire Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of only the: Introduction, Investment of Funds, Investment Performance returns, Statement of the Consulting Actuary and the Statement of investment Principles.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

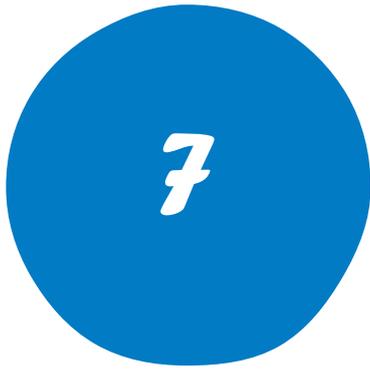
Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Shropshire Council for the year ended 31 March 2014 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.



Grant Patterson,
in the name of Grant Thornton UK LLP,

Appointed Auditor
Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
West Midlands
B4 6AT
September 2014



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 Funds overseas investments.

Custody

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

Deferred Pension

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

Designated Bodies

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

Emerging Markets

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

Equities

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

Fixed Interest Securities

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

Fund of Funds

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

Futures

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

Hedge Funds

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

Infrastructure

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

Index linked Securities

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

Market Value

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

Myners Principles

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

Pooled Investment Vehicles

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

Private Equity

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

Return

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

Scheme Employers

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

Stakeholders

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

Transfer Value

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

Unit Trust (Managed Funds)

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

Appendices

Page 61. Appendix: 1
Governance Compliance
Statement

Page 73. Appendix: 2
Funding Strategy Statement

Page 85. Appendix: 3
Statement of Investment
Principles

Page 95. Appendix: 4
Communications Policy
Statement

Page 105. Appendix: 5
Administration Strategy
Statement



Appendix

1

**Governance
Compliance
Statement**

Agreed by
Pensions Committee on
20th June 2014

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.
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.

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.
7. 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

8. 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.

9. 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.

10. 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

11. 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.

12. 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;
- an annual general meeting for all employers;
- a triennial meeting between all employers and the actuary to discuss the results of the actuarial valuation'.

13. 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.

DELEGATION TO OFFICERS

14. 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.

15. 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

16. 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

17. 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.

17. 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.

19. 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.

20. 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.

21. 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.

22. 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

23. 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.

24. 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.

25. 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

26. 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.

COMPLIANCE AGAINST BEST PRACTICE GUIDELINES

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

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

APPENDIX A: SHROPSHIRE COUNTY PENSION FUND POLICY ON LOCAL DISCRETIONS

- The Local Government Pension Scheme Regulations 2013 [*prefix R*]
- The Local Government Pension Scheme (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. Any Additional Voluntary Contributions (AVCs)/ Shared Cost Additional Voluntary Contributions (SCAVCs) monies will be paid as above.	Scheme Administrator
B26 (4)	Payment of Child's pension after attaining age 18.	To be paid when the child commences full time education or vocational training after the date of the member's death as an eligible child after the child attains age 18 and until age 23.	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	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
R-30 (8)	Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age (Relevant to Admin. Authority where Employer has become defunct)	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
B39 & T14 (13) / R34 (1)	Commutation of small pensions	To be commuted in all cases where annual value is below Inland Revenue limits.	Scheme Administrator
LGPS97 - 50 and 157	Commutation – serious ill health	To be commuted with agreement of pensioner.	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 within 1 month of the end of the month to which they relate after which time interest will be chargeable and be split by employees (EE's) and employers (Er's) contributions.	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
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)	Frequency of payment of members contributions	On a monthly basis.	Scheme Administrator
A40 (2) & (4) / (9)(b)	Agree method of paying augmented membership	SCPF require the payment for augmented service to be paid by BACS, in whole and before the date of retirement (leaving) once the resolution has taken place (actives). Not relevant for 2013 Regulations only transitional period	Scheme Administrator
A60 (8) / R76 (4)	Procedure to be followed by Admin Authority when exercising its stage two IDRPs functions	Full procedure can be found on: 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

Regulation	Discretion	Guideline	Delegated To
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
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 evidence provided.	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

APPENDIX B: GOVERNANCE COMPLIANCE STATEMENT

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

1. STRUCTURE

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

Fully compliant

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

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

Fully compliant

The Pensions Committee includes a representative from Shropshire Council and

Borough of Telford and Wrekin Council.
Representatives of employees and pensioners are also members of the Pension Committee.

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

Not applicable.

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

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

Not applicable

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

2. REPRESENTATION

- a) That all key stakeholders are afforded the opportunity to be represented within the main committee or advisory panel. These include:
- employing authorities (including non-scheme employers, eg admitted bodies)
 - scheme members (including deferred and pensioner scheme members),
 - independent professional advisors
 - 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 web-site and hard copies are available on request.

Appendices

Page 61. Appendix: 1
Governance Compliance
Statement

Page 73. Appendix: 2
Funding Strategy Statement

Page 85. Appendix: 3
Statement of Investment
Principles

Page 95. Appendix: 4
Communications Policy
Statement

Page 105. Appendix: 5
Administration Strategy
Statement



Appendix

2

**Funding
Strategy
Statement**

Agreed by
Pensions Committee on
20 March 2014

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

1. INTRODUCTION

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

- After consultation with all relevant interested parties involved with the Fund, the Administering Authority will prepare and publish their funding strategy.
- In preparing the FSS, the Administering Authority must have regard to:
 - the guidance issued by CIPFA for this purpose; and
 - the Statement of Investment Principles (SIP) for the SCPF published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.

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

The Scheme is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and

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

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

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

2. PURPOSE OF THE FSS IN POLICY TERMS

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

The purpose of this Funding Strategy Statement is:

- to establish a clear and transparent fund-specific strategy which will identify how

employers' pension liabilities are best met going forward;

- to support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities.

