Annual report 2019/20

Shropshire County Pension Fund

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Introduction

Welcome to the 2019/20 annual report and accounts of the Shropshire County Pension Fund

This year's fund information

£84 million	£1.831 billion	3.8 %	1.0 %
Fund value decrease	Total fund value	Fund value decrease	Below benchmark

For the first time since 2015/16 the Shropshire Fund decreased in value by £84 million in 2019/20 to be valued at £1.831 billion at the end of the year. The Fund decreased in value by 3.8% over the year and underperformed against its benchmark by 1.0%. Up until December 2019 the Fund had been performing very strongly and was valued at over £2 billion for the first time. The global pandemic, in the last quarter of the financial year, had a major impact on financial markets across the world and this resulted in the fund value falling by £185 million in a single quarter. In the new financial year the fund has increased to £1.960 billion, mainly due to a recovery in stock markets since the end of March.

Over the last three years the fund returned 1.5% per annum which was 1.2% below benchmark. The reason fund performance was below benchmark for this year was largely due to market volatility, specifically in March driven by Covid-19 implications which had a major impact on financial markets and saw equity markets decline globally. The below benchmark returns generated from the Fund's active UK and global equity managers during the last financial year was the main reason for the underperformance. The combined fixed income portfolios also delivered below benchmark returns during the year again because of the impact of the global pandemic during the last quarter.

The Shropshire Fund had positive investment returns in a number of other asset classes which helped offset some of the underperformance of equities. The strongest returns were generated in private equity increasing in value by 19.5%. The fund's Infrastructure manager produced returns of 11.2% which was 3.4% above benchmark and BMO (our Liability Driven Investment manager) produced positive returns of 2.8% which was 2.4% above target. The property debt portfolio also increased in value by 4.7%. The combined fixed income portfolios delivered a negative return of 1.1% which was 2.4% below benchmark. The fund's UK equity manager produced negative returns of 21.4% and the active global equity portfolio produced negative returns of 9.6%. It was these equity returns that are the main reason for the decrease in value of £84 million during the year.

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

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

The fund undergoes an independent actuarial valuation every 3 years. The last actuarial valuation was conducted at the end of March 2019, 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 94% which was an increase from 84% at the previous valuation in March 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, the latest results were very positive for the fund where the funding level increased by 10% over the valuation period.

During 2019/20, Aon Hewitt undertook a review of the movements in the funding level since the last valuation and presented the results to the Pension Committee.

Due to a strong rally in equity markets over the previous three financial years, this resulted in a significant increase in the asset value of the fund. In view of this, as a large proportion of the fund is invested in equities and this represents the biggest risk within the fund, a decision was made to increase the level of equity protection currently in place from £280 million to £580 million of the fund during the year. This decision was of significant importance especially at the end of the financial year when equity markets saw big falls due to Covid-19. Despite the fall in markets, this decision resulted in saving the fund over £70 million in the last quarter of the financial year.

The fund became a Tier 1 signatory to the Stewardship Code during the year, the highest rating given by the Financial Reporting Council, which is very positive news. This confirms how seriously the fund continues to take Responsible Investment and Environmental, Social and Governance issues. Further details relating to this are included within the Corporate Governance section of the annual report.

The Shropshire Fund continued to work with eight other funds in the Midlands region during the year. LGPS Central Ltd has been established to manage investment assets on behalf of its nine Local Government Pension Scheme (LGPS) funds across the Midlands region. It is a multi-asset manager, investing up to potentially £45 billion of assets from 2018 onwards (£18.5 billion invested as at March 2020), on behalf of 900,000 LGPS members and 2,500 employers.

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

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

The governance structure for LGPS Central has been agreed by all partner funds. The LGPS Central Board and Executive Committee are in place. There are currently 62 permanent staff with further recruitment to come over the course of 2020. Regular investment pooling meetings continue to be held with representatives from each of the eight LGPS funds. The Practitioners Advisory Forum, which is made up of s151 Officers and Pension Managers from each fund, are updated regularly on the progress made and key developments of LGPS Central. Meetings of the Shareholders Forum, which is made up of one elected member from each fund, have been held during the year to approve key decisions. The Joint Committee, which is also made up of one elected member from each fund, has also met twice during the year to discuss any client related investors issues.

LGPS Central Ltd opened for business on the 3 April 2018 with the launch of 3 new pooled funds. In addition to these funds, LGPS Central is responsible for a number of advisory and discretionary mandates on behalf of its partner funds. Working with our partners to develop and implement our investment strategy will continue to be a major strategic focus for the fund over the next year. The first assets transferred from Shropshire County Pension Fund in March 2019 when £237 million was transitioned into their active global equity sub-fund.

Over the last 12 months The Pensions Administration Team have kept busy ensuring the benefits it looks after for scheme members are paid accurately and on time. To effectively administer the Local Government Pension Scheme for members, the monthly data provided by employers is essential. As well as monthly and year-end data quality verification, additional checks were put in place by the team during the year using mortality screening and address verification to continue to improve the data held. The guaranteed minimum pension reconciliation/rectification exercise continued throughout the year and the upgrade to the member self-service platform 'My Pension Online' was completed. Training of employers continued with an employer's meeting held in November 2019 to communicate the actuarial valuation results. Online webinars were used for the first time to provide information to staff working at scheme employers. The year ended with the pandemic lockdown on 23 March 2020. Pension team members were able to work from their own homes instantly and carry on delivering pension services with very little disruption to fund members. New practices were put in place to ensure business as usual could continue. In line with advice from the Regulator, priority was given to ensuring benefits for retirements and deaths were processed on time and fund members were supported to make good decisions about their benefits. Updates on work undertaken by the Pensions Administration Team over the past 12 months, can be found within this report.

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

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

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Shropshire Council

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Chair of Pensions Committee
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Performance measurement

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Risk management

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

Please see below a summary of the pension fund's key risks which were identified for 2019/20.

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

Risks	Controls in place
Continued decrease in UK government bond yields resulting in future reduction in returns from government bonds, increase in the value placed on liabilities through the reduction in the discount rate and deterioration in funding position which results in an increase in employer contribution rates.	Monitoring of investment performance relative to the estimated growth in liabilities on an annual basis. Some investment in bonds (and similar investments) helps to mitigate this risk. Implemented Liability Driven Investment (LDI) strategy in order to further hedge liabilities against changes in interest rates and inflation. Change in methodology agreed with actuary to calculate liability values rather than using gilt yields. Equity Protection Strategy Implemented in September 2017.
Pay and price inflation significantly higher than anticipated and pensioners in receipt of pensions for longer resulting in an increase in the fund's liabilities, deterioration in funding position and increase in employer contribution rates.	Actuarial valuation process focuses on real returns on assets. Monitoring of investment performance in relation to the estimated growth in liabilities. Some investment in index-linked bonds (and other inflation linked investments) and LDI helps to mitigate this risk. Triennial strategic asset allocation review considers appropriateness of assets. Mortality assumptions are set with some allowance for future increases in life expectancy as part of the valuation process which the fund actuary monitors. LDI manager appointed to further hedge liabilities against changes in inflation rates. Equity Protection Strategy in place.
Incorrect information/benefits provided to members of the scheme.	Benefits calculations are checked. All supporting calculations are provided to the member. Team training, employer training.
Late payment of contributions by fund employers leading to the pension fund having to report to the Pension Regulator and possibly be fined.	Employer training/guidance on website. Employer newsletter. Contributions check and balance. Adhere to internal governance compliance statement. Adhere to Pension Regulator code of practice. Breaches log monitoring. Engage with employers to ensure contributions received on time.
Failure of employers to provide accurate data leading to incorrect benefit statement/payments or fund valuations.	Employer training. Administration Strategy Statement. Team training. Introduction of iConnect has resulted in improvement of data. Employers trained on TPR Code. Breaches log records any issues which are reported to Pension Committee/Pension Board.
Loss or inappropriate disclosure of personal data leading to fines and reputational loss.	ICT security used such as data encryption, secure mail and document management software with strict security profiles. Secure working environment. Protecting information training undertaken by all staff annually.
Not undertaking work to reconcile GMP data in line with ending of contracting out legislation resulting in possible overpayments and additional costs to the pension fund.	GMP's have historically been processed when received and leavers notified to HMRC. Reconciliation process currently being undertaken by the Pension Administration team. Contract with ITM has been signed to assist in this process. Possibly use LG Framework to appoint a third party to complete the project by June 2020.
Failure to identify and report breaches of law, in accordance with the requirements of the Pensions Regulator leading to reputational damage & potential fines.	Breaches policy in place together with a breaches log which is reported to the Pension Committee, Pension Board and Scheme Administrator. Training undertaken by key staff.
Non-compliance with the law around LGPS benefit administration leading to fines by the Pensions Regulator.	The use of a good LGPS administration software solution together with experienced trained staff mitigates the risks to the council.

Financial performance

The following tables show the forecasts for the fund account and the net assets statement for the next three years to 31 March 2023. It also identifies the 2019/20 actuals against the 2019/20 budget.

Forecast v actual report on fund cash flows

Pension Fund Account	2019-20 Budget £m	2019-20 Actual £m	2020-21 Budget £m	2021-22 Budget £m	2022-23 Budget £m
Contributions (employees and employers)*	59.425	62.332	83.996	55.440	68.433
Transfers in	5.100	6.460	6.000	6.100	6.200
Pensions paid	(60.823)	(62.251)	(64.741)	(67.331)	(70.024)
Lump sums paid	(10.000)	(10.620)	(10.500)	(11.000)	(11.500)
Lump sum death benefits	(1.600)	(1.425)	(1.500)	(1.600)	(1.700)
Refund of contributions	(0.300)	(0.224)	(0.300)	(0.350)	(0.400)
Transfers to other Funds	(4.900)	(4.896)	(5.000)	(5.100)	(5.200)
Net additions from dealings with Scheme Members	**(13.098)**	**(10.624)**	**7.955**	**(23.841)**	**(14.191)**
Management expenses	(15.572)	(17.712)	(17.551)	(18.521)	(18.876)
Investment income	20.500	28.402	24.000	24.500	25.000
Gain/(loss) on cash and currency hedging **	0.000	13.203	0.000	0.000	0.000
Taxes on income	(0.400)	(0.124)	(0.200)	(0.210)	(0.220)
Change in market value	118.058	(97.123)	90.121	129.594	127.547
Surplus/(deficit) on the Pension Fund for the year	**109.488**	**(83.978)**	**104.325**	**111.522**	**119.260**
Opening Net Assets of the Scheme	**1,915.301**	**1,915.301**	**1,831.323**	**1,935.648**	**2,047.170**
Closing Net Assets of the Scheme	**2,024.789**	**1,831.323**	**1,935.648**	**2,047.170**	**2,166.430**

Contributions and payments are based on current expectations, the management expenses are based on current budgets, and the net investment income and change in market value are based on the long term forecast returns for each assets class. // * 2020/21 budget includes upfront deficit contributions for one employer normally paid over three years and upfront normal employer contributions relating to 2021/22 for one employer. // ** A budget has not been included for a gain/(loss) on cash as the movement year on year would be too difficult to account for as it is mainly based on FX currency movements.

Forecast v actual report on fund asset values

Net Assets Statement	2019-20 Budget £m	2019-20 Actual £m	2020-21 Budget £m	2021-22 Budget £m	2022-23 Budget £m
UK Equities	128.034	74.022	79.352	85.065	91.190
Global Equities - Unconstrained	273.576	223.996	243.036	263.694	286.108
Global Equities - Passive	643.234	559.961	600.278	643.498	689.830
Unconstrained Bonds	312.894	410.876	422.381	434.207	446.365
Hedge Funds	131.356	117.950	121.253	124.648	128.138
Private Equity	104.457	119.887	130.917	142.961	156.113
Infrastructure	77.431	76.961	83.195	89.934	97.218
Property	99.902	85.290	89.810	94.570	99.583
Liability Driven Investments (LDI)	77.336	66.806	66.606	66.406	66.207
Property Debt	19.684	36.928	38.627	40.404	42.262
Insurance-Linked Securities	32.567	31.596	32.575	33.585	34.626
Cash and net current assets	124.318	27.050	27.618	28.198	28.790
Total investment assets	**2,024.789**	**1,831.323**	**1,935.648**	**2,047.170**	**2,166.430**

Forecast for total investment assets

The forecast for total investment assets are based on actual allocations at 31st March 2020 multiplied by the forecast long term returns for each asset class as provided by the fund's Investment Strategy Statement/fund advisors. Their forecasts will need to be adjusted for any future investment decisions formally approved by the Pensions Committee. The long term forecasts are as follows:

Asset Class	Return
UK Equities	7.20%
Global Equities - Unconstrained	8.50%
Global Equities - Passive	7.20%
Unconstrained Bonds	2.80%
Hedge Funds	2.80%
Private Equity	9.20%
Infrastructure	8.10%
Property	5.30%
LDI	(0.30%)
Property Debt	4.60%
Insurance-Linked Securities	3.10%
Cash	2.10%

Management expenses forecast

Here is a more detailed analysis of the management expenses budget forecast, which from 2014/15 is now split into three categories; investment management expenses, administration expenses and oversight and governance.

The budget forecasts for 2020/21 to 2022/23 have been revised and are based on the 2019/20 actual costs which are analysed to agree with the CIPFA guidance on management costs. (see note 8)

Operational Expenses	2019-20 Budget £m	2019-20 Actual £m	2020-21 Budget £m	2021-22 Budget £m	2022-23 Budget £m
Administrative Costs					
Employee costs	0.779	0.682	0.760	0.783	0.806
IT Costs	0.325	0.210	0.215	0.220	0.225
Office accommodation	0.028	0.020	0.022	0.024	0.026
Consultants	0.140	0.032	0.040	0.045	0.050
Printing, Postage and Design	0.055	0.061	0.065	0.070	0.075
Subscriptions	0.015	0.016	0.016	0.017	0.017
Other costs	0.040	0.029	0.035	0.037	0.039
TOTAL	**1.382**	**1.050**	**1.153**	**1.196**	**1.238**
Investment Management Expenses					
Management Fees	8.500	9.052	9.100	9.200	9.200
Performance Fees	1.500	0.225	1.000	1.100	1.200
Other Fees	2.325	3.414	3.000	3.622	3.731
Transaction Costs	0.600	2.561	2.000	2.060	2.120
Custody Fees	0.065	0.031	0.035	0.037	0.039
TOTAL	**12.990**	**15.283**	**15.135**	**16.019**	**16.290**
Oversight and Governance Costs					
Investment advice	0.370	0.386	0.400	0.410	0.420
Employee costs (pensions investment)	0.175	0.190	0.196	0.202	0.208
Actuarial advice	0.055	0.154	0.035	0.040	0.045
Responsible Engagement Overlay	0.052	0.065	0.067	0.069	0.071
LGPS Central Pooling costs	0.445	0.475	0.450	0.464	0.477
External audit	0.022	0.020	0.022	0.024	0.026
Performance analysis	0.026	0.029	0.030	0.031	0.032
Internal audit	0.018	0.019	0.020	0.021	0.022
Legal and Committee	0.017	0.016	0.017	0.018	0.019
Other costs	0.020	0.025	0.026	0.027	0.028
TOTAL	**1.200**	**1.379**	**1.263**	**1.306**	**1.348**
Total Management Expenses	**15.572**	**17.712**	**17.551**	**18.521**	**18.876**

Interest charged on overdue contributions

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

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

During 2019/20 93% of contributions were received on time. Interest totalling £237 was charged to employers during 2019/20. The majority of this charge related to one employer.

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

Employer Name	Employees contributions: £	Employers contributions: £
Scheme employer		
Abraham Darby School	No active members	
Adams Grammar School	No active members	
Alveley Primary School	5,398.50	19,783.67
Barrow 1618 Free School	4,462.93	12,291.79
Belvidere School	38,688.57	172,044.81
Bishop Anthony Educational Trust	13,793.43	43,579.23
Bishops Castle Primary School	6,383.23	33,131.29
Bitterley C.E Primary School	7,848.76	34,178.39
Bridgnorth District Council	No active members	
Bridgnorth Endowed School	29,144.81	109,285.20
Burford Primary School	8,043.13	19,927.33
Castlefields Primary School	11,282.18	51,663.97
Charlton School	No active members	
Church Stretton School	30,359.87	126,730.14
Clee Hill Community Academy	9,085.41	31,772.40
Cleobury Mortimer Primary School	18,679.20	62,076.33
Communities Academies Trust	194,078.95	705,294.37
Condover CE Primary School	9,106.79	43,326.21
Corbet School	No active members	
Corbet School (Academy)	43,049.64	155,979.15
Dawley C.E Primary Academy	14,118.50	60,202.49
Ellesmere Primary School	25,659.56	108,132.68
Empower Trust	151,695.55	670,190.16
Ercall Wood School	No active members	
Fields Multi-Academy Trust	20,555.91	82,801.73
Grange Junior School	No active members	
Greenacres Primary School	No active members	
Haberdashers Abraham Darby Academy	52,680.77	121,430.47
Haberdashers Adams School	49,461.71	159,271.77
Holy Cross C.E School	No active members	
Holy Trinity Academy (BRJ)	24,743.14	86,212.14
Idsall School	53,759.77	204,407.69
Kickstart Academy	4,190.45	10,291.60
Lacon Childe School	25,968.18	106,834.20
Lakelands Academy	39,188.46	148,199.54

Employer Name	Employees contributions: £	Employers contributions: £
Lawley Village Academy	10,007.28	13,524.06
Learning Community Trust	215,578.17	761,838.27
Ludlow CE School	30,737.19	125,847.38
Ludlow College	No active members	
Ludlow Infant School	15,982.61	61,959.42
Ludlow Junior School	14,641.11	63,484.15
Madeley Academy Trust Ltd	46,019.91	138,600.87
Marches Academy Trust	185,136.95	719,226.96
Mary Webb School and Science College	27,740.33	122,145.44
Meole Brace School	55,966.77	238,106.51
Mereside CE Primary School	8,651.73	34,326.44
Moorfield Primary School	15,454.00	53,879.64
Morville C.E Primary School	2,518.63	6,869.04
National Health Service	No active members	
New College Telford	No active members	
Newport Girls High School Academy Trust	19,269.69	62,867.16
North Shropshire College	No active members	
North Shropshire College (Pre 02)	No active members	
North Shropshire District Council	No active members	
North West Education Action Zone	No active members	
Oldbury Wells School	42,183.10	146,408.44
Oswestry Borough Council	No active members	
Priorslee Primary Academy Trust	29,203.69	92,836.54
Priory School Trust	111,805.10	408,257.70
Redhill Primary School	23,382.44	86,461.43
Severn Bridges MAT	59,538.70	247,392.72
Severndale Specialist Academy	158,367.55	531,734.15
Shrewsbury Academies Trust	35,521.89	147,806.56
Shrewsbury & Atcham Borough Council	No active members	
Shrewsbury College of Arts & Technology	No active members	
Shrewsbury Colleges Group	308,053.10	935,746.72
Shropshire & Wrekin Fire Authority	158,855.12	448,934.69
Shropshire Career Service Ltd	No active members	
Shropshire Council	5,587,590.64	12,839,939.23
Shropshire County Council	No active members	

Employer Name	Employees contributions: £	Employers contributions: £
Shropshire Magistrates Court	No active members	
Shropshire Probation Committee	No active members	
South Shropshire District Council	No active members	
St Chads MAT/Holy Trinity School	14,435.98	57,294.47
St Edward's C.E. School	3,345.94	12,630.78
St George's CE Primary School, Clun	5,801.56	27,432.91
St Leonards CE School	20,221.69	78,901.88
Stokesay Primary School	9,272.83	36,665.57
Stottesdon C.E Primary School	9,865.06	39,517.26
Telford & Wrekin Council	4,534,946.96	13,889,836.23
Telford and Wrekin Education Action Zone	No active members	
Telford College	309,527.87	830,332.35
Walford College Shropshire	No active members	
West Mercia Energy	28,968.62	46,546.88
West Mercia Supplies	No active members	
Whitchurch Infant and Nursery School	25,139.68	110,423.10
Whitchurch Junior School	17,517.87	69,406.69
William Brookes School	60,214.79	177,969.76
Woodside Primary School	46,442.56	161,578.22
Woodside Start Centre	No active members	
Wrekin District Council	No active members	
Admission bodies		
Accord Housing Association	6,216.92	60,922.35
Accuro Facilities Management (Idsall School)	3,382.79	10,558.18
Addaction	No active members	
Age Uk Shropshire, Telford & Wrekin	4,142.76	18,025.92
Alliance in Partnership - Grange Primary School	1,136.44	4,132.93
Alliance in Partnership - Grange Secondary School	No active members	
Alliance in Partnership - Ludlow School	1,058.37	4,118.12
Alliance in Partnership - Oldbury Wells	0.00	1,520.00
Alliance in Partnership - Priory School	1,520.90	5,502.93
Alliance in Partnership - SAT	757.37	2,960.51
Alliance in Partnership - Thomas Adams School	1,263.85	4,453.70
Aquarius	2,223.05	7,674.55
ARCH Initiatives	No active members	
Aspens Services Ltd	557.18	2,153.04

Employer Name	Employees contributions: £	Employers contributions: £
Aspens Services Ltd (Thomas Adams School)	2,499.88	9,024.68
Association of Local Councils	4,036.68	14,920.57
Bethphage - Ellesmere Day Service and Library	7,039.77	28,749.68
Bethphage - Oak Farm and Innage Lane Day Services	8,409.89	35,889.61
Care Quality Commission	2,812.91	60,892.70
Catering Academy Ltd (Coleham)	1,068.76	3,925.06
Catering Academy Ltd (NGHS)	No active members	
Catering Academy Ltd (Priory)	No active members	
Caterlink (Castlefields)	1,248.48	4,834.87
Caterlink (Idsall School)	6,118.49	19,953.39
Caterlink (Oldbury Wells)	1,891.00	7,288.88
Caterlink (St Leonards)	173.68	723.65
Churchill Contract Services	No active members	
Compass (UK) Ltd	No active members	
Connexions	No active members	
Connexus Housing One Ltd	4,428.83	159,038.29
Connexus Housing Three Ltd	36,338.78	104,047.75
County Training	No active members	
Coverage Care Crowmoor House	13,691.38	39,174.80
Coverage Care Ltd	8,276.81	184,944.70
CRI	No active members	
Energize	4,451.28	12,673.08
Enterprise South West Shropshire	620.05	1,984.10
Fastrack Maintenance Ltd	No active members	
Fidelis	2,006.67	7,487.94
Funeral Services Ltd	No active members	
Halo Leisure Services Ltd	9,110.08	32,067.55
Harper Adams University College	597,509.05	1,437,995.86
HMM Arts Ltd (The Hive)	No active members	
IDVerde Ltd	43,200.92	150,531.08
Interserve Catering Services Ltd	1,246.10	5,596.29
Interserve Ltd	No active members	
Ironbridge Gorge Museum Trust	5,741.80	68,376.04
Kier Highways Ltd	112,163.68	379,486.71
Landau Consultants	No active members	
Livability	1,563.12	4,997.97
Mencap	No active members	
Midland Heart Ltd	No active members	
Miquill Catering Ltd	786.54	2,600.80

Employer Name	Employees contributions: £	Employers contributions: £
NIC Group	452.47	1,842.84
Perthyn	8,018.87	29,125.52
Premier Services (St Leonards)	0.00	1,904.10
Relate	No active members	
Ringway Infrastructure Ltd	No active members	
Sanctuary Group	14,730.09	48,943.71
Severn Gorge Countryside Trust	7,832.47	25,033.52
Severnside Housing Association	137,230.73	671,600.22
Shropshire County Leisure Trust	26,525.01	71,678.65
Shropshire Disability Consortium	No active members	
South Shropshire Leisure Ltd	13,478.70	11,337.09
Strettons Mayfair Trust	1,217.13	5,355.35
Taylor Shaw (Bridgnorth Endowed)	No active members	
Taylor Shaw (Priory)	No active members	
Telford & Wrekin Services Ltd	No active members	
Telford Development Corporation	No active members	
Telford Trust	No active members	
The Boathouse Ellesmere Ltd	No active members	
The Forward Trust (previously RAPT)	2,316.49	5,986.56
Transforming Telford	No active members	
Veolia Environmental Services (UK) Plc	87,998.79	189,701.43
Veolia TWC	13,323.27	38,846.09
Womens Royal Voluntary Service	No active members	
Wrekin Housing Trust	841,305.84	2,347,768.62
WSP UK Ltd	22,948.31	66,998.09
Designated bodies		
Albrighton Parish Council	4,134.52	13,622.99
Bayston Hill Parish Council	2,402.09	7,830.27
Bishops Castle Town Council	1,940.88	6,196.96
Bridgnorth Town Council	24,444.12	90,618.85
Broseley Town Council	5,170.55	15,135.91
Church Stretton Town Council	7,049.51	29,269.65
Condover Parish Council	No active members	
Cressage, Harley and Sheinton Parish Council	298.32	585.64
Dawley Hamlets Parish Council	829.71	3,982.54
Donnington and Muxton Parish Council	3,920.14	11,778.98
Ellesmere Town Council	3,351.88	9,643.91
Ford Parish Council	350.28	571.14

Employer Name	Employees contributions: £	Employers contributions: £
Great Dawley Parish Council	10,464.00	20,021.66
Great Hanwood Parish Council	371.76	669.12
Great Ness and Little Ness Parish Council	460.92	904.92
Hadley & Leegomery Parish Council	4,514.23	11,593.00
Hollinswood & Randlay Parish Council	6,591.31	20,194.71
Ketley Parish Council	No active members	
Ludlow Town Council	18,424.68	53,520.59
Madeley Town Council	9,508.58	29,913.45
Market Drayton Town Council	7,965.59	28,447.37
Much Wenlock Town Council	2,545.34	11,371.26
Newport Town Council	5,486.56	16,253.76
Oakengates Town Council	5,796.70	13,596.05
Oswestry Town Council	29,272.30	83,728.49
Pontesbury Parish Council	1,395.16	4,366.96
Rodington Parish Council	204.46	386.56
Shifnal Town Council	4,545.86	19,228.26
Shrewsbury Town Council	97,782.95	235,053.77
Shropshire Towns & Rural Housing	197,327.21	436,930.53
St Georges and Priorslee Parish Council	1,378.31	4,253.96
Stirchley & Brookside Parish Council	4,283.40	11,187.92
The Gorge Parish Council	288.54	1,171.87
Wellington Town Council	11,391.18	38,138.36
Wem Town Council	4,899.57	8,561.57
Whitchurch Town Council	10,743.43	18,498.21
Wrockwardine Parish Council	0.00	500.00
Wrockwardine Wood & Trench Parish Council	1,148.96	4,099.98
	15,706,089.94	**44,806,659.61**

Investment of funds

The fund pursues a policy of managing risk by diversifying both investments and investment managers. Assets are held by the fund in order to achieve returns consistent with the cost of future pension liabilities as assessed by the actuary. Actuarial valuations are undertaken every three years with the latest one being undertaken in March 2019, the results of which have been communicated to employers and new contribution rates have been set for the next 3 financial years commencing 1 April 2020.

The fund's strategic allocation 2019/20

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

During 2019/20, the Pension Committee together with Officers and Aon Hewitt started the process of reviewing the fund's investment strategy due to the increase in the funding level since the last valuation. Aon Hewitt undertook a review of the movements in the funding level since the last valuation and presented the results to the Pension Committee.

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

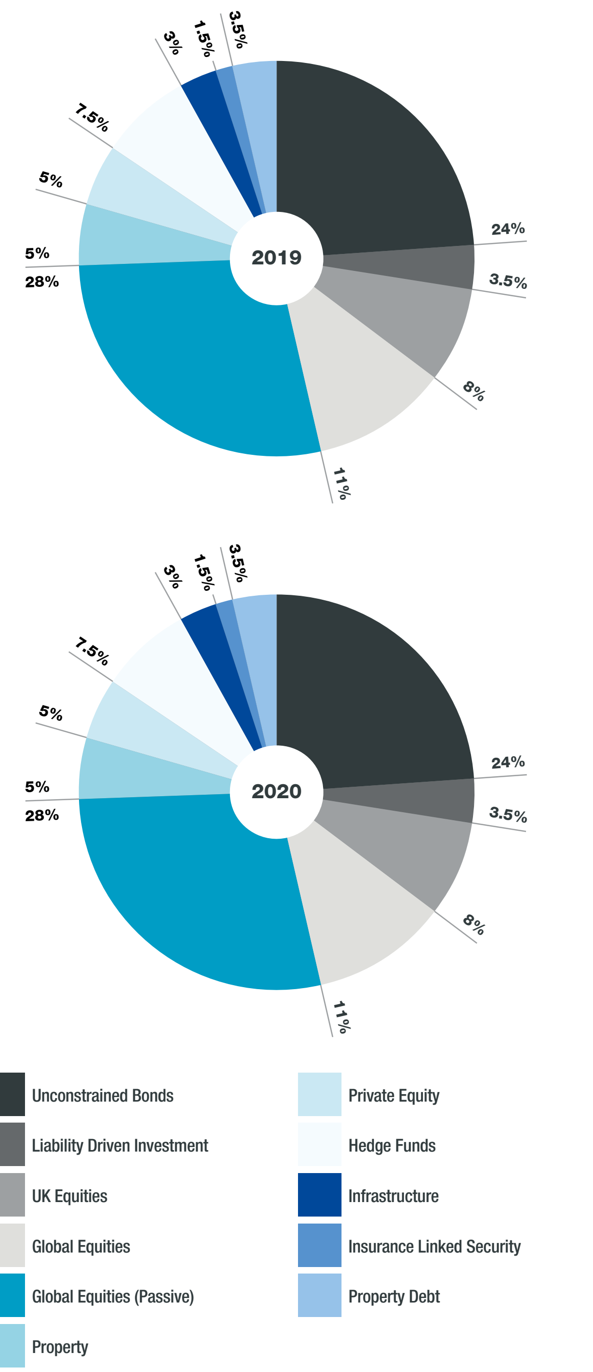
Due to a strong rally in equity markets and a significant increase in the asset value of the fund, this resulted in the funding level increasing from 84% at the last valuation to 94% at the 2019 valuation. In view of this, as a large proportion of the fund is invested in equities and this represents the biggest risk within the fund, a decision was made to increase the level of equity protection in place from £280 million to £580 million of the fund. This was implemented with Legal & General, one of the funds existing managers, during the year with the protection in place until 2021. This proved to be a significant decision and protected the fund, especially during March, when global equity markets fell significantly because of Covid-19. This decision saved the fund £70 million during this very volatile time for equity markets.

The equity protection strategy protects the fund against potential falls in equity markets over the next 12-18 month period and locks in previous gains made whilst the overall investment strategy continues to be reviewed. During the year fund managers were reviewed, and GAM was replaced with another absolute return bond manager, T Rowe Price and assets transferred in 2019. The fund's first assets also transferred to LGPS Central in March 2019 when £237 million was transitioned into their active global equity sub-fund and the legacy mandates with Investec, MFS and Harris were terminated.

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

Following FCA approval, LGPS Central Ltd opened for business in line with the governments timetable on the 3 April 2018 with the launch of 3 new pooled funds managed via an Authorised Contractual Scheme. In addition to these funds, LGPS Central Ltd are responsible for some advisory and discretionary mandates on behalf of its partner funds. Together, these new funds and mandates see LGPS Central Ltd currently being responsible for £18.5 billion of assets from the date of launch. Working with our partners to develop and implement our investment strategy will continue to be a major strategic focus for the fund over the next year.

Strategic asset allocation at the start and end of the year



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

Spread of assets between fund managers as at 31 March 2020

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

Fund Manager		Percentage of fund %	Value of funds held £m	Portfolios Held
Investments managed by LGPS Central Ltd				
	LGPS Central - Global equity sub fund	11.74	214.934	Global Equities
	LGPS Central - Share capital	0.07	1.315	UK Equities (unquoted)
			216.249	
Investments managed outside LGPS Central Ltd				
	Legal & General	30.58	559.961	Global Equities (Passive)
	PIMCO Europe Ltd	7.49	137.126	Unconstrained Bonds
	Majedie Asset Management	4.74	86.885	UK Equities
	Blackrock	7.41	135.629	Unconstrained Bonds
	Blackrock	6.44	117.950	Hedge Fund
	Aberdeen Property Investors	5.21	95.392	Property Unit Trusts
	HarbourVest Partners Ltd	6.54	119.887	Private Equity
	BMO Global Asset Management	3.65	66.806	LDI
	Global Infrastructure Partners	4.20	76.961	Infrastructure
	DRC Capital	2.02	36.928	Property Debt
	Securis Investment Partners	1.72	31.596	Insurance Linked Securities
	T.Rowe Price	7.54	138.121	Global Dynamic Bonds
Other		0.30	5.432	Other
			1,608.674	
Total Assets Held by Fund Managers		99.65	1,824.923	
Net Current Assets		0.35	6.400	Net Current Assets
Total Fund		**100.00**	**1,831.323**	

Major shareholdings as at 31 March 2020

UK Equities	Sector	Value £m	% of Fund
Royal Dutch Shell	Energy	5.427	0.296
Astrazeneca	Health Care	5.273	0.288
Tesco	Consumer Staples	5.187	0.283
BP Ord	Energy	4.802	0.262
GlaxoSmithKline	Health Care	4.572	0.250
Lloyds	Banks	3.753	0.205
Unilever	Consumer Goods	3.487	0.190
Glencore	Materials	3.269	0.179
BAE Systems	Aerospace	3.134	0.171
HSBC	Banks	2.750	0.150
Overseas Equities	**Country**	**Value £m**	**% of Fund**
Microsoft Corp	United States	24.696	1.349
Apple Inc	United States	21.283	1.162
Alphabet	United States	18.167	0.992
Amazon	United States	17.626	0.962
Nestle	Switzerland	8.664	0.473
JP Morgan	United States	7.681	0.419
Visa	United States	7.630	0.417
Facebook	United States	7.213	0.394
Procter & Gamble	United States	6.862	0.375
Johnson & Johnson	United States	6.262	0.342
Total Fund Value		**1831.323**	

Investment performance

This year's fund performance:

For the first time since 2015/16 the Shropshire Fund decreased in value by £84 million in 2019/20 to be valued at £1.831 billion at the end of the year. The Fund decreased in value by 3.8% over the year and underperformed against its benchmark by 1.0%. Up until December 2019 the Fund had been performing very strongly and was valued at over £2 billion for the first time. The global pandemic, in the last quarter of the financial year, had a major impact on financial markets across the world and this resulted in the fund value falling by £185 million in a single quarter. In the new financial year the fund has increased to £1.960 billion, mainly due to a recovery in stock markets since the end of March.

Over the last three years the fund returned 1.5% per annum which was 1.2% below benchmark. The reason the fund performance was below benchmark for the year was largely due to the negative returns generated from equity markets during March due to Covid-19 which also impacted on the hedge fund portfolio and two of the fund's absolute return bond portfolios. Performance of the fund's UK and Global active equity managers were all below benchmark during the year.

The fund invests in a range of asset classes so as to diversify risk and provide more stable returns. The Shropshire Fund had positive investment returns in a number of other asset classes which offset the underperformance of equities during the year. The strongest returns were generated in private equity where the fund's investments increased in value by 19.5%. The fund's Infrastructure manager produced returns of 11.2%, the property debt portfolio increased in value by 4.7% and the BMO portfolio increased by 2.8% which was 2.4% above benchmark. The combined fixed income portfolios delivered a negative return of 1.1% and this was 2.4% below benchmark again because of the impact of the global pandemic during the last quarter. The fund's UK equity manager produced negative returns of 21.4% and the active global equity portfolio produced negative returns of 9.6% which is the main reason for the decrease in value of £84 million during the year.

Graph 01: Whole fund performance

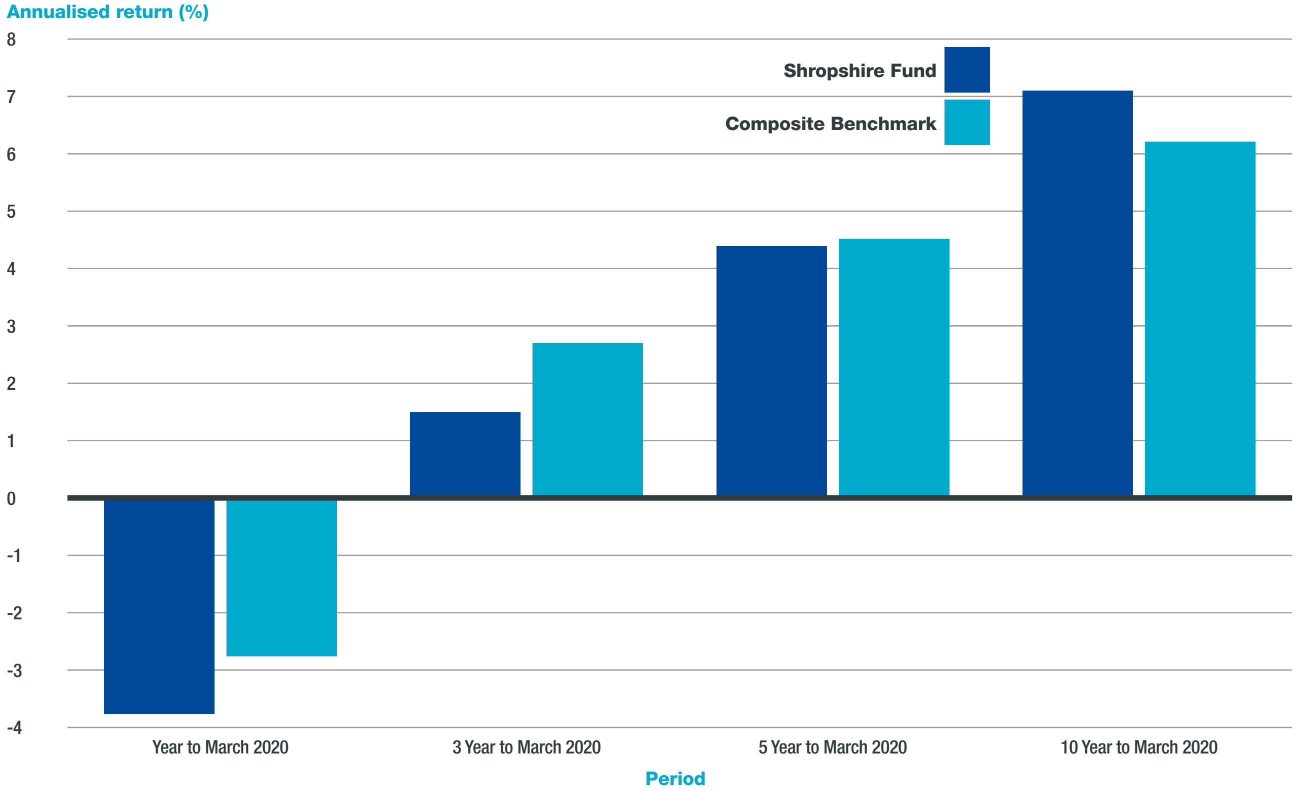
Graph 01 shows total fund investment returns compared with the benchmark. The stock markets that make up the benchmark showed negative returns in 2019/20 of 2.8%. The fund decreased in value by 3.8% over the year underperforming its benchmark by 1.0%. Overall the fund has increased in value by an average of 1.5% per annum over the last 3 years which is 1.2% below benchmark, 4.4% per annum over the last 5 years which is broadly in line with the benchmark and by 7.1% per annum over the last 10 years which is above the benchmark by 0.9%.

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

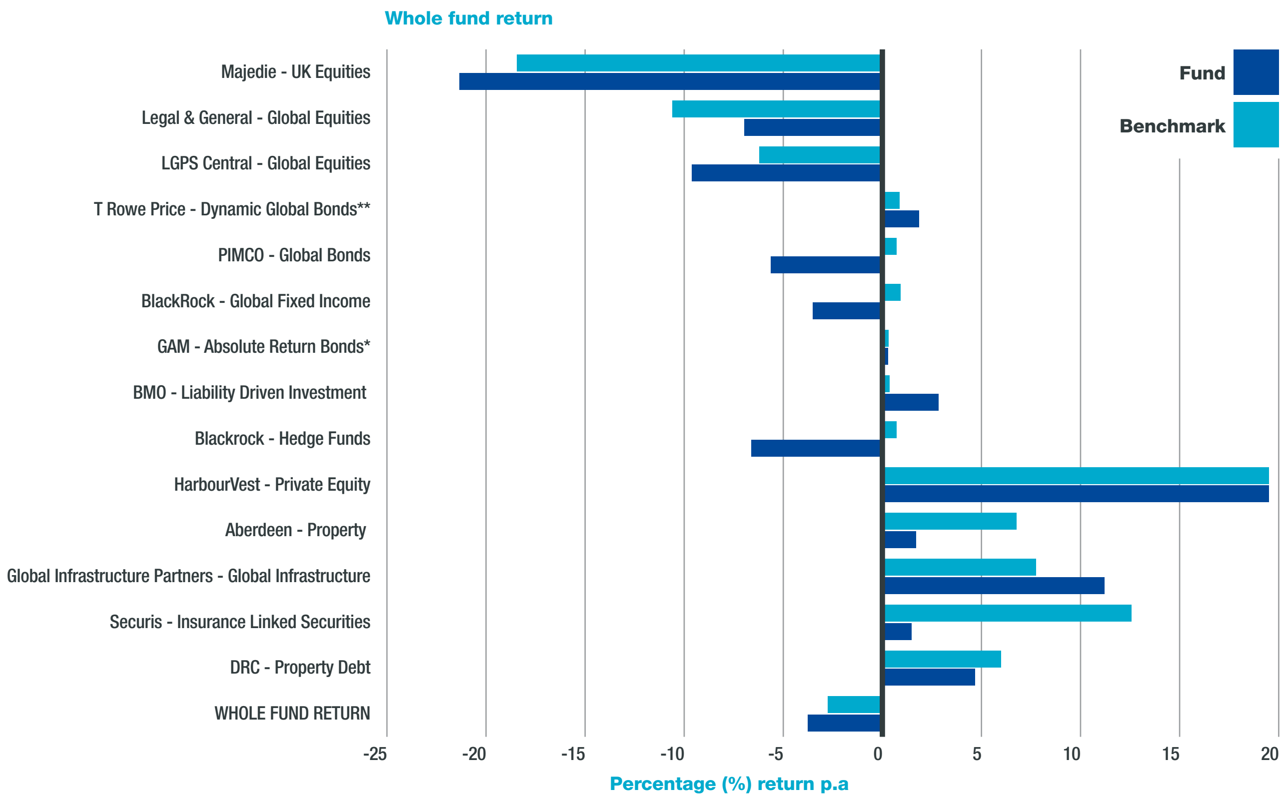
Graph 02: Individual fund manager peformance

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

Graph 01: Whole fund performance



Graph 02: Individual fund manager performance



* Performance Apr - Jul 19 // ** Performance Mar 19 - Mar 20

Corporate governance and socially responsible engagement

The Shropshire County Pension Fund takes corporate governance and social responsibility seriously.

Whilst the Pensions Committee has an overriding duty to consider its financial responsibilities above any other considerations it remains committed to these important issues. Through actively voting at shareholder meetings and sustained shareholder engagement it is felt the fund is best able to change company behaviour.

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

Pension fund Annual General Meeting November 2019

At this year's Annual General Meeting, Legal and General and LGPS Central provided updates on responsible investment and environmental, social and governance issues. This topic has been covered at Annual General Meetings for many years. LGPS Central provided an update on their responsible investment and engagement framework, in alignment with the partner fund's objectives; these being to support investment objectives; and be an exemplar for responsible investment within the financial services industry and raise standards across the marketplace.

Legal and General presented a comprehensive overview of Economic, Social & Governance (ESG) risks and opportunities; case studies were covered that showed measurable impacts on their engagement with companies, on particular issues such as climate change and protecting shareholders rights.

Below is a link to Shropshire County Pension Fund's website where a recording of the presentations along with corresponding slides can be viewed: https://shropshirecountypensionfund.co.uk/about-us/annual-report-annual-meeting/

Pension Committee meetings

The fund is currently working with LGPS Central to develop a carbon risk management reporting tool to enhance transparency; and cement the fund's commitment to responsible investment. This will compliment the regular quarterly Corporate Governance reports that are presented to the Pensions Committee. Further discussions on this are planned with committee members during 2020.

During the year the Pension Committee and officers also responded to various public questions on fossil fuel divestment and climate change in particular and provided a formal response to Unison and Fossil Free Shropshire on these issues.

Shareholder voting

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

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

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

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

UK Stewardship Code

Shropshire County Pension Fund recognises its role as one of promoting best practice in stewardship, which is considered to be consistent with seeking long-term, sustainable investment returns. The fund is a Tier 1 signatory to the Financial Reporting Council's ("FRC") UK Stewardship Code; Tier 1 meaning all the fund's equity managers are signatories of the UK Stewardship Code and signatories to the Principles for Responsible Investment.

The fund welcomes the changes made to the Stewardship Code as of November 2019, taking effect on 1 January 2020, and will start reporting on outcomes under the new Code in 2021.

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.

Given that the fund does not have the resources to regularly visit the companies itself, an external advisor has been employed to develop an engagement programme. BMO Global Asset Management provide this responsible engagement overlay on the fund's UK Equities portfolios. BMO enter into dialogue with companies on the fund's behalf to put to them the case for improved financial performance through better management of the negative impacts they might have on the environment and society in general. From January 2020, BMO's remit was expanded by the fund to provide engagement services sourcing its information on the MSCI All Country World Index.