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

3. AIMS AND PURPOSE OF THE SCPF

The aims of the Fund are to:

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

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the Local Government Pension Scheme (Administration) Regulations 2008 (as amended), the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended), the 2013 Regulations and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

4. RESPONSIBILITIES OF THE KEY PARTIES

The Administering Authority should:

- collect employer and employee contributions
- invest surplus monies in accordance with the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- manage the valuation process in consultation with the SCPF's actuary
- prepare and maintain an FSS and a SIP, both after due consultation with interested parties, and
- monitor all aspects of the SCPF's performance and funding and amend FSS/SIP.

The Individual Employer should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- exercise discretions within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain, and
- notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding.

The Fund actuary should:

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

5.SOLVENCY ISSUES AND TARGET FUNDING LEVELS

Funding Objective

To meet the requirements of the Administration Regulations the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (*the "funding target"*) assessed on an ongoing past service basis including allowance for projected final pay. In the long term, the employer rate would ultimately revert to the Future Service Contribution Rate.

Determination of the Funding Target and Recovery Period

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

Underlying these assumptions are the following two tenets:

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

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

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

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful.

As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers.

These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers in the Scheme.

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

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

- A default recovery period of 19 years will apply.
- In addition, at the discretion of the Administering authority, a maximum deficit recovery period of 25 years will apply. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan below).
- In current circumstances, as a general rule, the Fund does not believe it appropriate for contribution reductions to apply. As a result, employers' contributions will be subject to a "floor", such that total contributions are not reduced relative to the 2010 valuation contribution plan, unless this can be achieved using a deficit recovery period lower than the default.
- The employer contributions will be expressed and certified as two separate elements:
 - a percentage of pensionable payroll in respect of the future accrual of benefit
 - a schedule of lump sum amounts over 2014/17 in respect of the past service deficit, subject to review from April 2017 based on the results of the 2016

actuarial valuation.

- On the cessation of an employer's participation in the Scheme, the actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer will be due to the Scheme as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer. The full termination policy can be found on our website:
www.shropshirecountypensionfund.co.uk

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

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

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

Deficit Recovery Plan

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

Additional contributions will be expressed as annual monetary lump sums, subject to review based on the results of each actuarial valuation.

In determining the actual recovery period to apply for any particular employer to employer grouping, the Administering Authority may take into account

some or all of the following factors:

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

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

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

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

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

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

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

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which closely matches the liabilities and represents the least risk investment position. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts. Investment of the SCPF's assets in line with the least risk portfolio

would minimise fluctuations in the SCPF's ongoing funding level between successive actuarial valuations.

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

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

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

7. IDENTIFICATION OF RISKS AND COUNTER MEASURES

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

The Administering Authority has been advised by

the actuary that the greatest risk to the SCPF's funding is the investment risk inherent in the predominantly equity (or return seeking) based strategy, so that actual asset out-performance between successive valuations could diverge significantly from the overall out-performance assumed in the long term.

What are the Risks?

Financial

- Investment markets fail to perform in line with expectations
- Market yields move at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Effect of possible increase in employer's contribution rate on service delivery and admitted/scheduled bodies

Demographic

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

Insurance of certain benefits

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

Regulatory

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

Governance

- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements)

- Administering Authority not advised of an employer closing to new entrants.
- An employer ceasing to exist with insufficient funding or adequacy of a bond.
- Changes in Committee membership.

8. MONITORING AND REVIEW

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

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

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

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

Shropshire Council as Administering Authority for the Shropshire County Pension Fund

APPENDIX 1 ACTUARIAL VALUATION AS AT 31 MARCH 2013

Method and assumptions used in calculating the funding target

Method

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

Financial assumptions

Investment return (discount rate)

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

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

Inflation (Consumer Prices Index)

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

- an allowance for supply/demand distortions in the bond market is incorporated, and
- due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index, The overall reduction to RPI inflation implied by the market at the valuation date is 1.0% per annum.

Salary increases

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

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the RPI (e.g. Guaranteed Minimum Pensions in respect of service prior to April 1997).

Demographic assumptions

Mortality

The mortality in retirement assumptions will be based on up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the scheme. The mortality tables used are set out below, which include adjustments reflecting the SCPF characteristics.

The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. Current members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 4 years older. Existing ill health retirees are assumed to be 3 years older. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer

term and as such, the assumptions build in a level of longevity 'improvement' year on year in the future in line with the CMI projections with a long-term improvement trend of 1.5% per annum.

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

Commutation

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

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of retirement in normal health and in ill health and the proportions married/civil partnership assumption have been modified from the last valuation. In addition, allowing for take-up of the 50:50 option will be made up to a maximum of 10% of current and future members for certain employers (who have sufficient size of current contributing members). Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. Administration expenses are allowed for by adding 0.5% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

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

Method and assumptions used in calculating the cost of future accrual

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

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

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

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real return (i.e. return in excess of price inflation) of 3.0% per annum, with a long term average assumption for consumer price inflation of 2.6% per annum. These two assumptions give rise to an overall discount rate of 5.6% p.a (i.e. 3.0% plus 2.6%).

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

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

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

Long-term gilt yields	
Fixed interest	3.2% p.a.
Index linked	-0.4% p.a.
Past service Funding Target financial assumptions	
Investment return/Discount Rate	4.95% p.a.
CPI price inflation	2.6% p.a.
Long Term Salary increases	4.1% p.a.
Pension increases/indexation of CARE benefits	2.6% p.a.
Future service accrual financial assumptions	
Investment return	5.6% p.a.
CPI price inflation	2.6% p.a.
Long Term Salary increases	4.1% p.a.*
Pension increases/indexation of CARE benefits	2.6% p.a.