Over the last year, BMO have been engaging with companies on the topic of climate change. BMO's expectations draw on both their own engagement experience, as well as best practice standards set by key industry organisations and initiatives. They expect companies in climate-exposed sectors to follow a clear trajectory of action, progressing through the steps below:

- The first step is for companies to show Basic Awareness of the issue of climate change and how it relates to their business activities, including disclosure of greenhouse gas emissions.
- Through Active Emissions Management, they expect concrete action to reduce the emissions for which the company is directly responsible. This includes setting targets and investing in efficiency projects.
- Taking a Strategic Approach means making the critical shift to seeing climate change as a core business issue. BMO expect companies to consider at Board level the range of risks and opportunities that climate change presents to their strategy,
- informed by scenario analysis. This includes consideration of emissions across the whole value chain, not just direct operations.
- Alignment is where BMO expect companies to ultimately aim. This step goes beyond considering the impact of climate change on the business and looks at the impact of the business on climate change. They look to companies to actively contribute to tackling climate change through aligning their own business objectives with the Paris goals. Adopting such goals is a proactive move that should also position companies to be financially robust to the changing environment ahead.

BMO engagement activities included 7 dedicated engagement projects, targeting climate management strategies of carbon-intensive companies in the Utilities, Oil and Gas, Mining, Automobiles, Chemicals, Industrials and Construction materials industries. Tracking the results of their engagement, they have identified 236 milestones or instances of change following engagement. To date, they have seen the greatest number of engagement outcomes in the Energy and Materials sector. BMO believe this is reflective of the fact that the extractives industries (oil, gas and coal mining) were the earliest to be targeted by investor engagement. However, engagement now ranges far wider than this, recognising that systemic change across sectors is needed. BMO have used both one-to-one and collaborative approaches, with the Climate Action 100+ initiative being a central part of our approach. However, there are many important companies and sectors that are not part of this initiative, so their direct engagement remains important.

Local Authority Pension Fund Forum

Shropshire remains a committed member of the Local Authority Pension Fund Forum (LAPFF). The LAPFF brings together 83 public sector pension funds (as at 31 March 2020) and is the UK's leading collaborative shareholder engagement group with combined assets of over £300 billion. LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders in promoting corporate social responsibility and high standards in corporate governance among the companies in which they invest.

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

1. Environmental and Carbon Risk

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

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

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

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

2. Diversity

The forum firmly believes that a wide range of individuals and capabilities improves company performance and will position companies to deliver sustainable returns over the long-term.

LAPFF therefore engages with companies on their levels of diversity both at board level and in the company as a whole, recognising that securing a diverse pipeline is essential for achieving diversity at senior management level and beyond.

In particular, LAPFF has carried out sustained engagement on the number of women on boards and considers that all FTSE 350 companies should reach at least 30% female representation by 2020.

Recent engagements on this issue with GKN, Halfords, Weir Group, Tullow Oil and Utility Warehouse have shown that there are plenty of skilled and experienced female candidates to choose from, but that company Chairs need to do more to lead the way.

As a member of the Investor Group of the 30% Club, LAPFF continues to participate in collaborative discussions and engagements on this issue to push for positive change.

Corporate tax transparency

LAPFF has recognised that tax transparency is an increasing concern for investors and has begun to engage investee companies on this topic. Tax avoidance has gained traction as the likes of Starbucks, Amazon and Google have faced legal and reputational challenges related to their tax payments, and the issue is progressing at the international policy level through the OECD Base Erosion and Profit Sharing initiative.

In 2014, LAPFF sent a questionnaire to the FTSE 100 asking about their tax governance and tax transparency practices in an attempt to determine how seriously these companies were treating tax risk. The survey results suggested that only a handful of companies are pro-active in dealing with tax risks and the implications of tax legislation stemming from the BEPS programme.

As a result, the forum has been engaging with companies individually to follow up on the survey results and to encourage companies to disclose tax practices that investors can use to assess investment risk.

LAPFF also works on this issue collaboratively with other investors. For example, it recently co-signed a letter with other investors requesting a meeting with Google to discuss its tax practices in light of renewed claims that the company has not paid its fair share of taxes in the UK.

Scheme administration report

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

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

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

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

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

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

As at 31 March 2020, the Shropshire County Pension Fund had 16,634 active members, 18,091 deferred members, 12,589 pensioners and survivors, and 207 employers (148 with active members). All looked after by 25 members of staff in the Pensions Administration Team.

Value for money statement

To ensure the effectiveness of the fund the administration service is monitored and reviewed through external and internal audits. To demonstrate the efficiency of the administration, the fund takes part in the Annual CIPFA benchmarking club, results for 2019 can be found on page 32. This provides a comparison of key performance indicators over time against a national average.

The fund has always considered the investment in new technology, staff training and projects to improve the data held and systems making payments to be essential to continue to provide a high quality service to scheme members and employers. In 2018/19, the fund changed the payroll system used to pay pensioners which has increased the net administration cost per member for this year. The one-off investment the fund has made in 2018/19, shows later in this report that the net cost per member is slightly above the benchmark national average but will reduce the ongoing costs going forward. The net cost per pensioner payroll is still under the average of the CIPFA benchmarking club.

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

Summary of activity in 2019/20

Over the last 12 months The Pensions Administration Team have kept busy ensuring the benefits it looks after for scheme members are paid accurately and on time. To effectively administer the Local Government Pension Scheme for members, the monthly data provided by employers is essential. As well as monthly and year-end data quality verification, additional checks were put in place by the team during the year using mortality screening and address verification to continue to improve the data held. The guaranteed minimum pension reconciliation/rectification exercise continued throughout the year and the upgrade to the member self-service platform 'My Pension Online' has been completed. Training of employers continued with an employers meeting held in November 2019 to communicate the actuarial valuation results. Online webinars were used for the first time to provide information to staff working at scheme employers. The year ended with the commencement of the Covid-19 pandemic lockdown on 23 March 2020. Pension team members were able to work from home instantly and carry on delivering pension services with very little disruption to fund members. New systems and processes were put in place to ensure maintain service delivery. In line with advice from the Regulator, priority was given to ensuring benefits for retirements and deaths were processed on time and fund members were supported to make good decisions about their benefits.

Coronavirus

On 23 March 2020 the government's response to coronavirus pandemic required team members to work from home resulting in changes to systems and processes to maintain service delivery.

Over the past few years, in line with its Business Continuity Plan and the Council's digital transformation programme, the fund had introduced flexible and mobile working for all team members and ensured that they had laptops to work from home. Some staff members had already been working from home for one or two days a week and team members had checked that they could, if they wished or needed too, so were familiar with that way of working. From 24 March 2020 all team members started to work from home with very little interruption to the service offered to members.

Some changes to working practices were necessary due to the pandemic, for instance holding virtual team meetings and virtual meetings with fund members. The team were already set up with access to a suite of Microsoft applications including Teams. This helped smooth the quick transition to all working from home. To help fund members during the lockdown, the fund has moved to accepting electronic documentation and signatures to avoid unnecessary delays in processing benefits. Incoming and outgoing post cannot be processed from staff's home, and this was the only element of the service that continued to be processed at the Shirehall, Shrewsbury. This was done safely two days a week.

'My Pension Online'

More members are using a smartphone or tablet to access pension information and it is important that the fund continues to adapt its communication platforms to increase member engagement. The upgrade to 'My Pension Online' was completed with the new system going live on 7 January 2020. All members registered to use the system were informed that 'My Pension Online' has a 'new look' and have been encouraged to login.

The annual benefit statements for both active and deferred members are now available to view on 'My Pension Online' unless a member has requested a paper copy. The fund monitors member take-up of its online area and as at

31 March 2020 a total of 43% active members, 35% of deferred members and 26% of pensioners were registered to view their records on 'My Pension Online'.

Annual benefit statements

Each year the fund must issue annual benefit statements to all active members, showing their benefits as at 31 March, by the statutory deadline of the 31 August. Annual benefit statements are available electronically, via the secure area 'My Pension Online'. A member can opt out of electronic communications and request a paper copy, which a few members have chosen to do. In 2019, 98. 15% of statements were issued by the deadline.

Unfortunately, due to system errors, 283 could not be issued, out of a total due of 15,266. The software supplier fixed the errors in early 2020 and new statements were issued. This was recorded as a breach but not 'materially significant' according to The Pensions Regulator definition, due to the majority of the statements being issued by the deadline.

McCloud

On 20 December 2018, the Court of Appeal found that the transitional protections given to members of the judges and firefighter pension schemes, when the schemes were reformed in 2015 as part of the public sector pension scheme reforms, were unlawful on the grounds of age discrimination. The government appealed this decision however, the Supreme Court denied the government right to appeal on 27 June 2019.

This decision effects the LGPS too. Following this ruling, the fund contacted all scheme employers to check if the hours history for individual members from 1 April 2014 onwards from 1 April 2014 is available, if this has not already been provided. Employers were also asked to make sure they had informed the fund of all absences. This information will be needed to work out accurate benefits for all members who have service before 1 April 2014 and were in the pension scheme since the Career Average Revalued Earnings benefits were introduced in 2014. There is likely to be an underpin applied to all these members as part of the remedy.

Annual meeting

The 2019 annual meeting took place on 28 November 2019. 97 members signed up to attend in advance of the meeting but turnout on the day was higher with approx. 120 attendees. Presentations covered: pensions administration update, investment performance, actuarial valuation update, LGPS Central investment update and responsible investments. A survey was given out at the meeting and afterwards online and the results showed that:

- 72% of respondents rated the annual meeting as very good, 7% as good and 21% as average.
- 84% of respondents agreed that they understood more about the LGPS after attending the meeting.
- Legal and General's presentation on responsible investments was voted the most interesting of the day's presentations.
- 93% of respondents who attended the meeting said they would attend future meetings.

Updated policies

Regulation 61 of the Local Government Pension Scheme regulations states that the fund must prepare, maintain and publish a written statement setting out its policy concerning communication with;

a. members;
b. representatives of members;
c. prospective members; and
d. Scheme employers.

The fund has updated this policy during 2019/20 to better reflect the current communication methods in place and to take into consideration future developments.

The revised policy is at Appendix 05.

The Pensions Administration Strategy Statement was updated with minor amendments in early 2020 to better reflect the teams process of issuing invoices. The statement outlines the policies and responsibilities of both the fund and employers in meeting the regulatory requirements to provide a high-quality pensions administration service. The revised Policy is at Appendix 02.

Guaranteed minimum pension (GMP) reconciliation exercise

During the year, the project to reconcile the GMP amounts held by the fund with the records held by HMRC continued. As part of the ongoing GMP reconciliation project, 201 pensioners and 43 dependants were identified as needing their benefits rectifying. Members who have been underpaid will receive arrears, but any members who have been overpaid will not be asked to repay the overpayment. Pension benefits will be corrected going forward.

The rectification of benefits was scheduled to take place in early 2020, with a letter sent to those affected. However, as HMRC announced they are due to release a final list of the GMP's they hold against all funds, it was decided that rectification would have to be delayed to ensure the fund is checking data against the latest HMRC data. This has not yet been released by HMRC so has unfortunately delayed the completion of this project.

Transfer of additional voluntary contributions (AVCs) from Equitable Life Assurance to Utmost Life & Pensions

Equitable Life announced on 15 June 2019 that they intended to transfer the society and its policies to Utmost Life and Pensions, and to convert all 'with profits' polices to unit linked investments (removing any investment guarantees) but providing a one-off uplift. The transfer of business from Equitable Life to Utmost Life and Pensions happened on 1 January 2020. The fund communicated with all 24 members with Equitable Life AVCs and provided investment choice options to the 12 members with a 'with profits' AVC.

Mortality and member tracing service

To ensure good record maintenance and that the data the fund holds is as accurate as possible, a contractor was appointed in August 2019 to undertake address verification and mortality screening.

Mortality screening minimises risks to the fund of potential overpayment of benefits following any deaths within the pensioner membership and identifies any deaths within the deferred or frozen refund membership. The service consists of monthly screening against national mortality databases and any deaths reported to the fund.

From the start of the contract on 1 August 2019 up until 31 March 2020 there have been 44 deaths identified within the membership which the fund were not aware of.

This figure was made up of:

- 21 pensioners/survivors' records
- 1 deferred record
- 22 frozen refund records

Member address verification identifies the member addresses the fund holds which appear to be correct when comparing to national databases. Any member addresses not verified by national databases required investigation to obtain a new address following confirmation by the scheme member. The pension administration system is being updated with the new address and in time members will be contacted with benefit information.

Actuarial valuation

The fund completed its latest triennial actuarial valuation based on the fund's membership and assets as at 31 March 2019. A valuation plan was put into place early in 2019 to ensure all records were correct before sending the data to the fund actuary in July 2019. It is essential that records are up to date at the date of submission to the actuary to provide an accurate assessment of employer funding levels and contribution rates.

The monthly data supplied by the fund's employers is an integral part of ensuring accurate data is posted to each individual member's record. Both employee and employer contributions, CARE pay and pay for Final Salary Benefits are used by the actuary.

Employers were provided with indicative rates in November 2019 and given the opportunity to consult with the fund actuary before the results were finalised and the valuation report published in March 2020.

Working with employers

As at 31 March 2020 the fund had 148 active employers. Employer engagement is an important part of scheme administration as the data received by scheme employers is integral in ensuring the fund continues to meet its administration responsibilities. To ensure employers are kept up to date with the latest pension news, regular updates were provided during 2019/20 through email bulletins, website updates and face-to-face presentations. The fund also held two training webinars in early 2020. The first covered an overview of the LGPS and the second topic covered the year-end process.

A summary of the amount of member data received during 2019/20 is below:

Key monthly data collection facts for 2019/20

20,283 address updates

201,640 contributions postings

410,629 pay data postings

6,241 notifications of starters

4,880 notifications of leavers

Data quality scores and improvement plan

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

The fund measures these two types of data; common and scheme-specific data. When the fund measures data it looks not only at whether the key data is present but whether it is accurate. A data score is then calculated based on the percentage of members that have fully present and accurate common and scheme specific data. The fund undertook its first data quality review in 2017. This was rerun in July 2019 with the results received in early September 2019. As well as measuring data to work out the scores to be reported, the fund also performs extended tests on member data which go beyond TPR requirements.

The 2019 results can be found below:

	2017 data quality score (reported to TPR)	2019 data quality score (to be reported to TPR)	2019 data quality score (extended tests)
Common data	92.76%	96.1%	95.9%
Scheme specific data	80.9%	96.2%*	86.2%

*Based on Scheme Advisory Board (SAB) scheme specific data items list issued in July 2019.

There has been an improvement in both the common and scheme specific data scores reported to TPR in 2017. TPR expects that funds with scores under 100% have a data improvement plan (DIP) in place to demonstrate the steps undertaken to improve the data. Priority areas for improvement for the fund's 2019 data improvement have been address tracing/verification for gone away records and any data relating to the GMP reconciliation project. This plan sets out the steps the fund is taking to improve the data it holds. It has been regularly reviewed since implementation to ensure the objectives of the plan are being met.

Cyber security

The Data Protection Act 2018, along with guidance from The Pensions Regulator, sets out rules that pension funds must follow to make sure they have good cyber security. Shropshire County Pension Fund takes data security very seriously and works closely with Shropshire Council's IT team and any companies providing pensions software to confirm that the systems holding personal data are protected.

Shropshire Council has policies and processes in place with regards to system security and cyber-attacks. All staff are required to do annual training on cyber security and the council issue statistics where attacks to systems have been blocked. Shropshire Council's IT security officer has confirmed that should any attacks become apparent on any of the pensions systems then we would be made aware immediately. To date no attacks to pension fund systems have been reported.

Key performance data

Performance indicators

Process		No. cases outstanding at start of period	No. of cases commenced in year	No. of cases completed in year	No. cases outstanding at year-end	% completed in year
"Deaths – Initial letter acknowledgement death of active/ deferred/ pensioner member"		68	508	491	17	96.65%
Deaths – letter notifying amount of dependants pension		96	464	424	40	91.38%
"Retirements – Letter notifying estimate of retirement benefits (include all retirement types: normal, ill heath, early, late etc)"	Active	38	893	886	7	99.22%
	Deferred	27	265	262	3	98.87%
Totals			**1158**	**1148**	**10**	**99.14%**
"Retirements – Letter notifying actual retirement benefits (include all retirement types: normal, ill heath, early, late etc)"	Active	43	349	322	27	92.26%
	Deferred	187	786	567	219	72.14%
Totals			**1135**	**889**	**246**	**78.33%**
"Retirements – Retirements – process and pay lump sum retirement grant (include all retirement types: normal, ill heath, early, late etc)"	Active	43	349	322	27	92.26%
	Deferred	187	786	567	219	72.14%
Totals			**1135**	**889**	**246**	**78.33%**
Deferment – calculate and notify deferred benefits		149	1337	1233	104	92.22%
Transfers in – Letter detailing transfer in quote		120	247	236	11	95.55%
Transfers in – Letter detailing transfer in		116	390	277	113	71.03%
Transfers out – Letter detailing transfer out quote		0	110	101	9	91.82%
Transfers out – Letter detailing transfer out		53	257	169	88	65.76%
Refund – Process and pay a refund		34	470	462	8	98.30%
Divorce quote – letter detailing cash equivalent value and other benefits		1	111	105	6	94.59%
"Divorce settlement – Letter detailing implementation of cash equivalent value and application of pension sharing order"		4	13	12	1	92.31%
"Joiners – Send notification of joining the LGPS to scheme member"		0	3238	3238	0	100.00%
Aggregation - Send notification of aggregation options		564	1579	1541	38	97.59%

Process		Fund KPI Days	Out KIP	Within KPI	Total	%	Legal	Within legal	Out legal	Total	%
Deaths – initial letter acknowledging death of member		5	306	84	390	78.46%	2 Months	382	8	390	97.95%
Deaths – letter notifying amount of dependants pension		10	217	9	226	96.02%	2 Months	223	3	226	98.67%
Retirements – letter notifying estimate of retirement benefits	Active	15	528	11	539	97.96%	2 Months	536	3	539	99.44%
Retirements – letter notifying estimate of retirement benefits	Deferred	15	213	12	225	94.67%	2 Months	225	3	228	98.68%
Total			**741**	**23**	**764**	**96.99%**		**761**	**6**	**767**	**99.22%**
Retirements – letter notifying actual retirement benefits	Active	15	369	5	374	98.66%	2 Months	374	0	374	100.00%
Retirements – letter notifying actual retirement benefits	Deferred	15	514	11	525	97.90%	2 Months	525	0	525	100.00%
Total			**883**	**16**	**899**	**98.22%**		**899**	**0**	**899**	**100.00%**
Retirements – process and pay pension benefits on time	Active	15	337	5	342	98.54%	2 Months	342	0	342	100.00%
Retirements – process and pay pension benefits on time	Deferred	15	531	11	542	97.97%	2 Months	542	0	542	100.00%
Total			**868**	**16**	**884**	**98.19%**		**884**	**0**	**884**	**100.00%**
Deferment – calculate and notify deferred benefits		30	1130	76	1206	93.70%	2 Months	1151	55	1206	95.44%
Transfers in – Letter detailing transfer in quote		10	200	9	209	95.69%	2 Months	208	1	209	99.52%
Transfers out – Letter detailing transfer out quote		10	86	13	99	86.87%	2 Months	98	1	99	98.99%
Refund – Process and pay a refund		10	442	17	459	96.30%	2 Months	459	0	459	100.00%
Divorce quote – letter detailing cash equivalent value and other benefits		45	98	2	100	98.00%	3 Months	99	1	100	99.00%
Divorce settlement – letter detailing implementation of pension sharing order		15	7	5	12	58.33%	3 Months	9	3	12	75.00%
Joiners – notification of date of enrolment		40	3238	0	3238	100.00%	2 Months	3238	0	3238	100.00%

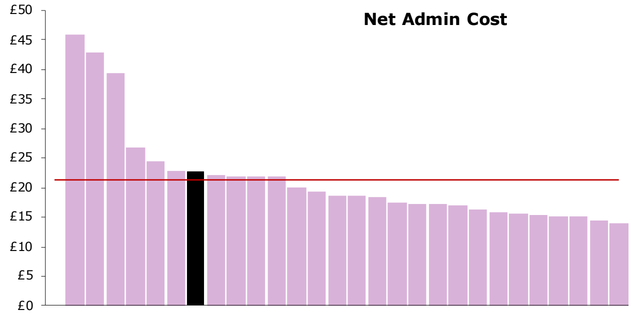
Financial indicators

The fund continues to participate in the Charted Institute of Public Finance and Accountancy (CIPFA) annual benchmarking survey. The results of the net cost per member in comparison to other funds participating in the most recent survey published in 2019 showing data from 2018/19 are shown in Graph 1.

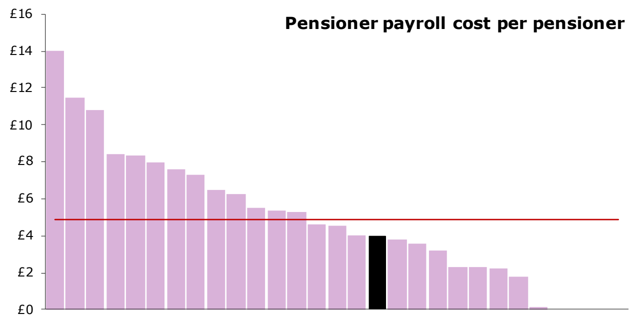
Graph 1. Illustrates the net cost per member of providing a service to active, retired and deferred members. In 2018/19, the fund had a net cost of £22.78 per member. The average cost per member for all authorities taking part in the survey was £21.34. This shows a small increase in net cost per member from the previous year and just above the average. This increase was due to a payroll system change that the fund was required to make in 2018/19.

Graph 2. Demonstrates that even though the one-off cost of implementation of the new payroll system had increased the cost per member in 2018/19 the pensioner payroll cost per pensioner was still below average and the ongoing costs are less going forward.

Graph 1: CIPFA pensions benchmarking club 2019 – net administration cost per member



Graph 2: CIPFA pensions benchmarking club 2019 – pensioners payroll cost per pensioner



Staffing

24.2	49,842	1,917	2,877
Staff in the Pension Administration Team	**Scheme members**	**Members to members of staff**	**Average cases per member of staff directly involved in casework**

New pensioners in year 2019/20 by type of retirement

Retirement type	Number of cases
Early	542
Ill	18
Late	72
Normal	51
Total	**683**

Employer summary as at 31 March 2020

91 Scheme employers

78 Admission bodies

38 Designated bodies

207 Total

A summary of the number of employers in the fund analysed by scheme employers, Admission bodies and designated bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities) as at 31 March 2020.