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

Demographic assumptions

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

Life expectancy at 65 in 2013		Base table	Adjustment	Improvement model	Long term rate
Current Annuitants	Normal Health	S1PxA	89% / 89%	CMI_2012	1.5%
	Ill Health	S1PxA	Normal Health + 3 Years	CMI_2012	1.5%
	Dependants	S1PMA / S1DFA	139% / 104%	CMI_2012	1.5%
	Future Dependants	S1PMA / S1DFA	104% / 94%	CMI_2012	1.5%
Current Actives/Deferreds	Actives Ill Health	S1PxA	89% / 84%	CMI_2012	1.5%
	Actives Normal Health	S1PxA	Normal Health + 4 Years	CMI_2012	1.5%
	Deferreds	S1PxA	106% / 96%	CMI_2012	1.5%
	Future Dependants	S1PMA / S1DFA	101% / 94%	CMI_2012	1.5%

Other demographic assumptions are noted below:

Withdrawal	As for 2010 valuation
Other demographics	Based on LG scheme specific experience.
50:50 Option	

APPENDIX 2

Assumptions used in calculating contributions payable under the recovery plan

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

Changes in Financial Conditions after the Valuation Date

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

Further Future Yield Reversion

In addition to the above, for certain employers which are considered by the Administering Authority to provide a high level of financial covenant and are required to increase contributions (compared to the 2014/15 levels that would have been payable under the previous funding plan), an allowance may be made as part of the recovery plan for interest rates and bond yields to revert to higher levels over a period of 10 years.

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

As indicated above, this variation to the assumptions in relation to the recovery plan can only be applied for those employers which the Administering Authority deems to be of sufficiently high financial covenant to support the anticipation of increased gilt yields over the entire duration of

the recovery period. No such variation in the assumptions will apply in any case to any employer which does not have a funding deficit at the valuation (and therefore for which no recovery plan is applicable). Where a funding deficit exists the impact of the anticipated increases in gilt yields will be limited so that the total employer contributions emerging from the valuation will be no less the 2014/15 levels that would have been payable under the previous funding plan.

Appendices

Page 61. Appendix: 1
Governance Compliance
Statement

Page 73. Appendix: 2
Funding Strategy Statement

Page 85. Appendix: 3
Statement of Investment
Principles

Page 95. Appendix: 4
Communications Policy
Statement

Page 105. Appendix: 5
Administration Strategy
Statement



Appendix

3

**Statement of
Investment
Principles**

Agreed by
Pensions Committee on
20 March 2014

1. INTRODUCTION

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

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

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

Shropshire Council is the Administrating Authority for the Fund.

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

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

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

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

2. GOVERNANCE

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

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

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

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

2.1 ADVICE AND CONSULTATION

Members of the Committee receive independent investment advice from the following sources
Roger Bartley - strategic and overall investment approach advice.

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

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

2.2 LIABILITIES

The LGPS is a defined benefit pension scheme which provides benefits related to the final salary of members. The Scheme is a contributory defined benefit arrangement, with active members and employing authorities contributing to the Scheme.

The value of the Fund's ongoing liabilities is sensitive to various demographic (principally longevity) and financial factors. The financial factors relevant to the fund's investment policy are:

- the rate of return on assets;
- salary escalation for active members;
- price inflation for pensioners; and
- long-term interest rates.

2.3 MATURITY AND CASHFLOW

The Fund remains open to new members and new accruals. Contributions are received from both active members and Employing authorities. Active members contribute on a tiered system. Employing authorities contributions are determined based on advice from the Fund's actuary based on the triennial valuation. Cash inflows from contributions currently exceed cash outflows (benefit payments).

3. OBJECTIVES

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

4. RISKS

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

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

- asset-liability mismatch risk (asset allocation risk)
- the need to pay benefits when due (cash-flow risk)
- actions by the investment managers (investment risk)
- the failure of some investments (concentration risk)
- currency and counterparty risk
- custody risk

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

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

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

5. STRATEGIC ASSET ALLOCATION

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

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

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

- the advisability of investing money in a wide variety of investments
- the suitability of particular investment and types of investment

The Committee will consider a full range of investment opportunities including:

- quoted and unquoted private equity
- government and non-government bonds
- property
- hedge funds and other alternative investments

The Committee further considers the legality of all investments for compliance with the LGPS.

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

5.1 EXPECTED RETURN ON INVESTMENTS

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

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

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

Expected annualised returns are formulated for each asset class based on long term capital market assumptions, using ten year expected returns and volatilities. The returns and volatilities used for each asset class are shown in the table below, and represent the current 10 year annualised nominal return assumptions from Aon Hewitt at 31 December 2013.

Asset class	Expected Return %	Volatility %
UK Equities	7.7	20.0
Global Unconstrained Equities	10.1	21.8
Global Passive Equities	7.7	19.8
UK Property	7.1	14.5
UK Gilts (15 year duration)	3.6	11.0
UK Investment Grade Corporate Bonds (10 year duration)	4.3	9.0
UK Index-Linked Gilts (15 year duration)	2.6	9.0
Global Fund of Hedge Funds	5.4	8.0
Multi-Strategy Hedge Funds	5.9	8.3
Global Private Equity	9.2	26.0
Infrastructure (USD)	8.1	20.4
Inflation (CPI)	2.3	-

5.2 CURRENT STRATEGY

The Fund's current strategic asset allocation was agreed by Pensions Committee in March 2014.

Asset Class	Allocation	Control Ranges
Total Equity	52.0	47.0 – 57.0
Unconstrained Global Equity	24.0	20.0 – 28.0
UK Equity	8.0	5.5 – 10.5
Passive Equity (100% Hedged to GBP)	20.0	16.0 – 24.0
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
UK Index Linked Bonds	10.0	7.5 – 12.5
Global Credit (100% Hedged to GBP)	7.5	5.0 – 10.0
Absolute Return Bonds	7.5	5.0 – 10.0

5.3 REBALANCING POLICY

Officers will review the position of the fund quarterly to ensure the assets are within the control ranges listed above, and will rebalance as appropriate.

5.4 CURRENCY HEDGING POLICY

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

6. IMPLEMENTATION

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

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

The Committee also avails of passive management where they believe the extra risk and costs of active management would not benefit the Fund and to manage overall risk.

The activities of each manager are governed by their Investment Management Agreement. This includes details on the portfolio performance objectives and risk limits as well as information on permissible investments.

6.1 SELECTION & REALISATION OF INVESTMENT

Each investment manager has full discretion in terms of stock selection within the constraints of the investment management agreement signed with each manager. The majority of investments held within the Fund are quoted on major markets and may be realised quickly, if required. Certain asset classes, Hedge funds, Private Equity, Property and Infrastructure are relatively illiquid and may take longer to realise, if required.

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

6.2 SECURITY LENDING

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

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

6.3 CUSTODY

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

7. REVIEW AND CONTROL

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

7.1 PERFORMANCE MEASUREMENT

The Committee monitors the strategy and its implementation as follows.

The Committee receives, on a quarterly basis, a written report on the returns of the fund and asset classes together with supporting analysis.

The performance of the total fund is also measured against the strategic benchmark, which is comprised of the asset class benchmarks weighted by the strategic allocations, and against agreed outperformance targets.

The performance of the fund in each asset class is measured against the relevant benchmark. A comparison against a universe of portfolios with similar mandates will also be made from time to time.

7.2 SERVICE PROVIDER MONITORING

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

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE AND EXERCISE OF RIGHTS

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

F&C provides a responsible engagement overlay on the Fund's UK equity portfolios. F&C enters into constructive discussions with companies on the Fund's behalf to put to them the case for improved financial returns through better management of the negative impacts they might have on the environment and society in general.

The Fund is also a member of the Local Authorities Pension Fund Forum (LAPFF), which seeks to combine like-minded bodies to promote the above issues. At present 49 Local Authorities are members of this forum with a combined asset value of 75% of local government pension fund assets.

8.1 MYNERS INVESTMENT PRINCIPLES

Details to the extent to which the Pensions Committee complies with the six 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 B.

9. INVESTMENT MANAGER AND ADVISER FEES

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

APPENDIX A CURRENT INVESTMENT MANAGERS

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

This appendix shows the position at March 2014 and has been appended to the Statement of Investment Principles for information only, and does not form part of the Statement.

Investment Manager	Asset class	Benchmark	Target
Active portfolios			
PIMCO Europe Ltd	Absolute Returns	1 month Stirling LIBOR	+4% p.a.
	Global Credit	Barclays Corporate (ex-Treasuries, ex-Securitized)	+1.0% p.a. over rolling 3yr periods
Majedie Asset Management	UK Equities	FTSE All Share	+2% p.a. over rolling 3 year periods
MFS Investment Management	Global Equities	MSCI World	+2% p.a. over rolling 3 year periods
Investec Asset Management	Global Equities	MSCI All Country World NDR	+3-5% p.a. over rolling 3 year periods
Harris Associates	Global Equities	MSCI World	+2-3% p.a. over 3 to 5 years
Harbour Vest Partners Limited	Private Equity Fund of Funds	Broad public equities index	+ 3-5% p.a.
Global Infrastructure Management	Infrastructure	n/a	RPI+5% p.a.
Aberdeen Property Investors	European (incl UK) Property	Composite of INREV VA Europe Index, vintage 2005 – 2008 and IPD UK All Balanced Funds Index	RPI+4% p.a.
Brevan Howard	Multi-Strategy Hedge Fund	3month Stirling LIBOR	+6.0% p.a.
BlackRock	Fund of Hedge Funds	3month Stirling LIBOR	+5.0% p.a.
Indexed (Passive) Portfolios			
Legal & General Investment Management	UK Index linked Bonds	FTSE (over 5 yrs) Index Linked stocks	Match benchmark
Legal & General Investment Management	Global Equity	FTSE Developed World – GBP Currency Hedged	Match benchmark

APPENDIX B MYNERS PRINCIPLES COMPLIANCE STATEMENT

Principle	Comply or explain	Comment/Examples	Development needs
<p>1. Effective decision making Administrating authorities should ensure that:</p> <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	<p>Pensions Committee takes decisions relating to setting investment objectives and strategic asset allocation, appointment of investment managers. Pensions Committee members, substitute members and officers participate in an annual training day, attend educational seminary and receive occasional papers and presentations at committee meetings. The training requirements of new Pensions Committee members are addressed and appropriate training programmes made available, with a formal Training Programme being submitted to the Committee for consideration on an annual basis.</p>	
<p>2. Clear Objectives An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers and the attitude to risk of both the administrating authority and scheme employers, and these should be clearly communicated to advisors and investment managers</p>	Comply	<p>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.</p> <p>Performance and risk parameters are specified in relation to relevant indices and appropriate time periods and are set out in investment mandates.</p>	
<p>3. Risk and liabilities In setting and reviewing their investment strategy administrating authorities should take account of the form and structure of liabilities.</p> <p>These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk</p>	Comply	<p>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. The actuarial funding position will be monitored on a quarterly basis by the Pensions Committee, using information provided by Aon Hewitt.</p>	
<p>4. Performance assessment Arrangements should be in place for formal measurement of performance of the investments, investment managers and advisors</p> <p>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</p>	Partial Compliance – there is more work planned in 2014/2015	<p>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.</p>	<p>Consideration to be given to how the Fund assesses its effectiveness as a decision-making body – more work to be completed in 2014/2015.</p>