Employers	Active	Ceased	Total
Scheme Employers	62	29	91
Admission Bodies	50	27	78
Designated Bodies	36	2	38
Total			**207**

Feedback from members and employers

- 4 complaints received in 2019/20
- 24 compliments received in 2018/19

'I would like to take this opportunity to thank you and your staff for the high levels of professionalism and care shown to myself during this process'

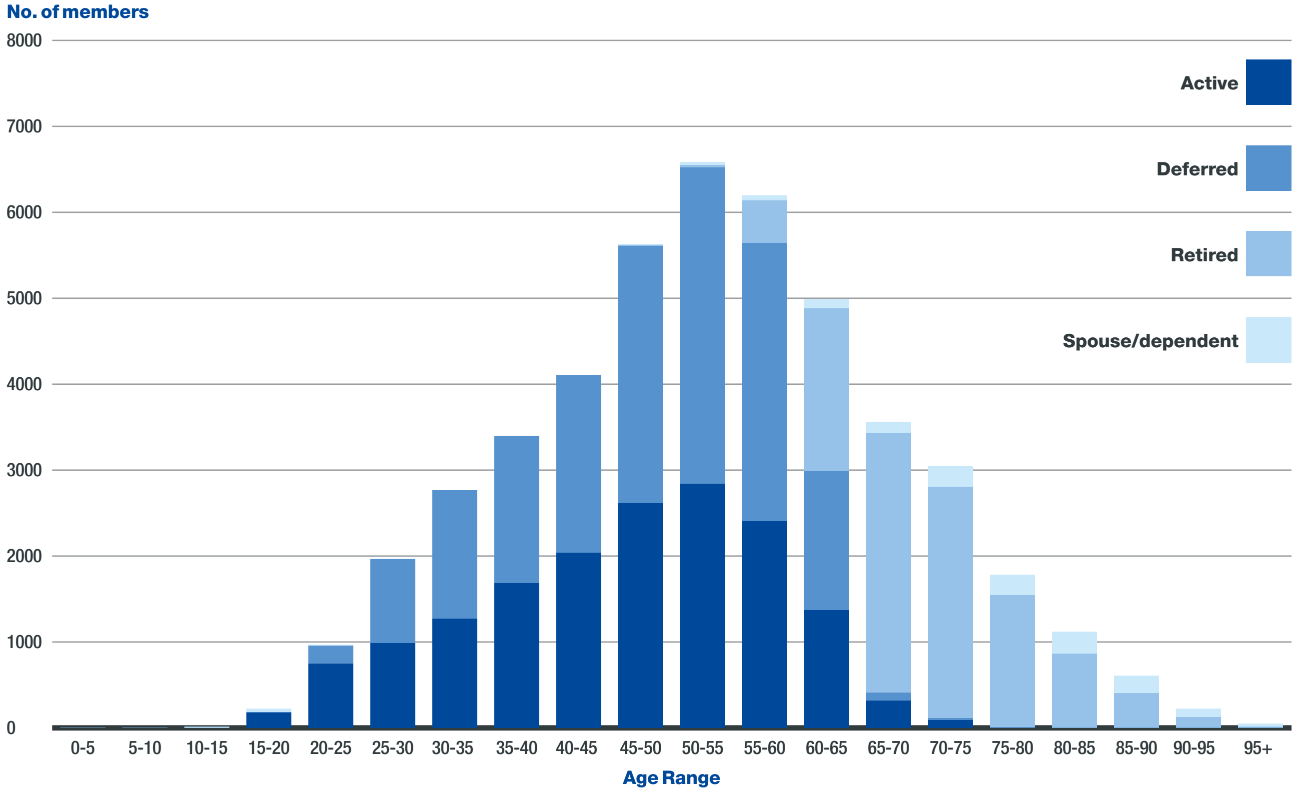
'I want to say a huge thank you for your responses to my questions and to the way that you resolved my issue promptly'

'Thank you for your patience and understanding and I found the 1 to 1 extremely helpful'

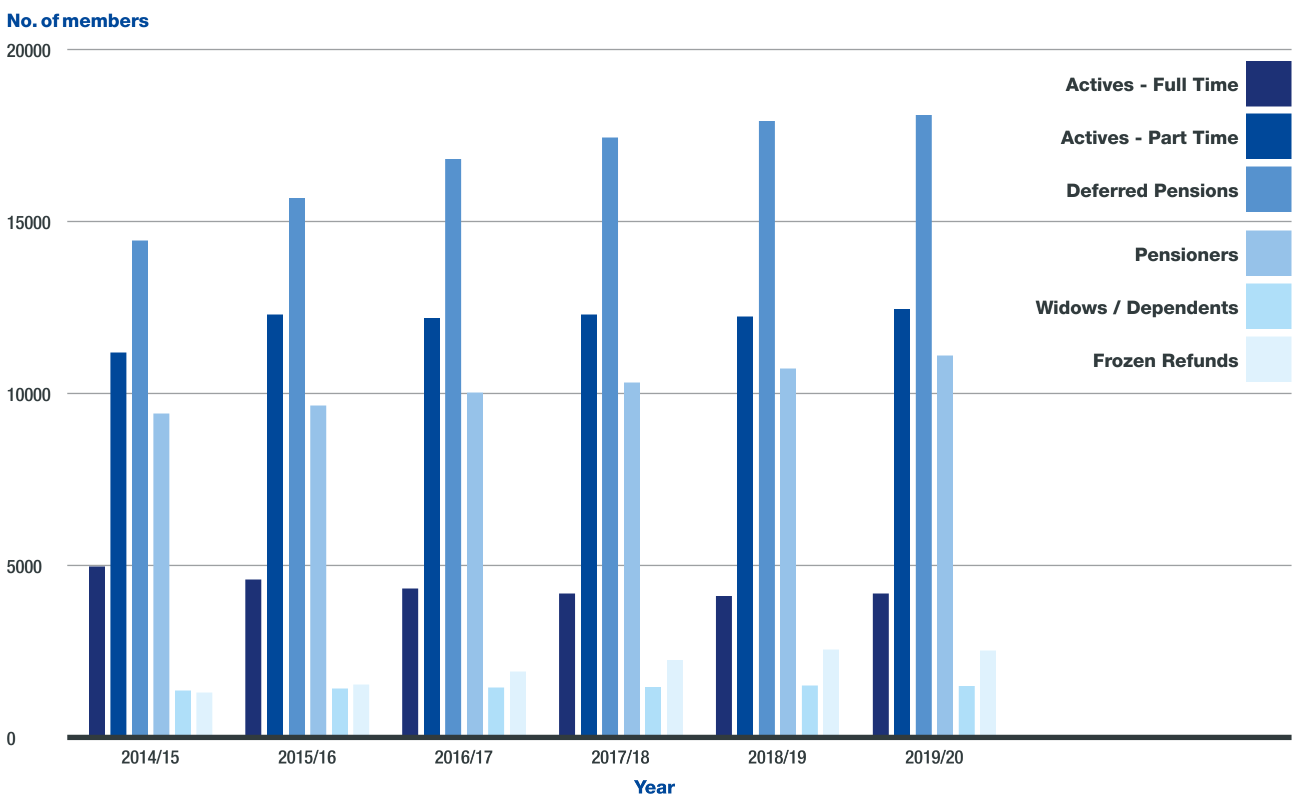
'Thank you so much for all your time, you've explained the website and calculators so clearly'

'I would like to express my thanks to your colleague who has always been extremely helpful and informative when I have spoken to them on the phone. The help I have always received when phoning the pension team has assisted me greatly. Many thanks to a super team'

Age profile of membership as at 31 March 2020



Membership numbers and trends as at 31 March 2020



How our service is delivered

Communications policy

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

The communications policy statement sets out the fund's formal policy concerning communications with its stakeholders including the format and frequency of information provided. Following any amendments this document is passed for approval to Pensions Committee and is published on the fund website. The most recent statement in place can be found in appendix 05.
Officers in the fund are part of a regional communications working group (CWG) where communication officers from different funds in England and Wales meet on a quarterly basis to develop items of communication for scheme members in the LGPS. The fund also has representation on the national communications group organised by the Local Government Association (LGA).

Use of technology:

Website

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

The website holds scheme guides, forms and information for members and employers to view. Employer responsibilities are set out in the employer's section of the website. All participating employers in the fund are encouraged to use this area to ensure they meet their responsibilities. The fund also provides videos for both members and employers to view on the website. In early 2020, webinars were used for the first time to provide information to employers.

Electronic data transfer

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

'My Pension Online'

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

As at 31 March 2020:

- 43% active members
- 35% deferred members
- 26% pensioners members

registered for 'My Pension Online'.

Email updates

The fund has continued to utilise email to provide scheme updates to members and employers. Emails were sent on a regular basis to both members and employers during 2019/20 to inform them of the latest news and events.

136,153 emails recipients of member emails.

Internal dispute resolution procedure

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

Your right to ask

Members have the right to ask for scheme decisions to be looked at again under the formal complaint procedure and also have the right to use the procedure if a decision should, but has not been made by their employer or the fund. The complaint procedure's official name is the internal dispute resolution procedure (IDRP) and the procedure is outlined in regulation 72 of the LGPS Regulations 2013. A scheme member, pensioner, deferred pensioner or potential beneficiary can all make an appeal under the IDRP procedure.

There are two stages to IDRP with the first stage of the dispute going to the body that made the original decision requesting a review of that decision. If a member is dissatisfied with the outcome of the stage 1 decision, they may apply to the administering authority for a review at stage 2 of the IDRP within six months of the stage 1 decision. If after the stage 2 decision the member or beneficiary is still dissatisfied, they can contact The Pensions Advisory Service (TPAS) and ask for their assistance. Where the complaint or dispute cannot be resolved after the intervention of TPAS, the member or beneficiary has three years in which to The Pensions Ombudsman can investigate any type of complaint about a member's or beneficiary's pension, but they must have been through stages 1 and 2 of the IDRP before they contact the Ombudsman.

Fortunately such instances are few and far between. The following table is a summary of the IDRP cases the fund has received.

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

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

IDRP cases raised directly to the fund in 2019/20

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

Pensions Administration Team

Scheme Administrator, Director of Finance, Governance & Assurance & Treasury Team

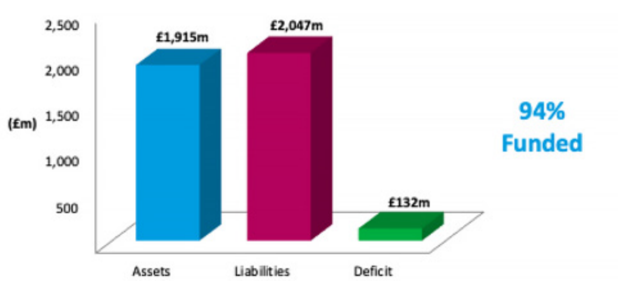
Statement by the Consulting Actuary

Accounts for the year ended 31 March 2020

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 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £1,915 million represented 94% of the Fund's past service liabilities of £2,047 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £132 million.



The valuation also showed that a Primary contribution rate of 16.6% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 19 years, and the total initial recovery payment (the "Secondary rate" for 2020-2021) is an addition of approximately £9m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

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 Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	**For future service liabilities** (Primary rate of contribution)
Rate of return on investments (discount rate)	4.25% per annum	4.65% per annum
Rate of pay increases (long term)	3.65% per annum	3.65% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022, following which the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all public sector schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment (other than where the employer has elected to include a provision in their contributions, in which case this is included within the secondary rate). At the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £12 million and an increase in the Primary Contribution rate of 0.8% of Pensionable Pay per annum.

Impact of Covid 19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review.

We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited but the position should be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

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 2020 (the 31 March 2019 assumptions are included for comparison):

	31 March 2019	31 March 2020
Rate of return on investments (discount rate)	2.4% per annum	2.4% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.2% per annum	2.1% per annum
Rate of pay increases	3.7% per annum*	3.45% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.3% per annum	2.2% per annum

* This is the long-term assumption. An allowance corresponding to that made at the 2016 formal actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes, with the 31 March 2020 assumptions being updated to reflect the assumptions adopted for the 2019 actuarial valuation. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

Corporate bond yields were similar at the start and end of year resulting in the same discount rate of 2.4% p.a. being used for IAS 26 purposes at the year-end as for last year. The expected long-term rate of CPI inflation decreased during the year, from 2.2% p.a. to 2.1%, which served to decrease the liabilities slightly over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2019 was estimated as £2,906 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£70 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£43 million (this includes any increase in liabilities arising as a result of early retirements/augmentations and the potential impact of GMP Indexation – see comments elsewhere in this statement). There was also a decrease in liabilities of £97 million due to "actuarial gains" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, and the incorporation of the 31 March 2019 actuarial valuation results into the IAS26 figures).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2020 is therefore £2,922 million.

GMP Indexation

At present, the public service schemes are required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards, which would give rise to a further cost to the LGPS and its employers. If the Fund were required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021, then this would increase the Fund liabilities by about £14 million on IAS26 assumptions, and we have included this amount within the final IAS26 liability figure above.

John Livesey
Fellow of the Institute and Faculty of Actuaries

Mark Wilson
Fellow of the Institute and Faculty of Actuaries

Mercer Limited
June 2020

Governance structure

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

Outline of the governance structure

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

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

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

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

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

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

Pensions Board Chairs Report 2019/20

It's been a strange year, full of uncertainty and troubling headlines and at this point in time the situation is still in a place of flux. It's understandable that with all the headlines about the significant falls in the stock market, with share prices at their lowest point for a decade and of companies struggling to keep going people become increasingly concerned about their Pension Fund security. I know that the Pensions Administration team have published various updates since March to assure members that the security of their pension benefit is essentially unchanged. All employers have also been regularly kept up to date on any issues affecting the LGPS and encouraged to contact the team if they foresee any problems

The Pensions Board members 2019/20

Mike Morris (Chair)

Member representative

John Hall

Member representative

Philip Ingle

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

Liz Furey

Employer representative
Harper Adams University College

with fulfilling their responsibilities. Thankfully, there haven't been any major problems reported and all employers have continued to pay contributions and send data over to the team.

Encouragingly, the Shropshire fund started from a good place ahead of the Covid 19 pandemic. It was well funded and was well diversified in terms of its investments which always helps. So, to reiterate – your pension is still safe and sound. Just as the Pensions Administration team have had to adjust their way of working so also have the Pension Committee and the Pension Board. Part of the Pension Board's role is to have sight of the Committees reports and to share and scrutinise the administration team's quarterly updates. This we will continue to do - albeit virtually and at arm's length over the past few months.

Over the last year, in addition to receiving reports on standard topics such as scheme management, actuarial valuations, complaints resolution and any employer breaches, we took a closer look at what's often referred to as 'Responsible Investment'.

Our fund is made up of a range of investments including equities, Bonds, Property and Infrastructure to name but a few. As a Pensions Board we recognise that the choice of which shares to invest in is always going to be complex and brings with it socio-economic concerns which are at the forefront of many investors' minds.

As a result, 'ESG' - Environmental, Social and Governance - principles are now one of the cornerstones of investment decision making. During the year, the Board received a presentation from LGPS Central (the organisation which manages the pooled assets of eight Midlands Authorities) on their work with partner organisations, such as Climate Action, who share their values on responsible investment and employ positive engagement with the management of companies to improve environmental governance. We also considered an update from Legal and General Investment Management on their progress of investing in companies that have a positive impact on society and the environment. Equally, for many years' shareholders had a fairly passive voice when it came to things like executive pay and benefits - today we try to ensure our investment managers play a much more proactive role.

These issues are in the hearts and minds of many people and whilst it is not the job of the Pension Board to play any part in the investment strategy of the fund it is important that we maintain an oversight of progress in this area. So, we shall continue to keep subjects such as these under review.

Looking to the future, we are going to increase the number of Pension Board members from 4 to 6 - split equally between member representatives and employer representatives. Talking about Pensions Administration, investments and responsible investing may seem as dry as dust - but it really isn't and it's important to us all. So, we hope in due course that some of you may be tempted to apply - fresh minds are always welcome!

Committee members 2019-20

Thomas Biggins
(Chairman)

Shropshire Council
VOTING

Malcolm Smith
(Vice Chairman)

Telford & Wrekin Council
VOTING

Chris Mellings

Shropshire Council
VOTING

Brian Williams

Shropshire Council
VOTING

Michael Wood

Shropshire Council
VOTING

Leon Murray

Telford & Wrekin Council
VOTING

Jean Smith

Pensioner Representative
NON-VOTING

Laura Hoskison

Employee Representative
Shropshire Council

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

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

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

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

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

Training policy (members and officers)

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

Training policy

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

Pensions Committee

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

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

- Actuarial Valuation Updates
- Equity Protection Updates
- Cost Cap, McCloud and Exit Credits - Implications for Employer Events Policy
- Responsible Investment and ESG updates
- LGPS Central Updates
- Investment Strategy Review
- Competition and Markets Authority (CMA) - Investment Consultant Objectives
- Stewardship Code Compliance

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

Pensions Board: Each Pension Board member received training throughout 2019/20. The training was either provided by the Local Government Association (LGA), Aon Hewitt, CIPFA or was provided by officers in-house. Each Pension Board member and senior officers have completed the Pensions Regulator's eLearning programme and a skills assessment to identify areas where further training may be required in the future.

Pensions annual meeting: Presentations were given on the actuarial valuation, with updates on investment performance, pension fund administration and changes within asset allocation. LGPS Central gave company and investment updates. There were also presentations on responsible investments by LGPS Central and Legal & General (L&G).

Officer attendance at conferences, seminars and networking groups: LGC Investment conferences, Pensions Managers Conference, LGA Governance conference, CIPFA Pensions Audit & Accounting workshop, Shrewsbury Pensions Officers Group (SPOG), LGA National Communications Working Group and Regional Communications Working Group, PLSA investment and administration conference.

As Director of Finance, Governance and Assurance (Section 151 Officer) and Scheme Administrator for Shropshire County Pension Fund I confirm that the officers and members charged with the financial management of and decision making for the pension fund collectively possessed the requisite knowledge and skills necessary to discharge those duties and make the decisions required during the reporting period.

James Walton
Director of Finance, Governance and Assurance
(Section 151 Officer and Scheme Administrator)
18 September 2020

Pension fund account

Pension fund account for the year ended 31 March 2020

2018/19 £m		Notes (pgs 46-63)	2019/20 £m	
	Contributions & Benefits			
	Contributions			
44.402	Employers	7	46.626	
14.728	Employees	7	15.706	
6.350	Transfers In from other pension funds	3,7	6.460	
65.480	**Total Income**			**68.792**
	Benefits Payable			
59.051	Pensions	7	62.251	
9.366	Commutation of pensions and lump sum retirement benefits	7	10.620	
1.661	Lump sum death benefits	7	1.425	
	Payment to & on account of leavers			
0.191	Refund of contributions	7	0.224	
8.060	Transfer to other Funds	3,7	4.896	
78.329	**Total Expenditure**			**79.416**
(12.849)	**Net additions/(withdrawals) from dealings with scheme members**			**(10.624)**
(13.975)	**Management Expenses**	8		**(17.712)**
	Returns on Investments			
25.788	Investment Income	3,9	28.402	
12.614	Gain/(loss) on cash and currency hedging		13.203	
(0.412)	Taxes on Income	10	(0.124)	
70.319	Profits and losses on disposal of investments and changes in value of investments	11a	(97.123)	
108.309	**Net increase (decrease) in the net assets available for benefits during the year**			**(55.642)**
81.485	**Surplus / (deficit) on the pension fund for the year**			**(83.978)**
1833.816	**Opening Net Assets of the Scheme**			**1915.301**
1915.301	**Closing Net Assets of the Scheme**			**1831.323**

Net assets statement

Net assets statement as at 31 March 2020

31/03/2019 £m		Notes (pgs 46-63)	31/03/2020 £m	%
	Long term Investments			
1.315	**Equities**	11b	1.315	0.07
	Investment Assets			
125.939	**Equities**	11b	77.746	4.25
	Pooled Investment Vehicles			
1667.601	Other Managed Funds	11b	1726.527	94.28
	Other Investment Balances			
0.685	Loans	11b	0.685	0.04
	Cash Deposits			
115.796	Deposits	11a	18.650	1.02
2.000	Temporary Investments	27	2.000	0.11
1913.336	**Total Investment Assets**		**1826.923**	**99.77**
	Current Assets			
2.407	Contributions due from Employers/Employees	18	5.205	0.28
1.583	Other Current Assets	18	1.708	0.09
0.987	Cash Balances	27	0.397	0.02
	Current Liabilities			
(0.243)	Unpaid Benefits	19	(0.172)	(0.01)
(2.769)	Other Current Liabilities	19	(2.738)	(0.15)
1915.301	**Net Assets of the Scheme - Available to Fund Benefits as at 31 March**		**1831.323**	**100.00**

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

Notes

To the Shropshire County Pension Fund accounts for the year ending 31 March 2020

Note 1: Description of fund

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

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

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

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

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

Organisations participating in the Shropshire County Pension Fund include:

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

There are 207 employers within the Shropshire County Pension Fund including Shropshire Council itself, as detailed below:

Shropshire County Pension Fund	31 March 2020	31 March 2019
No of employers with active members	148	151
Number of employees in the scheme		
Shropshire Council	5,916	6,066
Other employers	10,718	10,274
Total	**16,634**	**16,340**
Number of pensioners in the scheme		
Shropshire Council	5,431	5,220
Other employers	5,664	5,507
Total	**11,095**	**10,727**
Number of deferred pensioners in the scheme		
Shropshire Council	8,644	8,667
Other employers	9,447	9,246
Total	**18,091**	**17,913**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was as at 31 March 2019. Currently, employer contribution rates range from 6.9% to 28.0% of pensionable pay.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

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

Note 2: Basis of preparation

The statement of accounts summarises the Fund's transactions for the 2019/20 financial year and its position at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

There were no significant changes to the CIFPA Code of Practice on Local Authority accounting, the key change in International Financial Reporting Standards was the adoption of IFRS9 Accounting Standard for the 2018/19 accounts but additional changes were required for 2019/20 accounts. IFRS9 requires the investment assets to be accounted for at fair value within the accounts. The adoption of IFRS9 had little impact on the accounts for pension funds as the investment assets were already held at fair value through profit and loss as directed by the code. As a consequence, there was no requirement to change the measurement or classification of these assets.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019/20.

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

The accounts have been prepared on a going concern basis.

Note 3: Summary of significant accounting policies

Fund account – revenue recognition

Contribution income

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

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

Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the Fund. Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see note 7). Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investment income

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

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

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

Fund account – expense items

Benefits payable

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

Taxation

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

Management expenses

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

Administrative expenses	All staff costs of the pensions administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
Oversight and governance	All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.
Investment management expenses	Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 8 and grossed up to increase the change in value of investments. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition, the Fund has negotiated with Majedie Asset Management, Pimco Europe Ltd and BlackRock (Hedge Fund) that an element of their fee will be performance related. Total performance related fees for all managers in 2019/20 £0.225m (2018/19 £0.185m). Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2019/20, £0.122m of fees is based on such estimates (2018/19 £0.100m).