Principle	Comply or explain	Comment/Examples	Development needs
<p>5. Responsible ownership Administrating authorities should:</p> <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	<p>The SIP includes a statement on responsible ownership.</p> <p>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.</p>	
<p>6. Transparency and reporting Administrating authorities should</p> <ul style="list-style-type: none"> • 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	<p>A range of documents are published relating to the Fund's investment management and governance including the Governance Compliance Statement, Funding Strategy Statement, Statement of Investment Principles, Communication Policy Statement and Annual report and accounts. These documents are available in full on the Fund's website and any amendments are published.</p> <p>Stakeholders are also invited to attend the annual meeting of the scheme.</p>	

Appendix

4

Communications Policy Statement

Agreed by
Pensions Committee on
20 June 2014

Appendices

Page 61. Appendix: 1
Governance Compliance
Statement

Page 73. Appendix: 2
Funding Strategy Statement

Page 85. Appendix: 3
Statement of Investment
Principles

Page 95. Appendix: 4
Communications Policy
Statement

Page 105. Appendix: 5
Administration Strategy
Statement

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

Shropshire Council, in its capacity as Administering Authority deals with over 120 employers and approximately 15,000 scheme members, 13,000 deferred members and 10,000 pensioners in relation 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 20 June 2014 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
Guildhall
Frankell Quay
Shrewsbury
SY3 8HQ

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. 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 exploits the developments and improvements in new technology
 - Communication is planned, Co-ordinated and evaluated

2.2 The Fund makes every effort to make communication materials available in large print, Braille, audio tape and different languages on request.

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.

3. HOW DOES THE FUND COMMUNICATE WITH STAKEHOLDERS?

3.1 Printed /Electronic Literature

The Fund produces all paper and electronic based communications in a corporate style, be that brochures, guides or individual letters. PDF format communications are produced and made available to members as appropriate, on our website.

3.2 Drop in Service

For those members who prefer 'face to face' communication the Fund's office is centrally situated in Shrewsbury town centre 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 a member of the team is generally available. We run a drop in service where 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 Internet

The Fund has a website (www.shropshirecountypensionfund.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.

3.5 Fax, Mail and E-Mail

For general Communications, the Fund has a FAX number, email account and postal address. These details can be found on the back cover of this statement.

3.6 Email alerts

The fund records email addresses of all its active, deferred and retired members and can send out an email notification to its members when there has been a significant update to the website or 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/Consultation

The Fund organises events. They are run on a consultation/surgery basis with time slots for members and prospective members. This is particularly useful for employers with small numbers of staff although all our members are catered for.

Fund membership is dispersed over a large rural area and therefore these consultations are an ideal way to reach them.

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.

In TOUCH 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, 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.

A newsletter is also issued out to Scheme Employers at least once a year. It provides legislation, operational items and technical updates and support.

Annual Report, Accounts & Meeting

The aim of the report is to highlight the important issues affecting the Fund over the previous twelve month, along with detail on both investment and administration performance.

The Report and Accounts are the main focus of the Annual Meeting held in November. An

abridged version of the accounts is available on the Fund website and made available to active, deferred and retired members where possible.

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. 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 aims to cover scheme benefits, 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 sent direct to the home address of all active and deferred members. The Statements include various pension details including the current value of benefits within the scheme. 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 is produced by the Administering Authority and is made available to both Employers and Scheme members. The literature includes Guides and Information sheets.

A different guide is available for councillors to whom different rules apply.

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 an information booklet 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 to 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.

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 broadcast communications. The Fund actively works to provide their employees with the best information and opportunities in regard to the Scheme.

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 website, called MyView.

P60s

Every retired member and/or their dependents will receive a P60 each year normally at the end of April.

Annual Pension Increase

Retired members will receive a pension increase notification each year to inform them of the inflation increase on their pension. This letter will include details of the monetary value of their revised pension and details of the amount to be paid in April.

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.

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 major issues with employers, specifically benefit regulation changes, employer contribution rates and the funding level of the Shropshire Fund.

Employers' Guide

An Employers' Guide is issued via email to all employers, detailing the processes, procedures and forms required to effectively discharge their pension administration responsibilities.

Employers Bulletin

A technical newsletter/bulletin is periodically sent out to all employers. It aims to inform employers on common problems, issues,

queries and regulatory changes. The bulletin is also used to communicate any consultations in regard to policy and regulations.

Data Transmission

A secure system of data transmission has been developed which allows employers to forward information directly to the Fund in order for the administering authority to update their records.

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

Service Management Team

The Scheme Administrator (s 151 officer) is responsible for the Pensions Administration and Pension Investment Teams. The Pensions Management Team meets on a monthly basis to discuss items in relation to the running of the team and regulation changes. It comprises the Pensions Administration Manager and Team Leaders. A similar monthly meeting is held between the Head of Treasury & Pensions, the Pensions Administration manager and investment staff. Any items raised from such meetings can be escalated to the Scheme Administrator.

Team Meetings

Team Meetings involving all staff are held on a monthly basis. Notes of all meetings and items arising from such meetings are passed through to the Head of Treasury & Pensions and to the Scheme administrator if necessary.

Training

The Fund seeks to continually improve the ability of staff to communicate effectively and to understand the importance of good communication. Both general and pension-specific training is provided to all staff as part of the Fund's commitment to staff development. The Fund conducts performance appraisals for its entire staff.

Intranet and E-Mail

Each member of staff has access to e-mail and the storage drive which contains electronic copies of many of the Key documents, manuals, minutes and circulars.

Local Authority Pensions Web

All senior members of the pension's team have access to the Local Authority Pensions Web where information can be exchanged with other Local Authority Pension colleagues.

4.6 Communication with Other

Bodies Mercer (Pension Fund Actuary)

The Fund performs an Actuarial Valuation every three years as required by the Regulations. Mercer also deals with Interim valuations when required and information and advice on a range of issues affecting the Fund, such as new employers, bulk transfers and regulatory changes.