Net assets statement

Financial assets

The Share Capital investment in LGPS Central Limited is valued at transaction price i.e. cost. LGPS Central Limited began to trade on 3 April 2018 and consequently there are only limited trading results available. The Pension Fund's view is that the market value of this investment at 31 March 2020 cannot be reasonably assessed and that cost is therefore an appropriate estimate of fair value.

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

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

Foreign currency transactions

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

Cash and cash equivalents

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

Loans and receivables

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

Financial liabilities

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

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

Additional voluntary contributions

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

Note 4: Critical judgments in applying accounting policies

Pension fund liability

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

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all public sector schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

Investment in LGPS Central

The Share Capital investment has been valued at cost on the basis that fair value as at 31 March 2020 cannot be reliably estimated. Management have made this judgment because:

- LGPS Central Limited did not commence trading until 3 April 2018
- No dividend to shareholders has as yet been declared
- Published trading results are only available for one year, which in the Fund's opinion does not give sufficient information to allow fair value to be accurately calculated on a net asset basis.

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

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations, however actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity	Private Equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The impact of Covid-19 has created additional uncertainty due to the ability to reliably measure the impact of the pandemic on valuations	The total private equity investments in the financial statements are £119.9 million. There is a risk that this investment may be under or over¬stated in the accounts. A 5% movement in the valuation would equate to a £6.0m adjustment to the value of these assets
Hedge funds	Hedge funds are valued at the sum of the fair values of the underlying sub-funds plus any adjustment that the custodian or fund manager considers necessary. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The impact of Covid-19 has created additional uncertainty due to the ability to reliably measure the impact of the pandemic on valuations	The total hedge fund value in the financial statements is £118.0 million. There is a risk that this investment may be under or overstated in the accounts. A 5% movement in the valuation would equate to a £5.9m adjustment to the value of these assets
Pooled Property	Due to the disruption in markets caused by the Covid-19 pandemic, the Pooled property fund manager has stated in their valuation report as at 31 March 2020 that there is a material uncertainty about the valuations of the majority if not all the valuations provided by individual fund managers. The Pension Fund has decided to use the Fund Manager's estimates as the best available estimates of the values of the Fund's assets as at 31 March 2020.	The total Pooled property investments in the financial statements are £85.3m, but these estimates are subject to greater uncertainty than in previous years

Note 6: Events after the reporting date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. There have been no events between 31 March 2020, and when these accounts were authorised, that require any adjustments to be made.

Note 7: Analysis of the main revenue account transactions

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

	Administering Authority £m	Admission Bodies £m	Designation Bodies / Scheme Employers £m	Total £m
2019/20				
Contributions Received				
Employees	5.607	2.057	8.042	15.706
Employers	13.885	6.812	25.929	46.626
Transfers In	2.472	1.019	2.969	6.460
Total Income	**21.964**	**9.888**	**36.940**	**68.792**
Payments Made				
Pensions	35.938	7.675	18.638	62.251
Lump Sums	4.449	1.984	4.187	10.620
Death Benefits	0.533	0.445	0.447	1.425
Refunds	0.059	0.023	0.142	0.224
Transfers Out	2.196	0.586	2.114	4.896
Total Expenditure	**43.175**	**10.713**	**25.528**	**79.416**
2018/19				
Contributions Received				
Employees	5.626	1.995	7.107	14.728
Employers	14.691	6.452	23.259	44.402
Transfers In	2.791	0.303	3.256	6.350
Total Income	**23.108**	**8.750**	**33.622**	**65.480**
Payments Made				
Pensions	34.439	7.470	17.142	59.051
Lump Sums	4.124	1.859	3.383	9.366
Death Benefits	0.990	0.211	0.460	1.661
Refunds	0.062	0.012	0.117	0.191
Transfers Out	2.457	1.072	4.531	8.060
Total Expenditure	**42.072**	**10.624**	**25.633**	**78.329**

This table shows a breakdown of the employers contributions above:

2018/19 £m	Employers Contribution Breakdown	2019/20 £m
34.404	Employers normal contributions	36.630
7.642	Employers deficit contributions	8.177
2.356	Employers augmentation contributions	1.819
44.402		**46.626**

Note 8: Management expenses

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

2018/19 £m	Management Expenses	2019/20 £m
1.327	Administrative costs	1.050
11.537	Investment management expenses	15.283
1.111	Oversight and governance costs	1.379
13.975		17.712

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

The investment management expenses shown below includes £0.225m (2018/19 £0.185m) in respect of performance related fees paid/payable to the Fund's investment managers.

It also includes £2.561m in respect of transaction costs (2018/19 £0.612m).

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

2018/19 £m	Investment expenses	2019/20 £m
8.423	Management Fees	9.052
0.185	Performance Fees	0.225
2.257	Other Fees	3.414
0.612	Transaction Costs	2.561
0.060	Custody Fees	0.031
11.537		15.283

The costs incurred by the Council in administering the Fund totalled £1.050m for the year ended 31 March 2020 (2018/19 £1.327m).

2018/19 £m	Administrative costs	2019/20 £m
0.742	Employee costs	0.682
0.323	IT	0.210
0.137	Consultants	0.032
0.045	Printing, Postage and Design	0.061
0.026	Office Accommodation	0.020
0.015	Subscriptions	0.016
0.039	Other Costs	0.029
1.327		1.050

The costs incurred by the Council in Oversight and Governance totalled £1.379m for the year ended 31 March 2020 (2018/19 £1.111m)

2018/19 £m	Oversight & governance costs	2019/20 £m
0.362	Investment advice	0.386
0.167	Employee costs (pensions investment)	0.190
0.009	Actuarial advice	0.154
0.432	LGPS Central Pooling costs	0.475
0.051	Responsible engagement overlay	0.065
0.020	External audit	0.020
0.025	Performance analysis	0.029
0.017	Internal audit	0.019
0.016	Legal and Committee	0.016
0.012	Other costs	0.025
1.111		1.379

Note 9: Investment income

The table below analyses the investment income received by the Fund over the last 12 months.

2018/19 £m	Investment income	2019/20 £m
7.983	Dividends from equities	5.493
6.714	Income from pooled investment vehicles	8.621
0.059	Interest on cash deposits	0.053
11.032	Other	14.235
25.788		28.402

Note 10: Taxes on income

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

2018/19 £m	Taxes on Income	2019/20 £m
0.000	Withholding tax - Fixed interest securities	0.000
0.326	Withholding tax - equities	0.026
0.086	Withholding tax - pooled	0.098
0.412		0.124

Note 11a: Reconciliation of movements in investments

2019/20 Investment type	Value as at 1st April 2019 £m	Purchases at cost £m	Sale proceeds £m	Transition £m	Other cash transactions £m	Change in market value £m	Value as at 31st March 2020 £m
Equities	127.254	48.977	(70.459)			(26.711)	*79.061
Pooled Investment Vehicles - Other managed Funds	1667.601	207.214	(69.239)		(8.595)	(70.454)	*1726.527
Other Investment Balances	0.685						0.685
	1795.540	**256.191**	**(139.698)**	**0.000**	**(8.595)**	**(97.165)**	**1806.273**
Cash deposits - with Managers	115.796		(0.044)		(97.145)	0.043	18.650
Temporary Investments	2.000						2.000
	1913.336	**256.191**	**(139.742)**	**0.000**	**(105.740)**	****(97.122)**	**1826.923**

* Within the Pooled Investment Vehicles - other managed funds total of £1726.527m are £306.361m of level 3 investments as at 31 March 2020. Within the Equities figure of £79.061m are £1.315m of level 3 investments as at 31 March 2020. The value of the level 3 investments was £274.472m as at 1st April 2019 which increased to £307.676m as at 31 March 2020. The increase in value is due to purchases of £47.266m, sales of £14.796m and change in market value of £0.734m. // ** The total change in market value for 2019/20 as per the table above is -£97.122m. This figure is made of up of profit on sales of £7.988m and also the difference between book cost and market value for the whole Fund which for 2019/20 was -£105.110m.

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

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

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

2018/19 £m		2019/20 £m
	Equities	
	UK	
1.315	Unquoted	1.315
110.599	Quoted	68.684
	Overseas	
15.340	Quoted	9.062
127.254		**79.061**
	Pooled Funds - additional analysis	
	UK	
9.621	Unit Trusts	5.338
18.729	Property Debt	36.928
	Overseas	
1217.538	Unit Trusts	1252.577
126.304	Hedge Fund of Funds	117.950
94.784	Pooled property investments	85.290
96.989	Private Equity	119.887
31.135	Insurance Linked Securities	31.596
72.501	Infrastructure	76.961
1667.601		**1726.527**
	Other Investment Balances	
0.685	**Loans**	**0.685**
1795.540	**Total investment assets**	**1806.273**

Note 12: Stock lending

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

Collateralised lending generated income of £0.016m in 2019/20 and this is included within investment income in the Pension Fund Account. At 31 March 2020 £2.913m worth of stock (via the Custodian) was on loan, for which the Fund was in receipt (via the Custodian) of £3.132m worth of collateral representing 108% of stock on loan.

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

There are no liabilities associated with the loaned assets.

Note 13: Analysis of derivatives

The Fund previously passively hedged 50% of all currency exposure to eliminate some of the risks over the longer term involved in holding an increased proportion of overseas investments. Currently, Legal & General, who manage the global equity passive portfolio, hedge 100% of their foreign currency exposure back to sterling. The global equity passive portfolio also has an equity protection strategy in place.

Note 14: Fair value - basis of valuation

Unquoted equities in LGPS Central are valued at cost, i.e. transaction price, as an appropriate estimate of fair value. A fair value cannot be otherwise established for these assets as at 31 March 2020 because the main trading vehicle LGPS Central Limited only became licensed to trade on 3 April 2018 and the reliability of any observable or unobservable inputs used to calculate fair value cannot as yet be assessed with certainty.

All other investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

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

Sensitivity of assets valued at level 3:
The table below sets out the assets which have been categorised at level 3. The figures have been derived using the valuation methods adopted by each of the relevant investment managers and are assumed to be accurate. The table also sets out the consequential potential impact on the closing value of investments if these valuations were inaccurate, based on an indicative movement of 5% on the value of investments held as at 31 March 2020.

Asset	Assessed valuation range (+/_)	Value as at 31-Mar-20 £m	Value on increase £m	Value on decrease £m
Private Equity	5%	119.887	125.881	113.893
Hedge Funds	5%	117.950	123.848	112.052
Insurance Linked	5%	31.596	33.176	30.016
Property Debt	5%	36.928	38.774	35.082
Unquoted UK Equity	5%	1.315	1.381	1.249
Total		307.676	323.060	292.292

Note 14a: **Fair value hierarchy**

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

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

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

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

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

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are undertaken quarterly, however, lag a quarter behind so the valuation in the accounts is as at 30th September 2019. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

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

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

Asset Type 2019/20	Investment Manager	Investment Type	Market Value £m	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m
Equities	Majedie Asset Management	UK Equities	77.742	77.742		
	LGPS Central Ltd*	UK Equities (unquoted)	1.315			1.315
Pooled Investment Vehicles	Majedie Asset Management	UK Pooled Fund	5.338	5.338		
	Pimco Europe Ltd	Global Aggregate Bonds	137.126	137.126		
	HarbourVest Partners Ltd	Private Equity	119.887			119.887
	Aberdeen Property Investors	Property Unit Trusts	85.290		85.290	
	Blackrock	Hedge Fund	117.950			117.950
	Global Infrastructure Partners	Infrastructure	76.961		76.961	
	Legal & General	Global Equities	559.961	559.961		
	Blackrock	Fixed Interest	135.629	135.629		
	T.Rowe Price	Global Dynamic Bonds	138.121	138.121		
	BMO	LDI	66.806	66.806		
	Securis	Insurance Linked Securities	31.596			31.596
	DRC	Property Debt	36.928			36.928
	LGPS Central Ltd	Global Equities	214.934	214.934		
Net Current Assets (including cash & other)			25.739	25.739		
			1831.323	**1361.396**	**162.251**	**307.676**

Asset Type 2018/19	Investment Manager	Investment Type	Market Value £m	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m
Equities	Majedie Asset Management	UK Equities	125.932	125.932		
	LGPS Central Ltd*	UK Equities (unquoted)	1.315			1.315
Pooled Investment Vehicles	Majedie Asset Management	UK Pooled Fund	9.621	9.621		
	Pimco Europe Ltd	Global Aggregate Bonds	145.309	145.309		
	HarbourVest Partners Ltd	Private Equity	96.989			96.989
	Aberdeen Property Investors	Property Unit Trusts	94.784		94.784	
	Blackrock	Hedge Fund	126.304			126.304
	Global Infrastructure Partners	Infrastructure	72.501		72.501	
	Legal & General	Global Equities	601.716	601.716		
	Blackrock	Fixed Interest	140.558	140.558		
	GAM	Absolute Return Bonds	15.571		15.571	
	BMO	LDI	76.646	76.646		
	Securis	Insurance Linked Securities	31.135			31.135
	DRC	Property Debt	18.729			18.729
	LGPS Central Ltd	Global Equities	237.737	237.737		
Net Current Assets (including cash & other)			120.454	120.454		
			1915.301	**1457.973**	**182.856**	**274.472**

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

Note 15: Financial instruments

Note 15a: Classification of financial instruments

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

31-Mar-19 Fair value through profit & loss £m	31-Mar-19 Loans and receivables £m	31-Mar-19 Financial liabilities at amortised cost £m		31-Mar-20 Fair value through profit & loss £m	31-Mar-20 Loans and receivables £m	31-Mar-20 Financial liabilities at amortised cost £m
			Investment Assets			
1.315			Equities	1.315		
			Financial Assets			
125.939			Equities	77.746		
1667.601			Pooled Investment Vehicles - Other managed Funds	1726.527		
	0.685		Other Investment Balances - Loans		0.685	
	118.783		Cash		21.047	
	3.990		Debtors		6.913	
1794.855	**123.458**	**0.000**		**1805.588**	**28.645**	**0.000**
			Financial liabilities			
		(3.012)	Creditors			(2.910)
0.000	**0.000**	**(3.012)**		**0.000**	**0.000**	**(2.910)**
1794.855	**123.458**	**(3.012)**		**1805.588**	**28.645**	**(2.910)**

Note 15b: Net gains and losses on financial instruments

2018/19 £m	Financial instruments	2019/20 £m
	Financial Assets	
70.319	Fair value through profit and loss	(97.123)
0.000	Loans and receivables	0.000
0.000	Financial liabilities measured at amortised cost	0.000
	Financial Liabilities	
0.000	Fair value through profit and loss	0.000
0.000	Loans and receivables	0.000
0.000	Financial liabilities measured at amortised cost	0.000
70.319		**(97.123)**

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

Risk and risk management

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

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

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the assets mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the investment return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Pension Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis and manage any identified risk in two ways:

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

Other price risk

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

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

Other price risk – sensitivity analysis

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2020/21 reporting period, assuming that all other variables, in particular foreign exchange rates and interest rates remain the same.

Asset type	Potential market movements (+/-)
UK Equities	19.0%
Global unconstrained Equities	21.2%
Global Equities (passive)	20.0%
Unconstrained bonds	5.5%
Property	17.0%
Private Equity	28.5%
Hedge Funds	9.5%
Infrastructure	19.5%
Property Debt	8.5%
Insurance-Linked Securities	4.5%
LDI	30.8%

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

Asset type	Value as at 31 March 2020 £m	Potential market movement £m	Value on Increase £m	Value on Decrease £m
Net Assets including Cash and Other	27.050	0.000	27.050	27.050
Investment Portfolio Assets				
UK Equities	74.022	14.064	88.086	59.958
Global Equities (unconstrained)	223.996	47.487	271.483	176.509
Global Equities (passive)	559.961	111.992	671.953	447.969
Unconstrained Bonds	410.876	22.598	433.474	388.278
Property	85.290	14.499	99.789	70.791
Private Equity	119.887	34.168	154.055	85.719
Hedge Funds	117.950	11.205	129.155	106.745
Infrastructure	76.961	15.007	91.968	61.954
Property Debt	36.928	3.139	40.067	33.789
Insurance-Linked Securities	31.596	1.422	33.018	30.174
LDI	66.806	20.576	87.382	46.230
Total assets available to pay benefits	**1,831.323**	**296.157**	**2,127.480**	**1,535.166**

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

Interest rate risk

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

The Fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	As at 31 March 2020 £m	As at 31 March 2019 £m
Cash and cash equivalents	9.692	115.432
Cash balances	0.397	0.987
Bonds	410.876	301.439
Total	**420.965**	**417.858**

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

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

Exposure to interest rate risk	Value as at 31 March £m	Potential movement on 1% change in interest rates £m	Value on Increase £m	Value on Decrease £m
As at 31 March 2020				
Cash and cash equivalents	9.692	0.000	9.692	9.692
Cash balances	0.397	0.000	0.397	0.397
Bonds	410.876	4.109	414.985	406.767
Total	**420.965**	**4.109**	**425.074**	**416.856**

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

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

During 2019/20 the Fund received £0.017m in interest from surplus pension fund revenue cash. This was either invested in call accounts which are classified as a variable rate investment or a fixed term deposit. If interest rates throughout the year had been 1% higher this would have increased the amount of interest earned on these investments by £0.031m. The impact of a 1% fall in interest rates would therefore imply a negative interest rate and therefore it is assumed no interest would have been received or charged on these investments. In addition, the Fund earned £0.036m in interest on its loan to LGPS Central Ltd. The impact of a 1% change in interest rates would have increased or decreased interest earned on this loan by £0.007m.

Currency risk

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

Currency exposure - asset type	As at 31 March 2020 £m	As at 31 March 2019 £m
Overseas Equities	209.188	229.635
Overseas Pooled Fixed Interest	0.000	0.000
Overseas Private Equity	119.887	96.989
Overseas Pooled Property	2.257	9.184
Overseas Infrastructure	76.961	72.501
Total overseas assets	408.293	408.309

Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. A 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	Asset value as at 31 March 2020	Potential market movement £m	Value on Increase £m	Value on Decrease £m
			10%	10%
Overseas Equities	209.188	20.919	230.107	188.269
Overseas Private Equity	119.887	11.989	131.876	107.898
Overseas Pooled Property	2.257	0.226	2.483	2.031
Overseas Infrastructure	76.961	7.696	84.657	69.265
Total change in assets available	408.293	40.830	449.123	367.463

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

Credit risk

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

The selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure of third parties to settle a transaction in a timely manner. The Fund has also set limits as to the maximum sum placed on deposit with individual financial institutions.

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

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

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

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

	Rating	As at 31 March 2020 £	As at 31 March 2019 £
Handelsbanken Instant Access Account	AA	2,000,000	2,000,000
TOTAL		2,000,000	2,000,000

Credit risk may also occur if an employing body not supported by Central Government does not pay contributions promptly, or defaults on its obligations. The Pension Fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. All contributions due at 31 March 2020 and 31 March 2019 were received in the first two months of the financial year.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due i.e. that cash is not available when required. The Pension Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The Fund's cash holding under its treasury management arrangements at 31 March 2020 was £2.0m (31 March 2019 £2.0m).

The Fund has immediate access to cash through two instant access accounts which at any one time could have up to £6 million available in total. The Fund also has the ability to access immediate cash held by Northern Trust which as at 31 March 2020 was £4.446m. The Fund does not have access to an overdraft facility.

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

Note 17: Funding arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the next valuation will take place as at 31 March 2022.

The key elements of the funding policy are:

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

The aim is to achieve 100% solvency over a period of 19 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. For each individual employer, the funding objective, method and assumptions depend on a particular employer's circumstances and different approaches have been adopted where applicable, in accordance with the Funding Strategy Statement.

At the 2019 actuarial valuation, the Fund was assessed as 94% funded (84% at the March 2016 valuation). This corresponded to a deficit of £132 million (2016 valuation was £278 million) at that time. Revised contributions set by the 2019 valuation will be introduced in 2020/21 and the common contribution rate (i.e. the average employer contribution rate in respect of future service only) is 16.6% of pensionable pay (14.9% at the March 2016 valuation).

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

Financial assumptions	31 March 2019	31 March 2016
Discount rate	4.25% p.a.	4.55% p.a.
Assumed long term CPI inflation	2.4% p.a.	2.2% p.a.
Salary increases – long term	3.65% p.a.	3.70% p.a.
Salary increases – short term	No allowance	1% p.a. for 4 years
Pension increases in payment	2.4% p.a.	2.2% p.a.

The assumed life expectancy from age 65 is as follows:

Demographic assumptions	Gender	31 March 2019	31 March 2016
Current pensioners (at age 65)	Males	22.8	22.9
	Females	24.9	26.1
Future pensioners (assumed current age 45)	Males	24.1	25.1
	Females	26.6	28.4

It is assumed that, on average, retiring members will take 80% of the maximum tax-free cash available at retirement.

Note 18: Analysis of debtors

Provision has been made for debtors known to be outstanding as at 31 March 2020. An analysis of debtors outstanding as at 31 March 2020 is shown below:

2018/19 £m	Debtors	2019/20 £m
0.613	Contributions due - employees	1.186
1.794	Contributions due - employers	4.019
1.583	Other entities and individuals	1.708
3.990		**6.913**

Note 19: Analysis of creditors

Provision has also been made for creditors known to be outstanding at 31 March 2020. An analysis of creditors outstanding as at 31 March 2020 is shown below:

2018/19 £m	Creditors	2019/20 £m
0.604	Central Government bodies	0.615
1.541	Other Local Authorities	1.309
0.867	Other entities and individuals	0.986
3.012		**2.910**

Note 20: Additional voluntary contributions

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

Contributions are invested in with-profit, unit linked or deposit funds of the scheme member. At present there are around 501 scheme members with AVC policies. These policies are held either by Utmost or Prudential.

During 2019/20 contributions to the schemes amounted to £0.611m. The combined value of the AVC funds as at 31 March 2020 was £4.983m.

Note 21: Related party transactions

Shropshire Council

The Shropshire County Pension Fund is administered by Shropshire Council. Shropshire Council incurred costs of £1.339m (2018/19 £1.559m) in relation to the administration of the Fund and all these costs were recharged to the Pension Fund.

Shropshire Council is also the single largest employer of members of the Pension Fund. At the year end, a balance of £1.704m was due to the Fund from the Council relating to early retirement costs and also contributions which became due in March but were paid in April. The Scheme Administrator of the Shropshire County Pension Fund is also the Director of Finance, Governance & Assurance for Shropshire Council.