Legal Advice

The Fund obtains legal advice from Shropshire Council as appropriate on benefits administration and investment matters. External legal advice is also obtained as and when required.

DCLG

The Fund communicates with the Department of Communities and Local Government (DCLG)

while in consultation on proposals for change to the scheme and with regard to providing information under disclosure regulations.

Trade Unions

Trade Unions are valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pension Scheme's availability are brought to their member's attention and assist in negotiations under TUPE, in order to ensure, whenever possible, continued access to the Local Government Pension Scheme.

Press & Media

The Fund in conjunction with the Council's Communications Unit, actively engages with the press and other media organisations in order to ensure clarity, facts and fair representation.

Shrewsbury Regional Pension Officer's Group (SPOG)

The Shropshire County Pension Fund (SCPF) hosts the Shrewsbury Pension Officers Group which meets on a quarterly basis. The group which comprises a number of local authority funds discuss technical queries and legislation matters of common interest.

Joint working with other pension funds

To reduce costs the Fund leads on collaborative working with other pension funds. Representatives from each fund meet quarterly to discuss communications issues.

Investment Practitioner Group

The Fund has an active involvement in the Investment Practitioner Group for the region where common investment issues between Funds are discussed.

Software Provider Group

Members of the team attend meetings with the pension's administration software provider, to ensure the computerised administration system is able to deal with regulation changes when they occur.

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. FURTHER INFORMATION

Further information can be obtained from:

Pensions Helpline:

(01743) 252130

Email:

pensions@shropshire.gov.uk

Website:

www.shropshirecountypensionfund.co.uk

4.7 Measure of Successful Communication

FUND PUBLICATIONS AND COMMUNICATIONS

Communication Document	When Issued	Available To	Format	When Reviewed
Brief Pension Scheme Guide	Upon commencing employment/ when requested	Prospective/Active/Deferred/ Retired Members	Paper/ Website	As regulations change
F.A.Q Leaflets	Upon request	Active/Deferred/ Retired Members	Paper/ Website/ Intranet	As regulations change/ new leaflets introduced regularly
Benefit Statements	Annually (rolling programme)	Active/Deferred Members	Paper	Annually
Encouraging New Members Literature	Annually	Prospective Members	Paper-Flyer	Annually
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	As Required	Prospective/Active/Deferred/Retired Members	Paper	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	Prospective/Active Members	Face to face/e -learning	As required
Statutory notification	When member record changed	Active Members	Paper	As regulations change/ as required
Retirement Courses	When Requested	Retiring Members	Face to face	As required
Internet and Intranet	Continually	All Members/ Employers/ Fund Managers/Non Scheme Members	Website/ Intranet	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
Pay Advice	Monthly	Pensioner Members	Paper/MyView	Issued when £5 variation in net pay
P60	Annually (April)	Pensioner Members	Paper/MyView	Annually
Pensioner Newsletter	Biannually (April/October)	Pensioner Members	Paper/Website	Biannually
Retired Members Meeting and invitations	Annually (June)	Pensioner Members	Paper/Face to face/ Website	Annually
Pensions Increase Correspondence	Annually (April)	Pensioner Members	Paper	Annually

FUND PUBLICATIONS AND COMMUNICATIONS

Communication Document	When Issued	Available To	Format	When Reviewed
Age 100 Pensioners	As Required	Pensioner Members	Paper/Gift	As required
Pensioners Living Abroad	Annually	Pensioner Members	Paper	Annually
Employers Guide including forms	As Required	Employing Authorities	Email	As regulations change/ as required
Employers Bulletin	As Required	Employing Authorities	Paper/Email	As regulations change/ as required
Employer Meetings and Training	As Required	Employing Authorities	Face to face/Paper	As regulations change/ as required
Service Level Agreement	Annually (February/March)	Employing Authorities	Paper	Annually
Employer Satisfaction Survey	As Required	Employing Authorities	Paper/Online survey	Annually
Online Access to Pensions Administration	As Required	Employing Authorities	Electronic	As required
Data Transmission	As Required	Employing Authorities	Electronic	As required
Abridged Reports and Accounts	Annually (October)	All Members	Paper/Website/Intranet/ Email	Annually
Valuation Report	Tri-Annually	Employing Authorities	Paper/Website (Overview)/AGM	Triennially
Statement of Investment Principles	Annually	All Members	Website	As required
Corporate Governance & Responsible Engagement Reports	Quarterly	All Members	Website	Quarterly
Pension Committee Training Day	Annually	Committee Members/ Fund Staff	Face to face/ Paper	Annually
Other Body Communications inc. SPOG, NIF, Media/ Press, Trade Unions, Joint Communication meeting	As Required	All Relevant Bodies	Paper/Website/Intranet/ 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

Appendices

Page 61. Appendix: 1
Governance Compliance
Statement

Page 73. Appendix: 2
Funding Strategy Statement

Page 85. Appendix: 3
Statement of Investment
Principles

Page 95. Appendix: 4
Communications Policy
Statement

Page 105. Appendix: 5
Administration Strategy
Statement



Appendix

5

**Administration
Strategy
Statement**

Agreed by
Pensions Committee on
20 June 2014

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 outlining 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.

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.

The undertakings set out within this Pension Administration Strategy will be reviewed annually by the Fund. In no circumstances does this strategy override any provision or requirement of the Regulations set out below nor is it intended to replace the more extensive commentary provided by the Employers’ Guide and Website.

3. REVIEW

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 69-(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 Poor Performance section.

This document has been presented, considered and ratified by the Pensions Committee on the 20th June 2014 and, as such, the contents of which apply to all existing and future employers of Shropshire County Pension Fund from that date.