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

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

LGPS Central

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

The Fund invested £1.315m in share capital and £0.685m in a loan to LGPSC in 2017/18. These remain the balances at 31 March 2020. The Fund was owed interest of £0.036m on the loan to LGPSC at 31 March 2020.

In addition, in March 2019, the Fund invested in the LGPSC Global Equity sub-fund. The Fund incurred direct costs totalling £1.808m in respect of this investment of which £0.002 was payable to LGPSC at 31 March 2020.

The Fund incurred costs totalling £0.475m in respect of Governance, Operator Running and Product Development in connection with LGPSC in 2019/20 of which £0.098m was payable to LGPSC at 31 March 2020.

Note 21a: Key management personnel

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

2018/19 £m		2019/20 £m
0.086	Short-term benefits*	0.108
0.070	Post-employment benefits**	0.063
0.156		**0.171**

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

Note 22: Contractual commitments

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

As at 31 March 2020 £295m has been committed to investment in private equity via a fund of funds manager (HarbourVest Partners). Investment in this asset class will be made as opportunities arise over the next 2-3 years. As at 31 March 2020 the fund's Private Equity investments totalled £119.887m.

Note 23: Contingent assets

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

Note 24: Value added tax

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

Note 25: Custody of investments

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

Note 26: Fund auditors

Grant Thornton has completed its audit in accordance with the Local Audit and Accountability Act 2014 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practice Board. The Audit Certificate is published within this report.

Note 27: Pension Fund Bank Account

Since April 2010 all income received for the Pension Fund has been paid into a separate pension fund bank account. The balance on this account is monitored daily and surplus cash balances invested and as at 31 March 2020 £2.0 million was invested. The cash balance in the Pension Fund account as at the same date was £0.397m.

Note 28: Fund structure update

In September 2017, an equity protection strategy was implemented with Legal & General, one of the Fund's existing managers. The strategy is currently being used to reduce equity risk while the Fund considers making allocations to other investments with £280 million of equities being protected at this time. The equity protection strategy was increased during 2018/19 to £580 million for a further period of 12-18 months expiring in 2020. This was funded by reducing the Fund's active global equity allocation. During March 2020, due to the fall in equity markets due to the global pandemic, a further £70 million of equity protection was implemented with Legal and General which expires in June 2021.

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

In April 2019 funds transferred to a new absolute return bond manager, T.Rowe Price from the proceeds received from GAM which was terminated the previous year.
In October 2019, the Fund paid across its first capital call to the new Global Infrastructure Partners IV fund. The total Fund commitment over the life of GIP IV is $75 million.

During the financial year, the Fund committed to two further HarbourVest funds (Dover Street X AIF and Co-Investment V Feeder AIF), with a combined total commitment of $50 million.

In May 2020, following agreement with the Chair and Scheme Administrator a redemption request was submitted to PIMCO. Funds are due to be repaid in full in August 2020 as this is currently being reviewed as part of the wider investment strategy review with Pension Committee during 2020/21.

Pooling report

The information request set out below reflects the information required by Partner Funds to meet the CIPFA Annual Report Pooling Disclosures in 2019/20. Please note that the information request reflects the start-up nature of LGPSC, and the level and complexity of the disclosures required will increase in later years.

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

1. Set-up costs

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

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

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

Transition fees – please see item 8 later for a more detailed breakdown of the information required.

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

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

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

£000	At 1 April-19	Charges in Year	Settled in Year	At 31 March-20
Governance Costs	16	243	(202)	57
Operator Costs	16	168	(147)	37
Other*	-	24	(24)	-
Product Development Costs	4	40	(40)	4
Total	**36**	**475**	**(413)**	**98**

* Entry Debt and expenses under the supplementary agreement.

4. Other transactions between partner funds and LGPSC

£000	At 1 April-19	Charges in Year	Settled in Year	At 31 March-20
Interest Payable	43	36	(43)	36
Item 2				
Item 3				
Total	**43**	**36**	**(43)**	**36**

5. LGPSC Investment management expenses charged to partner funds

	£000	Direct	Indirect	Total	BPS Charge
1	Ad Valorem	582		582	23.00
2	Performance	-		-	
3	Research	-		-	
4	PRIIPS Compliance	-		-	
5	Other (provide details)	-		-	
	Management Fees	**582**		**582**	**23.00**
6	Commissions	106		106	4.17
7	Acquisition/issue costs	-		-	
8	Disposal costs	-		-	
9	Registration/filling fees	-		-	
10	Taxes and Stamp Duty	83		83	3.25
11	Other (provide details)	-		-	
	Implicit Costs	1,004		1,004	39.51
	Transaction Costs	**1,193**		**1,193**	**46.93**
12	**Custody/Depositary**	**25**		**25**	**1.00**
13	**Other (provide details)**				
	Fund Accounting	4		4	0.15
	Transfer Agent	1		1	0.05
	External Audit	1		1	0.04
	Performance Reporting	2		2	0.08
	Total Costs	**1,808**		**1,808**	**71.24**

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

6. Investment management expenses by product / service

£000	1	2	3	4	5	6	7	8	9	10	11	12	13	Total 2018/19 Costs	AUM at 31 March 2020 £m	2019/20 BPS Charge
Global Ex-UK Passive																
UK Passive																
Dividend Growth Fund																
Global Multi-Manager	582					106				83	1,004	25	8	1,808	215	71.24
ACS Sub-Funds	**582**					**106**				**83**	**1,004**	**25**	**8**	**1,808**	**215**	
Private Equity 2018 V'tage																
Alternative Vehicles																
Discretionary Mandate 1																
Discretionary Mandate 2																
Discretionary Mandates																
Advisory Mandate 1																
Advisory Mandate 2																
Advisory Mandates																
Execution Only 1																
Execution Only 2																
Execution Only																
Other 1																
Other																
Total	582					106				83	1,004	25	8	1,808	215	71.24

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

7. Investment management expenses by product / service

£000	AUM At 1 April-19 £m	AUM At 31 March-20 £m	One Year Gross Performance % (*)	One Year Net Performance % (*)	Passive Benchmark Used	One Year Passive Index % (*)
Global Ex-UK Passive						
UK Passive						
Dividend Growth Fund						
Global Multi-Manager	238	215	-	-7.35	FT: All World	-
ACS Sub-Funds	**238**	**215**		(since inception)		
Private Equity 2018 Vintage						
Alternative Vehicles						
Discretionary Mandate 1						
Discretionary Mandate 2						
Discretionary Mandates						
Advisory Mandate 1						
Advisory Mandate 2						
Advisory Mandates						
Execution Only 1						
Execution Only 2						
Execution Only						
Other 1						
Other						
Total	238	215				

(*) Inception to 31 March 2020

8. Transition costs

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

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

Audit opinion & certificate

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

Opinion
The pension fund financial statements of Shropshire County Pension Fund (the 'pension fund') administered by Shropshire Council (the "Authority") for the year ended 31 March 2020 which comprise the Pension Fund Account, the Pension Fund Net Assets Statement and the Notes to the Shropshire County Pension Fund Accounts, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2020 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 and applicable law.

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

The audited financial statements and our Report thereon
We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 19 November 2020.

That report also includes an Emphasis of Matter - effects of Covid-19 on the valuation of property investments section that draws attention to Note 5 in the audited pension fund financial statements, which is replicated in Note 5 of the pension fund financial statements. Note 5 describes the effects of the Covid-19 pandemic on the valuation of the pension fund's property investments as at 31 March 2020. Note 5 indicates that due to the disruption in markets caused by the Covid-19 pandemic, the pooled property fund manager has stated in their valuation report as at 31 March 2020 that there is a material uncertainty about the valuations of the majority if not all the valuations provided by individual fund managers. As stated in our report dated 19 November 2020, our opinion is not modified in respect of this matter.

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

Under the Local Government Pension Scheme Regulations 2013 the Director of Finance Governance and Assurance of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

Auditor's responsibility

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

Use of our report

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

Richard Percival , Key Audit Partner
for and on behalf of Grant Thornton UK LLP,
Local Auditor
Birmingham
19 November 2020

Statement of responsibilities

For the statement of accounts

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

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, the responsibility of Chief Financial Officer is allocated to the Director of Finance, Governance & Assurance (Section 151 Officer & Scheme Administrator);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the statement of accounts.

Approved by Pensions Committee
The statement of accounts was approved at a meeting of the Pensions Committee on 18 September 2020.

Thomas Biggins
Chair of Pensions Committee
18 September 2020

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

The Director of Finance, Governance & Assurance (Section 151 Officer) and Scheme Administrator is responsible for the preparation of the Shropshire County Pension Fund's Statement of accounts in accordance with proper practices as set out in the CIPFA code of practice on Local Authority accounting in the United Kingdom ("the code of practice").

In preparing this statement of accounts, the Director of Finance, Governance & Assurance (Section 151 Officer) and Scheme Administrator:

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

The Director of Finance, Governance & Assurance (Section 151 Officer) and Scheme Administrator has also:

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

Certificate of the Chief Financial Officer
I hereby certify that the Shropshire County Pension Fund statement of accounts presents a true and fair view of the financial position and the income and expenditure of the fund for the year ended 31 March 2020 and also that the statement of accounts complies with the requirements of the Accounts and Audit Regulations 2015.

James Walton
Director of Finance, Governance & Assurance
(Section 151 Officer and Scheme Administrator)
18 September 2020

Fund policies

All fund policies can be found on the website

www.shropshirecountypensionfund.co.uk

Governance compliance statement

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

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

Pensions administration strategy report

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

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

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

Funding strategy statement

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

This document provides the basis for the actuarial valuation which occurs every three years. The funding strategy statement formed the basis of the 2019 actuarial valuation. It sets out in a transparent way the fund's prudent approach to meeting pension liabilities and maintaining stable employer contribution rates. It outlines the financial assumptions used in the actuarial valuation and identifies the risks and countermeasures employed by the fund.

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

Investment strategy statement

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

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

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

Glossary of terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Stakeholders: Scheme members who have a financial interest in the fund's investments. Council Tax Payers who are not Fund Members are not considered to be either Beneficiaries or Stakeholders.

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

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

Governance Compliance Statement

Appendix
01

Agreed by Pensions Committee March 2019

Appendices

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Introduction

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

2. It has been prepared by the administering authority in consultation with appropriate interested persons.

Purpose of Governance Compliance Statement

3. The regulations on governance compliance statements require an administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain and publish a written statement setting out:

a. whether it delegates its functions, or part of its functions, in relation to maintaining a pension fund to a committee, sub-committee or officer of the authority;

b. and, if so, it must state:
- The terms of reference, structure and operational procedures of the delegation;
- The frequency of any committee/sub-committee meetings;
- Whether the committee/sub-committee includes representatives of employing authorities (including non-scheme employers) or scheme members and, if there are such representatives, whether they have voting rights.

c. The extent to which delegation, or the absence of a delegation, complies with guidance by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.

d. Details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 (local pension boards: establishment).

Governance of Shropshire County Pension Fund

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

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

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

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

Pensions Committee

8. The Pensions Committee reports to full council. It meets formally at least quarterly and more frequently if formal decisions are required. In between meetings the chairman's approval may be sought.

Terms of Reference

a. To advise the council on the arrangements for the proper administration of the Shropshire County Pension Fund in accordance with the Local Government Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and any other relevant legislation;

b. To advise employing organisations and employees within the fund of their benefits, contributions and the financial performance of the fund;

c. To advise and assist the council on the determination of any matters of general policy relating to the investment of the pension fund;

d. To approve the annual report and accounts of the fund and to hold an annual meeting.

Operational procedures

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

- Admission of employing organisations to the fund where discretion is permitted;
- Appointment of external advisors and actuaries to assist with the administration of the fund, and of external managers for the management of the fund's portfolio of assets;
- Approval of the periodic formal actuarial valuation of the fund;
- Consideration of the advice of the fund's external investment advisers and of the scheme administrator;
- Determination of the objectives and general investment approach to be adopted by external fund managers;
- Review and monitoring of investment transactions and the overall investment performance of the fund;
- To develop and implement shareholder policies on corporate governance issues;
- To review and approve on a regular basis the content of the investment strategy statement and to monitor compliance of the investment arrangements with the statement;
- To review the investment strategy statement in detail ahead of the actuarial valuations being carried out and assist the valuation process;
- To review and approve on a regular basis the communications policy, administration strategy statement, funding strategy statement, investment strategy statement and any other regulatory policy adopted by the Fund.

Structure of the Pensions Committee

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

10. Shropshire Council) always holds either the chairmanship or vice chairmanship. The position of chairman and vice chairman rotate between Shropshire Council and the Borough of Telford & Wrekin on a yearly basis.

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

12. The role of scheme administrator is held by the officer who has responsibilities under S151 of the Local Government Act 1972 and provides financial (non-investment) advice to the committee. This includes advice on financial management, issues of compliance with internal regulations and controls, budgeting and accounting, and liaison with independent advisers. Legal advice is provided by Shropshire Council's Legal and Democratic Services. Formal statutory responsibility for the LGPS and fund investment lies with the administrating authority who are answerable for the effective and prudent management of the scheme.

13. The power to co-opt rests with the council in full assembly and not with committees. Although, in practice the selection of persons to serve as co-opted members is usually left to committees. The co-opted members from the Borough of Telford & Wrekin are voting members.

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

- attend Shropshire Council meetings and pilot Pension Committee proposals through the full assembly;
- answer questions put to him/her there;
- represent the Pensions Committee on other committees within Shropshire Council or within LGPS Central

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

Pension Board

Introduction and Role

16. Shropshire County Pension Fund's local Pension Board was established by Shropshire Council in 2015 under the powers of Section 5 of the Public Service Pensions Act 2013 and in accordance with regulation 106 of the Local Government Pension Scheme Regulations 2013. Meetings are normally held at the offices of Shropshire Council and are held a minimum of twice each calendar year.

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

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

Structure

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

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

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

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

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

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

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

22. The applications and nominations will then be subject to a selection process determined and carried out by the appointment panel. The chair and deputy chair will be determined by the appointment panel.
The term of office will be for four years with a possible extension for up to two years.

- Duties and role of the chair in so far as they:
  i. will ensure all meetings are productive and effective
  ii. ensure opportunity for all views to be heard, and
  iii. seek to reach consensus and that decisions are properly put to vote where necessary.

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

Operational Procedures

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

a. carries out duties effectively and efficiently
b. complies with relevant legislation and
c. complies with the code of practice on the governance and administration of public service pension schemes issued by The Pension Regulator and any other relevant statutory or non-statutory guidance.

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

- The reporting of any concerns over a decision made by the Pension Committee to the Pension Committee subject to the agreement of at least 50% of voting Pension Board members if all voting members are present. If not, all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.

- Escalation route and procedures if necessary, regarding a breach of regulation /The Pension Regulator's code of practice previously reported to the Pensions Committee but not rectified in reasonable time.
- The requirement of members to be able to demonstrate their appropriate knowledge and understanding and to refresh and keep their knowledge up to date. In addition to the requirements under the Public Service Pensions Act, it includes compliance with the pension fund's training policy insofar as it relates to Pension Board members.

Governance guidelines

Myners principles

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

The Pensions Regulator (TPR)

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

Scheme Advisory Board (SAB)

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

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

LGPS Central limited

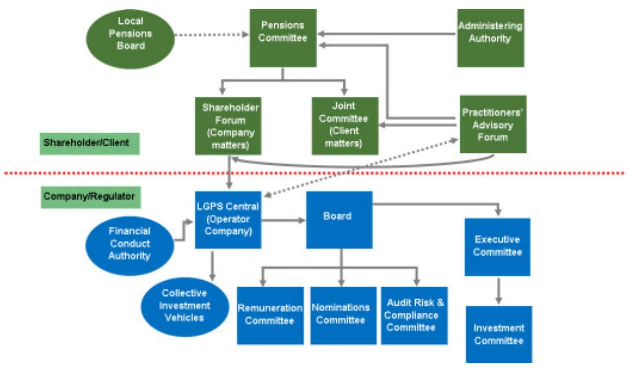
29. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 formally introduced the concept of asset pooling. Because of this, the Shropshire County Pension Fund has joined with eight other LGPS funds across the Midlands (partner funds) to form an asset pool, known as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

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

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

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

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



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

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

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

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

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

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

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

Delegation to officers

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

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

Arrangements outside of formal governance

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

With employing authorities

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

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

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

46. The Shropshire County Pension Fund involves all scheme employers, irrespective of size, in consultations and communications. The information to be supplied by employers to enable the administering authority to discharge its functions, is outlined in the pensions administration strategy statement which can be found on the pension fund's website: www.shropshirecountypensionfund.co.uk

47. Over the last decade, consultation with employing authorities on pension fund investment, actuarial matters and proposed central government changes to the regulations has evolved. A large step forward was afforded by the introduction of investment strategy statement and funding strategy statements, the consultation process surrounding them, and where these statements can be accessed.

48. All employers are invited to regular employer meetings which provide information on changes in regulations, investment matters and actuarial valuations. All employing authorities are also kept abreast of events, by email, and they are encouraged to get in touch if they have questions. There is also a dedicated area for employers on the Shropshire County Pension Fund website. This information includes the employers' guide and information for new employers.

49. The fund undertakes annual monitoring of its actuarial valuation position. Employer organisations are kept up to date of the latest position and its likely impact on employer contributions as assessed during the actuarial valuation. At triennial valuations the scheme actuary presents to the employers meeting to explain changes in the funding level and implications on employer contribution rates. Employers meetings are also used to discuss the funding strategy statements and data requirements for FRS101/102 and IAS19.

50. An annual meeting is held each year to which all employers and scheme members are invited. The meeting outlines the investment performance of the Shropshire County Pension Fund and any changes to the fund's investment strategy, as well as regulation changes and administration issues. A fund manager also presents at the meeting and allows employers and scheme members the opportunity to ask questions.

With employing authorities

51. Employees are represented on the Pensions Committee by two non-voting members (both union members) who have an active role in the selection of managers, performance monitoring, investment strategy and responses to consultations on regulation changes. Retired members are represented by a non-voting retired member.

52. All employees, as well as representatives from employer organisations, are invited to the annual meeting each year. All retired and deferred members also receive an invite to the annual meeting which is usually held in November in the county. The meeting is filmed and made available online to enable members unable to attend in person to watch. The meeting is well attended and provides a useful opportunity for members to meet their employee or retired member representative, learn about the fund, and ask questions.

53. Where possible every member of the scheme receives pensions newsletters. The fund's annual report is published on the pension fund's website and an email notification (where an email address is held) is issued notifying the website update. The full communication policy can be found on the fund's website. This policy outlines the fund's approach to communicating with members, representatives of members, prospective members and employing authorities; including the format, frequency, and method of communications. The pension fund's website includes further information on:

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

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

Training policy

55. The fund recognises the importance of ensuring that all staff and members charged with the financial management and decision making with regard to the Pension Scheme are equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

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

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

57. The training policy is regularly reviewed and once an updated policy is adopted, steps are taken to ensure all parties meet their requirements.

Myner's first principle states that administering authorities should ensure that:

'Decisions should only be taken by persons or organisations with the skills, knowledge, advice, and resources necessary to make them effectively and monitor their implementation. Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest'

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

Appendix A

Shropshire County Pension Fund discretions policies

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

Regulation	Discretion	Guideline	Delegated To
A52 (2) TP17 (5) T0 (8) R40 (2) R43 (2) R46 (2) R82 (2) LGPS 1997 38 (1) & 155 (4) R17 (12)	Payment of death grant	The death grant will normally be paid to, or amongst, nominated beneficiaries as directed by the deceased member through a completed expression of wish form. Where no nomination has been made, a death grant would normally be paid to the deceased's personal representatives (in that capacity). Where both of these options are seen to be inappropriate or impossible, (for instance perhaps because nominees have died, circumstances appear to have changed since the nomination was made, or other persons claiming some or all of the death grant or would seem to have a claim) we may pay the grant as we see fit to, or split it between surviving nominees or personal representatives or any person appearing to us to have been a relative or dependant of the deceased at any time.	Scheme Administrator
R17 (12)	Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member	The approach for this discretion will be the same as stated above in payment of death grant.	Scheme administrator
Rsch1 & TP 17 (9)	Decide to treat child (who has not reached the age of 23) as being in continuous full-time education or vocational training despite a break	To be reinstated where break does not exceed one academic year.	Scheme administrator
B27 (5)	Split of children's pensions	To be paid in equal proportions to the children.	Scheme administrator
A52 (A) B27 (5)	Payment of children's pensions to parent or guardian	To be paid to child and only paid to parent or guardian in exceptional circumstances.	Scheme administrator
R30(8) TP3 (1), TPSch2, paras 2 (1) and 2 (2) B30 (5) and B30A (5) TL4, L106(1) & D11(2)(c)	Where the employer has become defunct: whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age including any actuarial reduction on pre and/or post April 2014 benefits	Due to the potential costs of waiving actuarial reduction it is recommended that it be applied only on strong compassionate grounds e.g. where evidence shows that long-term care is being given to a dependent relative (solely dependent on the employee) and that this is likely to continue for many years. However, the cost of pension strain will be given significant relevance in reaching a decision.	Scheme administrator
TPSch 2, paras 1 (2) and 2 (2) TPSch 2, para 1(2) & 1(1)(f) and R60	Where the employer has become defunct: Whether to 'switch on' the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60	The fund will not agree to apply the 85 year rule where members choose to voluntarily draw their benefits on or after age 55 and before age 60 except in exceptional circumstances where the interests of the fund have been considered and it is in its financial or operational interests to do so. Each case - will be considered on the merits of the financial and / or operational business case put forward	Scheme administrator
R30 (8)	Where the employer has become defunct: Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement	The fund will not agree to flexible retirement except in circumstances where the interests of the employer have been considered and it is in its financial or operational interests to do so. Each case - will be considered on the merits of the financial and / or operational business case put forward, - will set out whether, in additional to any pre 1 April 2008 benefits, the member will be permitted, as part of the flexible retirement agreement, to take a) all, some or none of their 1 April 2008 to 31 March 2014 benefits, and /or b) all, some or none of their post 31 March 2014 benefits, and - will require the approval of the scheme administrator.	Scheme administrator
B39 & T14 (13) R34 (1) (b) (c)	Commutation of small pensions	To be commuted in all cases where capital value of the benefits is within HMRC limits other than in exceptional circumstances. The member/dependent must make a formal request including the exceptional circumstance they wish to be considered. Each formal request to not commute benefits will be assessed on its circumstances and merits.	Scheme administrator

Regulation	Discretion	Guideline	Delegated To
R71 (1)	Whether to charge interest on payments by employers which are over due	To be paid with employees' contribution by the 19th of month following the month to which they relate. If contributions are overdue by a month or more then interest may be charged depending on the individual circumstances.	Scheme administrator
A28 (2) **TP15 (1) (d)**	Charge for estimate of transfer of AVC to main scheme to buy additional pension	First calculation free thereafter £50 per estimate	Scheme administrator
LGPS 97 - 92	Acceptance of transfer value	To be refused if insufficient to meet Guaranteed Minimum Pension liability	Scheme administrator
R100(6-8)	Extend normal time limit for acceptance of a transfer value beyond twelve months from joining the LGPS	The fund will only extend the twelve-month time limit within which a scheme member must make an election to transfer other pension rights into the LGPS after joining the LGPS: - where the member asked for transfer investigations to be commenced within twelve months of joining the LGPS but a quotation of what the transfer value will purchase in the LGPS has not been provided to the member within eleven months of joining the LGPS. The time limit for such a member to make a formal election to transfer pension rights into the LGPS is the 3 months transfer guarantee period ; - where the available evidence indicates the member made an election within twelve months of joining the LGPS, but the election was not received by the pension fund administering authority; - where the available evidence indicates the member had not been informed of the twelve-month time limit due to maladministration. - The fund's decision would also be to support the employer's decision where it is reasonable and evidenced that they are fully aware of the consequences and increased liabilities that will incur by agreeing this and it is not contradicting their own policy on this discretion.	Scheme administrator
Financial Rules of the administering authority, Shropshire Council.	Overpayment of pension	Overpayments of less than £100 are not to be recovered where they occur during the month of death and where recovery is likely to cause hardship or be impractical.	Scheme administrator
R69 (1) (4) **R80(1)(b) & TP22(1)**	Decide the frequency and form of payments and information to accompany payments to be made over to fund (as listed in regulation R69) by employers and whether to make an admin charge.	All payments deducted from members must be paid to the fund by the 19th of the month following the month they were deducted. Any other payments must be paid immediately on receipt of the invoice. Further information on the formal procedures employers must adhere to are set out in the administration strategy statement.	Pensions committee
A60 (8) **R76 (4)** **R79 (2)**	Procedure to be followed by administration authority when exercising its stage two IDRP functions and whether administering authority should appeal against employer decision (or lack of a decision).	Full procedure is documented in the IDRP guide which can be found on the fund's website: www.shropshirecountypensionfund.co.uk	Scheme administrator
TP3 (13) **A70 (1)** **A71 (4) (c)**	Abatement of pensions following re-employment	From the 1 June 2006 the abatement and suspension of pension policy operated by the council changed and since this date no adjustments are required to funded pensions in respect of re-employment, regardless of the level of earnings. This policy applies to the funded element of the pension only and not the added year's compensation. This will still be subject to adjustment as per the regulations.	Scheme administrator
B10 (2) **TP3 (6)** **TP4 (6)(c)** **TP8 (4)** **TP10 (2) a** **TP17 (2)(b)** **Tsch1** **L23(9)**	Where a member dies before making an election of average of three years pay for final pay purposes or when a deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1 April 2008.	Election to be made by the fund on behalf of the deceased member.	Scheme administrator
A52 A **B27 (5)** **R83**	Payments for persons (other than an eligible child) incapable of managing their affairs	If it appears that a person (other than an eligible child as defined in the appropriate regulations) is entitled to the payment of benefits under the scheme but is, by reason of mental disorder or otherwise, incapable of managing his or her affairs, taking regard to the circumstances of the case and medical guidance, where appropriate, the benefits, or any part of them, will be paid to a person having care of the person entitled, or such other person as the scheme administrator may determine, to be applied for the benefit of the person entitled. The Fund's trivial commutation policy will be followed for small pensions. In all other cases, where there is a long term annual pension payable the Fund will require evidence of a either power of attorney when the annual pension exceeds £1000; in cases where the annual pension benefit is below £1000, medical and documentary evidence will be required.	Scheme administrator
B25 **RSch1** **TP17 (9)(b)**	Decide evidence required to determine financial dependence of co-habiting partner on scheme member or financial interdependence of cohabiting partner	A fund's declaration form is required to be completed and signed confirming the regulatory requirements have been met and supported by the appropriate evidence.	Scheme administrator
TSch 1 & L23 (9) **B42 (1) (c)** **R49 (1) (c)**	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under two or more regulations in respect of the same period of scheme membership	Benefit which is more beneficial to member to be paid.	Scheme administrator

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

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

Administration Strategy Statement

Appendix

02

Agreed by Pensions Committee on January 2020

Appendices

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1. Introduction

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

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

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

2. Compliance

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

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

3. Review

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

4. Regulatory framework

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

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

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

5. Scheme employer duties and responsibilities

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

Monthly/Annual Data transfer

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

Response to queries

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

Appointing a main contact

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

Their key responsibilities are:

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

Authorised signatories

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

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

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

Employer Training

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

Discretions Policy

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

Notification of employee's rights

Internal Disputes Resolution Procedure (IDRP)

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

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

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

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

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

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

6. Service standards to Scheme members

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

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

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

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

CHANGES IN CIRCUMSTANCES FOR ACTIVE MEMBERS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To ensure that the Fund is informed of any changes in the circumstances of employees through i-Connect within four weeks of the change. Forms and guidance can be found in the employers' area of the Fund website at: www.shropshirecountypensionfund.co.uk **CHANGES INCLUDE:** **Personal Information:** • Change of Name • Marital Status • National insurance Number **Conditions of employment affecting pensions:** • Contractual hours (mandatory for members who meet the underpin requirements only) • Any remuneration changes due to promotion and down grading • Full-time equivalent pensionable pay according to the pre 2014 definition • Actual pensionable pay (including overtime/additional hours) in 100/100 and 50/50 schemes according to the post 2014 definition (CARE). • Employees contribution rate • Employee number and/or post number • Date joined scheme (if adjusted) • Confirmation of 50/50 or 100/100 scheme entry NB. An Employee can easily exceed HMRC annual allowance if their pay increases. You therefore are asked to inform the Fund of: • Significant pay awards/pay increases • Honorariums • Additional Voluntary Contributions (AVC) contributions • Shared Cost AVC contributions (if applicable) • Shared Cost Additional Pension Contributions For a full list of data items required, see the section FINANCIAL AND DATA OBLIGATIONS, or further information is available from the Fund directly. Employers can also visit the webpage on 'monthly data reports and end of year procedure' on the Fund website www.shropshirecountypensionfund.co.uk **Absence** During periods of reduced or nil pay as a result of sickness, injury or relevant child related leave (i.e. ordinary maternity, paternity or adoption leave or paid shared parental leave and any paid additional maternity or adoption leave) assumed pensionable pay (APP) should be applied for pension purposes. Employer contributions should be deducted from pay and any APP. If the employee receives no pay the employer contributions should still be deducted from APP. Should an employee wish to purchase Additional Pension Contributions (APC) or a Shared Cost Additional Pension Contributions (SCAPC) contract to buy back the pension 'lost' during the absence, the APP amount will need to be calculated and provided to the member's employer. Employers must bring to the attention of the member, before a period of absence, that they can buy back the 'lost' pension. Employers should also direct members to the website www.lgpsmember.org where they can calculate the cost to buy back this 'lost' pension. As employees have a thirty day timeframe with which to buy back the lost pension, employers should be sure to mention this to the employee early on in the 30 day period. **Types of absences include:** • Maternity, paternity and adoption • Paid & unpaid leave of absence • Industrial action (SCAPC not available) • Any other material/authorised period of absence **See section 'ADDITIONAL PENSION CONTRIBUTIONS (APCs) and SHARED COST APC's' for further information.**	To provide forms and spreadsheets for recording key changes in circumstance and to provide guidance on the secure submission of data through i-Connect. To accurately record and update member records on the pensions administration systems within four weeks of notification, or any shorter period as requested by the employer with regards to specific requirements.

ANNUAL RETURN, VALUATION & ANNUAL BENEFIT STATEMENTS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To ensure the Fund receives accurate year to date information to 31 March through the month twelve i-Connect data submission. The information should be accompanied by a final statement (lgs121a); balancing the amounts paid during the year with the total amounts submitted via i-Connect for the year and to include leavers. A compliance statement (lgs121b) must also be submitted and both duly signed by an appropriate officer. Should there be any under/over payment discovered whilst reconciling, accompanying paperwork detailing this must be submitted together with payment or a formal request for a refund. Year end reconciliation must be completed and forms sent by 30 April each year. To provide any additional information that may be requested to produce annual benefit statements for service up until the 31 March in each particular year by the 30 April each year. To provide the Fund with up to date and correct information as and when requested in accordance with agreed timescales and the regulations. To ensure that all errors highlighted from the annual contribution and pensionable pay posting exercise are responded to and corrective action taken promptly.	To process employer year end contribution returns within three months of receipt i.e. 30 April, or within three months of receipt of the information if later. To produce annual benefit statements for all active members by 31 August. To highlight annually if an individual has exceeded their annual allowance and issue a pensions saving statement by 5 October. Annual benefit statements will also be produced for deferred members, but no information from employers will be required. To provide data to the Fund Actuary and Government Actuary's Department to enable employer contribution rates to be accurately determined. To provide an electronic copy of the actuarial valuation report and contributions certificate to each employer.

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

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

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

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

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

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

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

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

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

7. Standards of data

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

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

and any future amendments to the above legislation.

Data Protection Act 2018

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

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

Secure Data Transfer

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

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

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

Audit

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

Benchmarking

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

8. Employer performance reporting

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

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

Poor performance/additional work

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

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

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

In dealing with poor performance the Fund will:

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

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

Reporting breaches

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

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

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

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

9. Associated policy statements

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

Employer Events Policy

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

Communications Strategy Statement

The statement outlines the Fund's policy on:

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

Governance Compliance Policy

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

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

Employer Discretions Policy

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

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

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

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

10. Fund Contact Information

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

Funding Strategy Statement

Appendix
03

Agreed by Pensions Committee March 2020

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

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Executive summary

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

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

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

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

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

The fund's objective

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

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

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

Solvency and long-term cost efficiency

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

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

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

Recovery plan and contributions

As the solvency level of the Fund is 94% at the valuation date i.e. the assets of the Fund are less than the liabilities, a recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall. (In a similar manner, where an individual employer is in surplus it may in certain circumstances be appropriate to reduce the overall contributions payable to reflect this, by way of a "surplus offset".)

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

The target recovery period for the Fund as a whole is 13 years at this valuation which is 3 years shorter than the target recovery period from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce by 3 years at this valuation.

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

McCloud

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment. Therefore, the Fund has considered its policy in relation to costs that could emerge from the McCloud judgment in line with the guidance from the Scheme Advisory Board in conjunction with the Actuary. Whilst the remedy is not known and may not be known for some time, for the purpose of this valuation, when considering the appropriate contribution provision, we have assumed that the judgment would have the effect of removing the current age criteria applied to the underpin implemented in 2014 for the LGPS. This underpin therefore would apply to all active members as at 1 April 2012. The relevant estimated costs have been quantified and notified to employers on this basis but also highlighting that the final costs may be different. Employers will be able to choose to include these estimated costs over 2020/23 in their certified contributions. Alternatively, they will need to make allowance within their budgets and note that additional contributions could be payable if the remedy is known before the next valuation.

Actuarial assumptions

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

The discount rate in excess of CPI inflation (the "real discount rate") has been derived based on the expected return on the Fund's assets allowing for the long term strategy set out in its Investment Strategy Statement (ISS). When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns in excess of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year). It is proposed at this valuation the real return over CPI inflation for determining the past service liabilities is 1.85% per annum and for determining the future service ("Primary") contribution rates is 2.25% per annum.

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

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

Employer asset shares

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

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

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

Fund policies

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

1. **Covenant assessment and monitoring**

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

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

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

2. **Admitting employers to the Fund**

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

   - **Mandatory Scheme Employers -** for example new academies (see later section)
   - **Designated bodies -** those that are permitted to join if they pass a resolution for example Town and Parish Councils.
   - **Admission bodies -** usually arising as a result of an outsourcing or a transfer to an entity that provides some form of public service and their funding primarily derives from local or central government.

   The key objective for the Fund is to only admit employers where the risk to the Fund is mitigated as far as possible. The different employers pose different risks to the Fund.

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

3. **Termination policy for employers exiting the Fund**

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

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

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

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

Any exit credits (surplus assets over liabilities) required to be paid will be paid from the Fund to the exiting employer within 6 months of cessation (or such longer period as may be agreed in the individual case), in line with the assessment performed by the Actuary. This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date.

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

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

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

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

In practice, in the event of a surplus the Administering Authority will also have regard to the provisions of The Local Government Pension Scheme (Amendment) Regulations 2020 in determining the amount of any exit credit payable, and any such amount determined will be paid to the exiting employer within 6 months of cessation or such longer period as may be agreed in the individual case. The Fund's Employer Events Framework Policy Document will be updated to set out how the Fund will exercise its discretion in this area, and the relevant sections of that policy document will be deemed to be part of this FSS.

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

1. Introduction

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

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

Benefits

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

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

Employer contributions

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

Primary rate

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

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

Secondary rate

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

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

2. Purpose of the FSS in policy terms

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

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

The purpose of this Funding Strategy Statement is therefore:

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

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

3. Aims and purpose of the fund

The aims of the Fund are to:

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

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

4. Responsibilities of the key parties

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

Key parties to the FSS

The Administering Authority should:

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

The Individual Employer should:

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

The Fund actuary should:

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

5. Solvency funding target

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

Solvency and long term efficiency

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

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

When formulating the funding strategy the administering authority has taken into account these key objectives and also considered the implications of the requirements under section 13(4)(c) of the public service pensions act 2013. As part of these requirements the government actuary's department (gad) must, following an actuarial valuation, report on whether the rate of employer contributions to the fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the lgps so far as relating to the fund.

Determination of the solvency funding target and recovery plan

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

Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the

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

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

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2020 at the latest.

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

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2019 actuarial valuation:
- The Fund does not believe it appropriate for offsets to total contributions in respect of any surplus to be allowed where the employer has a deficit on their termination assumptions, unless there is compelling reason to do so.
- Where warranted by an employer's circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole. Such cases will be determined by the Section 151 Officer and reported to the Committee.
- The target deficit recovery/surplus offset period for the Fund as a whole will reduce by three years, to 13 years at the 2019 valuation, so as to maintain same "end point". For individual employers who are open to new members, subject to consideration of affordability, as a general rule the deficit recovery/surplus offset period will reduce by 3 years for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon. Employers will have the freedom to adopt a deficit recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Recovery Plan in Appendix B).
- Individual employer contributions will be expressed and certified as two separate elements:
  - the **Primary rate:** a percentage of pensionable payroll in respect of the cost of the future accrual of benefits
  - the **Secondary rate:** a schedule of lump sum monetary amounts over 2020/23 in respect of an employer's surplus or deficit (the Secondary rate may be expressed as a percentage of pensionable payroll in cases where there is a funding surplus)

  For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from April 2023 based on the results of the 2022 actuarial valuation.
- Where increases in employer contributions are required from 1 April 2020, following completion of the 2019 actuarial valuation, if the Administering Authority agrees then the increase from the rates of contribution payable in the year 2020/21 may be implemented in steps, over a maximum period of 3 years.

Employers exiting the fund
On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. In such circumstances the approach will depend on whether the employer has a guarantor in the in Fund:

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

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

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

In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 6 months of cessation or such longer period as may be agreed in the individual case). This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date.

Termination with a guarantor

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

The Fund's policy is that any assets, liabilities and deficit or surplus would be subsumed by the guarantor and taken into account at the following valuation. This is subject to either the case being a "risk-sharing" arrangement (where the exiting employer is not responsible for their final position in the Fund), or agreement from all interested parties who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor.

Otherwise, in the event of a deficit, the Fund will seek to recover this from the exiting employer in the first instance. However, if this is not possible, then to maintain a consistent approach between treatment of surplus and deficit, the Fund will then seek to recover the deficit from the guarantor via an additional cash payment, unless otherwise agreed with the Administering Authority. In the event of a surplus the Administering Authority will have regard to the provisions of The Local Government Pension Scheme (Amendment) Regulations 2020 in determining the amount of any exit credit payable, and any such amount determined will be paid to the exiting employer within 6 months of cessation or such longer period as may be agreed in the individual case. The Fund's Employer Events Framework Policy Document will be updated to set out how the Fund will exercise its discretion in this area, and the relevant sections of that policy document will be deemed to be part of this FSS.

In the event of parties unreasonably seeking to crystallise the exit credit on termination, the Fund will consider its overall policy and seek to recover termination deficits as opposed to allowing them to be subsumed with no impact on contribution requirements until the next assessment of the contribution requirements for the guarantor. Equally where a guarantor decides not to underwrite the residual liabilities the basis of assessment on termination will assume the liabilities are orphaned and thus the minimum risk basis will apply.

Funding for non-ill health early retirement costs

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

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

The results of the 2019 valuation show the liabilities to be 94% covered by the current assets, with the funding deficit of 6% being covered by future deficit contributions.

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

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

portfolio would minimise fluctuations in the Fund's funding position between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance. This would result in real return of less than CPI at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 54%.

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

Asset Class	Allocation	Control Ranges
Total Equities	**47.0**	**42.0-52.0**
Unconstrained Global Equities***	11.0	8.0-14.0
UK Equities	8.0	5.5-10.5
Passive Equities (100% Hedged to GBP)*	28.0	22.0-34.0
Total Alternatives	**25.5**	**20.5-30.5**
European (Inlc UK) Property	5.0	n/a
Private Equity	5.0	n/a
Infrastructure	3.0	n/a
Fund of Hedge Funds**	7.5	n/a
Insurance-Linked Securities	1.5	n/a
Property Debt	3.5	n/a
Total Bonds	**27.5**	**22.5-32.5**
Liability Driven Investment (LDI)	3.5	2.0-5.0
Unconstrained Bonds**	24.0	20.0-28.0

***The Fund has implemented an equity derivatives programme with Legal & General Investment Management in order to manage the SCPF's exposure to equity markets over the short to medium term. The strategy protects £580m of equities with £140m of protection expiring in June 2019, another £140m expiring in December 2019, and another £300m expiring in December 2020. The protection targerted is such that when expected divindend income is allowed for, the total losses over the term of the protection will be no greater than 3%, unless the extent of price losses are sufficiently large to result in total return losses exceeding 23%, in which case the protection structure reduces the toal return losses by 20%. For all except the non-US expiries in December 2020, protection was funded by selling potential upside returns on the equity protected with the amount retained varying by region.**

****The Fund has recently disinvested from a multi-strategy hedge fund and increased the allocation to fund of hedge funds and unconstrained bonds.**

*****The Fund transferred its unconstrained active global equities to LGPS Central in March 2019.**

The investment strategy set out above and individual return expectations on those asset classes equate to an overall best estimate average expected return of 2.5% per annum in excess of CPI inflation as at 31 March 2019 i.e. a 50/50 change of achieving this real return. For the purposes of setting a funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations (see further comment in Appendix A).

7. Identification of risks and counter measures

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

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

Financial

The financial risks are as follows:

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

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

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

Demographic

The demographic risks are as follows:

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

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

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

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

Insurance of certain benefits

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

Regulatory

The key regulatory risks are as follows:

- Changes to regulations, e.g. Changes to the benefits package, retirement age, potential new entrants to fund,
- Changes to national pension requirements and/or hmrc rules

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

Governance

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

Governance risks are as follows:

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

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

8. Monitoring and review

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

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

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

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

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

Cost management and the mccloud judgement

The cost management process was set up by HMT, with an additional strand set up by the Scheme Advisory Board (for the LGPS). The aim of this was to control costs for employers and taxpayers via adjustments to benefits and/or employee contributions.

As part of this, it was agreed that employers should bear the costs/risks of external factors such as the discount rate, investment returns and inflation changes, whereas employees should bear the costs/risks of other factors such as wage growth, life expectancy changes, ill health retirement experience and commutation of pension.

The outcomes of the cost management process were expected to be implemented from 1 April 2019, based on data from the 2016 valuations for the LGPS. This has now been put on hold due to age discrimination cases brought in respect of the firefighters and judges schemes, relating to protections provided when the public sector schemes were changed (which was on 1 April 2014 for the LGPS and 1 April 2015 for other Schemes).

It is not known how these cases will affect the LGPS or the cost management process at this time. The Scheme Advisory Board issued guidance which sets out how the McCloud case should be allowed for within the 2019 valuation.

The potential impact of the judgement (based on the information available at the time) has been quantified and communicated to employers as part of the 2019 valuation. Employers will be able to choose to include these estimated costs over 2020/23 in their certified contributions. Alternatively, they will need to make allowance within their budgets and note that additional contributions could be payable if the remedy is known before the next valuation.

Appendix A

Actuarial method and assumptions

Method

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

Financial assumptions - solvency funding target

Investment return (discount rate)

The discount rate has been derived based on the expected return on the Fund assets base on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 1.85% per annum above CPI inflation i.e. a real return of 1.85% per annum, equating to a total discount rate of 4.25% per annum. This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.

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

Inflation (Consumer Prices Index)

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

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

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

Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.25% p.a. over the inflation assumption as described above. This includes allowance for promotional increases.

Pension increases/Indexation of CARE benefits

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

Demographic Assumptions

Mortality/Life Expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the Fund. The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections with a long-term improvement trend of 1.5% per annum.

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

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

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

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

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

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

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

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real discount rate of 2.25% per annum above the long term average assumption for consumer price inflation of 2.4% per annum, giving a total discount rate of 4.65% per annum.

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

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

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

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

Summary of key whole fund assumptions used for calculating funding target and cost of future accrual (the "primary rate") for the 2019 actuarial valuation

Long-term yields	
Market implied RPI inflation	3.4% p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate	4.25% p.a.
CPI price inflation	2.4% p.a.
Long Term Salary increases	3.65% p.a.
Pension increases/indexation of CARE benefits	2.4% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	4.65% p.a.
CPI price inflation	2.4% p.a.
Long Term Salary increases	3.9% p.a.
Pension increases/indexation of CARE benefits	2.4% p.a.

Life expectancy assumptions

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

	BASE TABLE	Improvement	Adjustment (M/F)
Current pensioners:			
Normal health	S3PA	CMI_2018 [1.5%]	93% / 88%
Ill-health	S3PA	CMI_2018 [1.5%]	115% / 126%
Dependants	S3PMA / S3DFA	CMI_2018 [1.5%]	124% / 87%
Future dependants	S3PMA / S3DFA	CMI_2018 [1.5%]	119% / 106%
Current active/deferred:			
Active normal health	S3PA	CMI_2018 [1.5%]	98% / 90%
Active ill-health	S3PA	CMI_2018 [1.5%]	116% / 139%
Deferred	S3PA	CMI_2018 [1.5%]	117% / 104%
Future dependants	S3PMA / S3DFA	CMI_2018 [1.5%]	126% / 113%

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

Appendix B

Employer recovery plans

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

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund. However, some employers have funding surpluses and in these cases any "surplus offset" will normally be determined as a percentage of pensionable pay.