5. LIAISON AND COMMUNICATION

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 in different organisations to ensure Scheme members, and other interested parties, receive the appropriate level of service and ensure that statutory requirements are met.

Each Employing authority will designate a named individual to act as the main point of contact with regard to any aspect of administering the LGPS.

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
- 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.

Employer Training

The Fund holds annual training for employers: officers provide information on Fund Finances, Investment Performance and also Administration Performance. Attendance by each employer's main contact and Senior Management is actively encouraged.

Policy Discretions

Each employer is required to produce, publish and maintain a statement of policy regarding 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.

Notification of employee's rights

Any decisions made by an employing authority affecting an employee's rights to membership or entitlement to benefits must be notified to the employee in writing including a reference to their right of appeal.

Internal Disputes Resolution Procedures (IDRP)

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 must be kept up-to-date with the Fund.

Computer Links

The Fund will, to appropriate large employers, provide the software, hardware and communication facilities in order for employing authority staff to produce retirement estimates and enquire on their employees' record of membership.

The Fund will ensure that the Pensions Administration computer system is available for use during normal office hours with the exception of any necessary scheduled maintenance of the system.

6. SERVICE STANDARDS TO SCHEME MEMBERS

Overriding legislation dictates minimum standards that Pension Schemes 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.

These performance standards are held within the following tables overleaf:

NEW APPOINTMENTS

EMPLOYERS' RESPONSIBILITY

To ensure that pensions information is included as part of any induction process.

To provide each new employee with a booklet and application form, with their contract.

FUND'S RESPONSIBILITY

To provide to employers on request appropriate tools for inductions.

To update pension information in accordance with regulatory changes and provide sufficient stock within five weeks of request by the employer.

NEW APPOINTMENTS

EMPLOYERS' RESPONSIBILITY

To ensure that all employees subject to automatic/contractual admission are brought into the Scheme from the date of appointment, and provide the Pension Administration Team, with accurate details within 4 weeks of their start date by electronic monthly interface.

To assist the Fund in ensuring that all new starters complete the Scheme application form containing information including National Insurance Number, Date of Birth and Home Address on either electronic interface or approved form to the Fund within four weeks of the employees first pay date.

Where there is more than one contract of employment with the same employer, each membership shall be maintained separately and the Fund notified.

To send the Fund notification in agreed electronic format of any eligible employees subject to automatic entry, who opt out of the scheme within three months of appointment.

FUND'S RESPONSIBILITY

To accurately record and update associated member records on the pension administration system.

To apply for any Transfer Value details within two weeks of receipt of all the relevant information from the member and to produce Membership Certificates and forward them to member's home address, within thirteen weeks of joining the Scheme. As stated within the Regulations.

To accurately record these member records on the pension administration system within four weeks of receipt of documents.

To accurately record and update member records on the pension administration system within four weeks of receipt of the notification.

CHANGES IN CIRCUMSTANCES FOR ACTIVE MEMBERS

EMPLOYERS' RESPONSIBILITY

To ensure that the Fund is informed of any changes in the circumstances of employees on approved electronic template within four weeks of the change. Guidance can be found in the Employers Guide via www.shropshirecountypensionfund.co.uk

These include.

Status:

- Change of Name
- Marital Status
- National insurance Number

Conditions of service:

- Contractual Hours (for members who meet the underpin requirements only)
- Remuneration changes due to promotion and down grading (pre April 2014 members only)
- Actual pay (including overtime)
- Contribution Rate
- Employee Number and or Post Number
- Date Joined Scheme (if adjusted)
- Confirmation of 50/50 or 100/100 scheme entry

NB. An Employee can easily exceed HMRC Annual Allowance if their pay increases. You therefore are asked to inform the Fund of:

- augmentation,
- Honorariums
- AVC contributions

Further information is available from the fund on this issue.

Absence:

During periods of reduced pay or nil pay as a result of sickness, injury or relevant child related leave Assumed Pensionable Pay (APP) should be applied for pension purposes.

Employer contributions should be deducted from contributions on the amount of APP. This is a change introduced by the 2013 LGPS Regulations.

Should the employees 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 be required.

Types of absences include:

- Maternity, Paternity and Adoption
- Paid & Unpaid leave of absence
- Industrial Action (SCAPC not available)
- Any other material period of absence

FUND'S RESPONSIBILITY

To provide templates for recording any key change in circumstances and to provide advice on the secure submission of data electronically.

To accurately record and update member records on pension administration systems within four weeks of notification or any shorter period as requested by the employer with regard to specific requirements.

To highlight Annually if an individual has exceeded their Annual Allowance

ANNUAL RETURN, VALUATION & ANNUAL BENEFIT STATEMENTS

EMPLOYERS' RESPONSIBILITY

To provide the Fund with year-end information to 31 March each year in an approved format no later than 30 April or the next working day.

The information should be accompanied by a final statement, duly signed, balancing the amounts paid during the year with the total amounts on the year end return data file.

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 end of May of each year.

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

To ensure that all errors highlighted from the annual contribution and pensionable pay posting exercise are responded to and corrective action taken promptly.

FUND'S RESPONSIBILITY

To process employer year end contribution returns within three months of receipt i.e. 30th April, or within three months of receipt of the information if later.

To produce annual benefit statements for all active members and post to member's home address and provide Annual Allowance information by the 5th October each year.

Statements will also be produced for deferred members, but no information from employers will be required.

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

To provide an electronic copy of the valuation report and contributions certificate to each employer.

RETIREMENT ESTIMATES

EMPLOYERS' RESPONSIBILITY

To submit a request using forms PEN010 by post or attaching it to an e-mail.

For larger bulk estimates, requests can be made in alternative formats.

FUND'S RESPONSIBILITY

To issue the quotations within seven working days of receiving the request or by separate agreed timescales for bulk requests.

To provide large employers with the appropriate software to produce retirement estimates without the resource of Fund staff.

ACTUAL RETIREMENTS

EMPLOYERS' RESPONSIBILITY

To submit the appropriate form to the Fund as soon as final pay information is available.

Further information can be found in the Employers Guide via www.shropshirecountypensionfund.co.uk

FUND'S RESPONSIBILITY

To issue the member with a letter and retirement information within seven days of notification.

To make payment of any lump sum within Seven working days of retirement date or of receipt of all relevant forms and certificates from the member if later than retirement.

To pay any pension payment on the 29th of each month, following retirement unless this falls on a weekend or bank holiday when the payment will be made on the last working day before.

ILL HEALTH RETIREMENTS

EMPLOYERS' RESPONSIBILITY

To determine based on medical opinion and advice of one of the Administering Authorities approved Independent Medical Registered Practitioners (IMRP) whether an ill health award is to be made and determine which tier 1, 2 or 3.

Arrange for completion of the PEN007 or PEN006 and then submit to the Fund with all related paperwork and signatures.

To keep a record of all Tier 3 ill health retirements, particularly in regard to the 18 month review of their gainful employment and any subsequent appointment with an (IMRP) approved by the Administration Authority for a further medical certificate.

To recover any overpayment of pension benefits following subsequent re-employment and notify the Fund, where appropriate.

To review all Tier 3 ill health retirement cases prior to discontinuance at three years. Further information on Ill health retirements can be found in the Employers Guide.

FUND'S RESPONSIBILITY

To calculate and pay required benefits in line with actual retirement timescales.

To assist the employer in performing their legislative responsibility to review Tier 3 ill health cases at eighteen months.

To notify employers three months prior to scheduled discontinuation of benefit payments and before updating the members records as becoming a "*pensioner member with deferred benefits from the date of the suspension*".

MEMBERS LEAVING EMPLOYMENT BEFORE RETIREMENT

EMPLOYERS' RESPONSIBILITY

To notify the Fund 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.

FUND'S RESPONSIBILITY

To accurately record and update member records on the pension administration system.

To inform members who leave the Scheme, who are not entitled to immediate payment of benefits, the options available and deferred benefit entitlement within one month of receiving all relevant information.

FORMER MEMBERS WITH DEFERRED BENEFITS

EMPLOYERS' RESPONSIBILITY

To keep adequate records of the following for members who leave the Scheme with deferred benefits as early payment of benefits may be required:

- Name & Last known address
- National Insurance Number
- Payroll Number
- Date of Birth
- Last job including job description
- Salary details
- Date and reason for leaving

On application from the former employee to have their deferred benefits paid early, a determination as to whether or not they are eligible for early payment on ill health grounds after seeking a suitable medical opinion from an (IMRP) approved by the Administering Authority, to determine whether benefits should to be released early on compassionate grounds and whether any early retirement reduction should be waived.

FUND'S RESPONSIBILITY

To record and update member records on pension administration system.

To provide former members, where possible, an annual benefit statement of their deferred benefits updated by accrued annual pensions increase awards.

To provide estimates of benefits that may be payable and any resulting employer costs within seven days of request.

DEATH IN SERVICE & TERMINAL ILLNESS

EMPLOYERS' RESPONSIBILITY

To inform the Fund immediately on the death of an employee, or when a member is suffering from a potentially terminal illness and provide details of next of kin.

Further information can be found in the Employers Guide.

FUND'S RESPONSIBILITY

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 caring manner.

FINANCIAL OBLIGATIONS

EMPLOYERS' RESPONSIBILITY

To pay the Fund all contributions deducted from payroll (not including AVCs) of its employees and employer contributions, 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

To apply the correct employee contribution rate according to the scheme the member is in – either the 50/50 or 100/100 scheme. To alter employee contribution rates at all other times in line with the employers' discretionary policy on adjusting employee contribution rates.

To pay all rechargeable items to the Fund within Four weeks of the invoice.

FUND'S RESPONSIBILITY

To allocate the received contributions to each employers record.

Interest will be charged for late payment as detailed in Regulation 71.-(1) of the LGPS Regulations 2013.

Inform each employer of any new contribution banding

The Fund will inform employers of any recharge items as they become due.

ADDITIONAL PENSION CONTRIBUTIONS (APCs) and SHARED COST APC's

EMPLOYERS' RESPONSIBILITY

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, as stated in the 2013 Regulations (Reg 69.-(1). More Information can be found in the Employers Guide via www.shropshirecountypensionfund.co.uk

FUND'S RESPONSIBILITY

To provide information on APCs to members/Employers via www.shropshirecountypensionfund.co.uk where a modeller can be found.

STANDARDS OF DATA

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

- the Occupational Pensions Schemes
- (Disclosure of Information) Regulations 2013;
- 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.

Secure Data Transfer

The Fund will follow Shropshire Council data security guidelines when sending any personal data in bulk.

This means that if data is sent by email:

- 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, but with the requested password. 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

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

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 performance measures across all employers are reported 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 to put in place appropriate processes to improve the level of service into 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 or the Pensions Ombudsman 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, 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.
- 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.

10. ASSOCIATED POLICY STATEMENTS & DISCRETIONS COMMUNICATIONS POLICY

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.

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 it as necessary.

A list of the Employer discretions can be found in the Employers Guide.

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) 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) 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—
- (i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
- (ii) 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.







**SHROPSHIRE COUNTY
PENSION FUND**
ANNUAL REPORT
2013/14

Further Information

If you can read this but know someone who can't, please contact the Pensions Helpline so we can provide this information in a more suitable format.

Administered by:
Pension Services, Guildhall,
Frankwell Quay, Shrewsbury,
Shropshire. SY3 8HQ

Pensions Helpline:
(01743) 252130

E-mail:
pensions@shropshire.gov.uk