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

The determination of the target recovery periods is summarised in the table below. Individual employer circumstances may dictate that a different recovery period is applied in specific cases:

Category	Target Recovery Period	Derivation
Fund Employers	13 years	Determined by reducing the recovery period from the preceding valuation by 3 years.
Open Admitted Bodies	13 years	Determined by reducing the recovery period from the preceding valuation by 3 years.
Closed Employers	Based on the future working lifetime of the membership	Determined by the future working life of the membership.

Category	Target Recovery Period	Derivation
Employers with a limited participation in the Fund	Determined on a case by case basis	Length of expected period of participation in the Fund

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

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

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

Other factors affecting the Employer Recovery Plans

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

For an employer without a guarantor in the Fund, any surplus offset will normally only be allowed to the extent that the employer has a surplus on its termination basis.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidenced based affordable level of contributions for the organisation for the three years 2020/23. Any application of this option is at the ultimate discretion of the Fund officers and Section 151 officer in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

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

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

Appendix C

Glossary

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

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

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

Benchmark: a measure against which fund performance is to be judged.
Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

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

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

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

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

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

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

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

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

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

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

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

Funding or solvency Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage. Funding Strategy Statement: this is a key governance document that outlines how the administering authority will manage employer's contributions and risks to the Fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Present Value: the value of projected benefit payments, discounted back to the valuation date. Profile: the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

Rates and Adjustments Certificate: a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

Real Return or Real Discount Rate: a rate of return or discount rate net of (CPI) inflation.

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.

Scheduled bodies: types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

Valuation funding basis: the financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

Investment Strategy Statement

Appendix

04

Agreed by Pensions Committee March 2019

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1. Introduction

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

All LGPS funds in England and Wales are required to have an Investment Strategy Statement ("ISS" or "Statement"). Regulation 7 of The LGPS (Management and Investment of Funds) Regulations 2016 governs the requirements of this Statement. The Shropshire County Pension Fund (the "Fund") has complied with these requirements.

Under the regulations the Secretary of State has the power to intervene in the investment function of an administering authority if the administering authority does not have regard to the Regulations, guidance or if other concerns are raised. This may include changing the ISS and, in the extreme, the transfer of investment powers to the Secretary of State or another nominated person.
Shropshire Council (the "Authority") is the Administrating Authority for the Fund.

This ISS has been prepared by the Fund's Pension Committee (the "Committee"), following advice received from the Fund's consultant, Aon Hewitt.

The document takes account of the Fund's:

Approach to pooling

- the Authority's approach to the pooling of investments, including the use of collective investment vehicles and shared services.

Asset allocation and risk

- to ensure that asset allocation strategies are sufficiently diversified;
- to include the Authority's assessment of the suitability of asset classes;
- set out the maximum percentage of the total value of all investments that it will invest in in particular asset classes;
- to include the Authority's approach to risk, the assessment of risks and how they are to be managed.

Policies regarding investments

- the Authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;
- the Authority's policy on the exercise of the rights (including voting rights) attaching to investments.

The ISS will be reviewed every three years after the investment strategy has been reviewed and is confirmed as fit for purpose. In addition the ISS will be reviewed following changes to the investment strategy.

A copy of this ISS will be made available on request to any interested party.

2. Governance

Shropshire Council has delegated responsibility for the management of the Fund to the Pension Committee. The Pension Committee has responsibility for establishing investment policy and ongoing implementation.

The Pension Committee is made up of nine members comprising both elected councillors and a non-voting employee and pensioner representative.

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

Decisions affecting the Fund's investment strategy are taken with appropriate advice from the Fund's advisers. Only persons or organisations with the necessary skills, information and resources take decisions affecting the Fund. The Members of the Pension Committee will ensure they receive training as and when deemed appropriate, to enable them to critically evaluate any advice they receive.

The Committee receives independent investment advice from the following sources:

- **Roger Bartley** - strategic and overall investment approach advice.
- **Aon Hewitt** (the Investment Consultant) - analysis and advice of a technical nature in relation to all investment related aspects of the Fund.

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

Local Pensions Board

The role of the Local Pensions Board is to assist in the good governance of the scheme through the monitoring of adherence to statutory duties.

The Board consists of 2 employer and 2 member representatives.

The Pensions Board is not a decision-making body, nor does it hold a scrutiny function; its role is to assist in the compliance with scheme rules.

Investment Principles

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

3. Approach to Pooling

The Fund is a participating member of the LGPS Central Pool. The proposed structure and basis on which the LGPS Central Pool (the "Pool") will operate was set out in the July 2016 submission to Government.

Assets to be Invested in the Pool

The Fund's intention is to invest its assets through the LGPS Central Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government.

It is expected that the majority of the Fund's liquid assets will be transferred to the Pool during 2019, although it will take some time for the Pool to restructure the assets into appropriate sub-funds within the Pool. These sub-funds are likely to be set-up over a period of 2 – 3 years, with the timing being dependent on market conditions and operational circumstances, and until such time as the appropriate sub-fund is set up the assets transferred into the Pool will be overseen by LGPS Central on behalf of the Fund. It is not expected that any significant decisions (e.g. replacement of a manager) will be taken on the assets transferred over to the Pool without prior consultation with the Fund, unless it is part of the process that leads to the setting up of a sub-fund.

At present it is expected that any transitory cash will be held outside the Pool (but not strategic cash holdings), and it is possible that currency management will continue to be carried out at an individual fund level.

Structure and Governance of the LGPS Central Pool

The eight administering authorities of LGPS Central will all be equal shareholders of the company. A Shareholders' Forum, comprising of one elected member from each administering authority, will fulfil the shareholders' role in ensuring that the company is managed efficiently and effectively and in the best interests of the funds.

A Joint Committee, also comprising one elected member from each administering authority, has been formed that will hold the company to account on all investment-related issues. The Joint Committee has no decision making powers and all actions that are felt to be appropriate will ultimately require approval at an individual fund level.

A Practitioners' Advisory Forum, comprising of Officers of the administering authorities, has been set up. The intention of this forum is to provide support and guidance to elected members on some of the practical issues, and to act as a conduit between the Joint Committee and the Committees of individual funds.

4. Asset allocation and risk

Strategic Asset Allocation

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

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

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

The Committee formulates the investment strategy with a view to:
- the advisability of investing money in a wide variety of investments;
- the suitability of particular investments and types of investment;
- ensuring that asset allocation strategies are sufficiently diversified.

The Committee will consider a full range of investment opportunities including:
- quoted and unquoted equity;
- government and non-government bonds;
- Liability Driven Investment ("LDI");
- property and infrastructure;
- hedge funds and other alternative investments;
- derivatives, including equity options

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

Investment Beliefs
The following investment beliefs are taken into account when agreeing an asset allocation policy:
- A long term approach to investment will deliver better returns.
- The long term nature of the Fund's liabilities is well suited to a long term approach to investment.
- Asset allocation policy is the most important driver of long term return.
- Risk premiums exist for certain types of asset and taking advantage of these can help to improve investment returns.
- Markets can be inefficient, and sometimes 'mispriced' for long periods of time, and there is a place for both active and passive investment management.
- Diversification across investments with low correlation improves the risk/return profile, but over-diversification is both costly and adds little value.
- The Fund should be flexible enough in its asset allocation policy to take advantage of opportunities that arise as a result of market inefficiencies, and also flexible enough to protect against identifiable short-term risks when this is both practical and cost-effective.
- Responsible investment can enhance long term investment performance and investment managers will only be appointed if they integrate responsible investment into their decision-making processes.
- Investment management fees are important and should be minimised wherever possible, but it is ultimately the net return to investors (i.e. the return after all fees and costs) that is the most important factor.

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

The asset-liability study takes into account the particular liabilities of the Fund.

In addition to a full specification of the Fund's benefits, the study will make important assumptions about the behaviour of various asset classes (such as their expected return over long periods of time and the variability of those returns) and the liabilities in the future. In framing these assumptions, it is assumed that:
- Equities may be expected to outperform other asset classes over the long term, but the returns are more unpredictable over the short term. Gilts in turn can be expected to outperform cash deposits but with greater variability.
- Asset classes do not perform in the same way; some may go up in value while others are going down.
- The performance of certain asset classes (for example index-linked gilts) is more closely

linked to the behaviour of inflation than others and so they represent a good match for liabilities linked to inflation.

Expected annualised returns are formulated for each asset class based on long term capital market assumptions, using ten year expected returns and volatilities. The returns and volatilities used for each asset class are shown in the table below, and represent the 10 year annualised nominal return assumptions from Aon Hewitt at 30 September 2018. Note these differ from the 31 December 2016 assumptions used at the last Asset-Liability Modelling study.

Asset class	31 December 2016	
	Expected Return %	Volatility %
UK Equities	6.5%	19.0%
Global Unconstrained Equities	8.1%	20.6%
Global Passive Equities	6.9%	20.0%
European Property	5.4%	17.0%
UK Index-Linked Gilts (20 year duration)	0.9%	10.5%
Unconstrained Bonds	3.8%	6.0%
Global Fund of Hedge Funds	4.0%	9.5%
Global Private Equity	7.7%	27.5%
Infrastructure	6.8%	19.0%
Inflation (CPI)	2.1%	1.0%
Whole Loans Property Debt	5.1%	8.0%
Insurance-Linked Securities	4.6%	3.5%

As part of the de-risking strategy, in the first half of 2018, the Fund committed c.£66m in Property Debt and c.£32m in Insurance-Linked Securities.

Investment Strategy and Control Ranges

The Fund's strategic asset allocation was agreed by the Pensions Committee in November 2018 as follows:

Asset class	Allocation	Control Range
Total Equities	**47.0**	**42.0 – 52.0**
Unconstrained Global Equities***	11.0	8.0 – 14.0
UK Equities	8.0	5.5 – 10.5
Passive Equities (100% Hedged to GBP)*	28.0	22.0 – 34.0
Total Alternatives	**25.5**	**20.5 – 30.5**
European (Incl UK) Property	5.0	n/a
Private Equity	5.0	n/a
Infrastructure	3.0	n/a
Fund of Hedge Funds**	7.5	n/a
Insurance-Linked Securities	1.5	n/a
Property Debt	3.5	n/a
Total Bonds	**27.5**	**22.5 – 32.5**
Liability Driven Investment (LDI)	3.5	2.0-5.0
Unconstrained Bonds **	24.0	20.0-28.0

* The Fund has implemented an equity derivatives programme with Legal & General Investment Management in order to manage the SCPF's exposure to equity markets over the short to medium term. The strategy protects £580m of equities with £140m of protection expiring in June 2019, another £140m expiring in December 2019, and another £300m expiring in December 2020. The protection targeted is such that when expected dividend income is allowed for, total losses over the terms of the protection will be no greater than 3%, unless the extent of price losses are sufficiently large to result in total returns losses exceeding 23%, in which case the protection structure reduces the total return losses by 20%. For all except the non-US expiries in December 2020, protection was funded by selling potential upside returns on the equity protected with the amount retained varying by region.

**The Fund has recently disinvested from a multi-strategy hedge fund and increased the allocation to fund of hedge funds and unconstrained bonds.

***The Fund transferred its unconstrained active global equities to LGPS Central in March 2019.

Rebalancing Policy

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

Risk

The Committee regards 'risk' as the likelihood that it fails to achieve the objectives set out above and has taken several measures, to minimise this risk so far as is possible. The Fund's Risk Register has more information.

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

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

Asset Allocation Mismatch

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

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

- the rate of return on assets;
- salary escalation and price inflation for active members;
- price inflation for deferred members;
- price inflation for pensioners.

In terms of magnitude, the Committee considers asset-liability mismatch risk to be one of the most important to control. Therefore, following each actuarial valuation, the Committee conducts an asset-liability review, which focuses on the impact of asset allocation on expected future funding levels. The Committee considers the results using advanced modelling techniques and, with the assistance of expert advisers, are able to measure and quantify them in terms of their definitions of risk. This allows the Committee to assess the probabilities of critical funding points associated with different investment strategies. Consideration is given to the volatility of a number of parameters (e.g. items associated with accounting measures, contributions etc.), to further assess the potential risks associated with a particular investment strategy.

Cash-flow Risk

The Fund remains open to new members and new accruals. Contributions are received from both active members and employers within the Fund. Active members contribute on a tiered system. Contributions from employers within the Fund are determined based on advice from the Fund Actuary based on the triennial valuation.

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

Investment Risk

The Committee believe the use of active management within the Fund will increase the likelihood that the Fund will meet its objectives. The decision as to whether to pursue active management is evaluated separately for each asset class, with regard to the potential reward within that asset class for taking on active manager risk.

Active manager risk is then diversified through the use of different investment managers and pooled funds.

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

The Fund's assets are invested in portfolios managed by external investment managers shown in appendix B. They are benchmarked against the indicated indices. Based on expert advice (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the Pool), investment managers may be replaced at any time and this list may not always be current.

The performance targets for the investment manager(s) are shown in appendix B. Shropshire Council recognises that these targets will not be met in all periods under consideration, but expects that they will be met in the vast majority of long-term periods under consideration. In addition, the return generated on the passive equities is constrained by the equity protection strategy the Fund has in place with Legal & General.

Each investment manager appointed by the Committee (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the Pool) is bound by the terms and conditions of an Investment Management Agreement where restrictions and targets are clearly documented, including a measure of risk. The pooled fund investments and direct investments are governed by the terms and conditions of the fund and or policy documents.

Frequent monitoring of portfolio performance and exposure characteristics also aids in the ongoing risk management for the Fund (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the Pool).

Concentration Risk

The split between asset classes has been set to ensure there isn't excessive exposure to any particular asset class or specific risk such as equities or credit risk.

To ensure that asset allocation is sufficiently diversified the Committee considers a full range of investment opportunities including those available through the LGPS Central Pool. In addition investment opportunities outside the pooling arrangements will be considered if they are not already or likely to be available through the Pool, and there are suitable resources to invest in and monitor the investment. These can include contracts related to financial futures or insurance.

Appropriate advice will be sought on alternative asset classes when setting the strategy and as opportunities arise.

Currency and Counterparty Risk

Passive equity investments are fully currency hedged by the investment manager.

Some investment managers may take active currency positions based on their mandates.

The Committee has delegated responsibility for the counterparty risk to the investment manager(s) (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool who may further delegate to investment managers).

Legal & General shall manage the Fund's margin or payment requirements arising in respect of the equity protection strategy.

Custody Risk

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

Stock Lending

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

The manager(s) of pooled funds may undertake a certain amount of stock lending on behalf of unit-holders. Where a pooled fund engages in this activity the extent is fully disclosed by the manager (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool).

Monitoring

The Committee monitors the strategy and its implementation as follows:

- The Committee receives, on a quarterly basis, a written report on the returns of the Fund and asset classes together with supporting analysis.
- The performance of the total Fund is also measured against the strategic benchmark, which is comprised of the asset class benchmarks weighted by the strategic allocations, and against agreed outperformance targets.
- The performance of the Fund in each asset class is measured against the relevant benchmark. A comparison against a universe of portfolios with similar mandates will also be made from time to time.

The Officers, in conjunction with the Investment Consultant, will regularly review the allocation of assets between the different asset classes.

Service Provider Monitoring

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

Investment Manager Fees

Investment management fees comprise an ad valorem or fixed base fee element and in some cases a performance based element. The ad valorem fee is calculated as a percentage of assets under management. Where applicable, the performance based element is calculated as a percentage of outperformance. The assessment period ranges from one to three years depending on the investment manager and the mandate. The exact details of the fee arrangements are specific to the investment manager and are as agreed in the respective Investment Manager Agreements or pooled fund documentation (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the Pool).

5. Policies regarding investments

Social, Environmental and Corporate Governance Considerations

Shropshire Council is aware of the UK Stewardship Code and is working towards becoming signatories to the Stewardship Code (the "Code"). Although it has not yet formally signed up to the Code it aims to abide by the principles of the Code where appropriate.

The principles of the UK Stewardship Code are included in Appendix C for information.

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

In addition the Fund is a member of the Local Authority Pension Fund Forum which helps ensure governance is in line with current best practice.

The Exercise of the Rights Attaching to Investments

The Committee has delegated responsibility for the selection, retention and realisation of investments to the investment manager(s) (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool who may further delegate to investment managers).

The Committee expects the investment managers to take steps to ensure that environmental, social and governance factors are adequately addressed in the selection, retention and realisation of investments as far as such factors may affect investment performance (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool who may further delegate to investment managers).

The Committee supports the principle of good corporate governance. It has reviewed and accepted the corporate governance policies of its investment manager(s) who exercise its voting rights. Votes are cast by proxy. Investment manager(s) provide reports when any voting rights are exercised (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool). Only direct investments in traded equity shares carry such voting rights.

Appendix A

Myners Principles for Institutional Investment Decision Making

Principle	Comply or explain	Comment/Examples
1. Effective decision making • Administrating authorities should ensure that: • decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation • Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest	Comply	Pension Committee takes decisions relating to setting investment objectives and strategic asset allocation, appointment of investment managers. Pension Committee members, substitute members and Officers participate in an annual training day, attend educational seminars and receive occasional papers and presentations at committee meetings. The training requirements of new Pensions Committee members are addressed and appropriate training programmes made available, with a formal Training Programme being submitted to the Committee for consideration on an annual basis.
2. Clear Objectives • An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers and the attitude to risk of both the administrating authority and scheme employers, and these should be clearly communicated to advisors and investment managers	Comply	A Fund specific investment objective is set to maintain a funding level at, or close to 100% and within this, to endeavour to maintain low and stable employers contribution rates. As set out in the Funding Strategy Statement, the actuary takes account of a range of factors on the Fund's liabilities in setting contribution rates as part of the valuation process. Performance and risk parameters are specified in relation to relevant indices and appropriate time periods and are set out in investment mandates.
3. Risk and liabilities • In setting and reviewing their investment strategy administrating authorities should take account of the form and structure of liabilities. • These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk	Comply	Asset/Liability review is carried out every three years and the actuary takes account of a range of factors on the Fund's liabilities as set out in the Fund's Funding Strategy Statement which addresses the issues of financial assumptions, longevity and strength of covenant. If required, the actuarial funding position can be reported to the Pensions Committee on a quarterly basis, using information provided by Aon Hewitt.
4. Performance assessment • Arrangements should be in place for formal measurement of performance of the investments, investment managers and advisors • Administrating authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members	Comply	The Officers have an independent performance measurer in place. They also receive regular updates from Aon Hewitt regarding managers and the Officers meet regularly with their managers and advisors to review their performance. The Fund has recently assessed its effectiveness as a decision-making body and aims to spend more time on strategic level and asset allocation decisions compared to meeting managers going forwards.
5. Responsible ownership • Administrating authorities should • Adopt or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents • Include a statement of their policy on responsible ownership in the statement of investment principles • Report periodically to scheme members on the discharge of such responsibilities	Comply	The Investment Strategy Statement includes a statement on responsible ownership. An independent advisor is appointed to engage with companies on socially responsible issues and voting at company meetings is effected through the Fund's investment managers.
6. Transparency and reporting • Administrating authorities should • Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives • Provide regular communication to scheme members in the form they consider most appropriate	Comply	A range of documents are published relating to the Fund's investment management and governance including the governance compliance statement, Funding Strategy Statement, Investment Strategy Statement, Communication Policy Statement and Annual report and accounts. These documents are available in full on the Fund's website and any amendments are published. Stakeholders are also invited to attend the annual meeting of the Fund.

Appendix B

Investment manager mandates

Investment Manager	Asset class	Benchmark	Target
ACTIVE PORTFOLIOS			
PIMCO Europe Ltd	Unconstrained bonds	1 month Sterling LIBOR	+4% p.a.
BlackRock	Unconstrained bonds	3 month USD LIBOR	+ 4-6% p.a.
T.Rowe Price	Unconstrained bonds	3 month Sterling LIBOR	+ 3% p.a.
BMO	Liability Driven Investment (LDI)	Hedge Benchmark (based on typical pension fund's liability profile)	Outperform the benchmark
Majedie Asset Management	UK Equities	FTSE All Share	+2% p.a. over rolling 3 year periods
MFS Investment Management	Global Equities	MSCI World	+1% p.a. over rolling 3 year periods
Investec Asset Management	Global Equities	MSCI All Country World NDR	+ 3-5% p.a. over rolling 3 year periods
Harris Associates	Global Equities	MSCI World	+ 2-3% p.a. over 3 to 5 years
Harbour Vest Partners Limited	Private Equity Fund of Funds	Broad public equities index	+ 3-5% p.a.
Global Infrastructure Management	Infrastructure	n/a	RPI +5% p.a.
Aberdeen Property Investors	European (incl UK) Property	Composite of INREV VA Europe Index, vintage 2005 – 2008 and IPD UK All Balanced Funds Index	RPI +4% p.a.
BlackRock	Fund of Hedge Funds	3 month Sterling LIBOR	+5.0% p.a.
DRC Capital	Property Debt	n/a	Absolute 6.0% p.a.
Securis	Insurance-Linked Securities	US Government 3-month treasury bill	+5.0% p.a.
INDEXED (PASSIVE) PORTFOLIOS			
Legal & General Investment Management	Global Equity	FTSE Developed World – GBP Currency Hedged	Match benchmark*

* The Fund has implemented an equity derivatives programme with Legal & General Investment Management in order to manage the SCPF's exposure to equity markets over the short to medium term. LGPS Central active global equity sub fund performance target 1.5% p.a. above FTSE global equity benchmark on a rolling 3 year period.

Appendix C

Principles of the UK Stewardship Code

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities.
2. Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.
3. Monitor their investee companies.
4. Establish clear guidelines on when and how they will escalate their stewardship activities.
5. Be willing to act collectively with other investors where appropriate.
6. Have a clear policy on voting and disclosure of voting activity.
7. Report periodically on their stewardship and voting activities.

Communications Policy Statement

Appendix

05

Agreed by Pensions Committee on 19 March 2020

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

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Introduction

This statement has been prepared in accordance with Regulation 61 of the Local Government Pension Scheme (Administration) Regulations 2013 by Shropshire County Pension Fund (the ‘fund’). It sets out its communications approach with scheme members, employers and other interested stakeholders.

The fund deals with over 199 employers and over 46,000 scheme members made up of contributing members, deferred members and retired members in relation to the Local Government Pension Scheme (LGPS).

The main aim of the Shropshire County Pension Fund is to provide members and employers with an efficient pension administration service providing secure pension benefits which have been worked out accurately and paid on time. Timely and clear communication with both members and employers plays a key role in helping employers meet their statutory obligations and helps members’ plan their retirement.

The fund designs and delivers communications to scheme members and employers in a way that makes sure they can understand the LGPS. Information should be clear and simple to understand, as well as being accurate and easily accessible. It is important that members can understand their pension arrangements and make informed decisions when needed and employers understand their statutory responsibilities.

The Pensions Team work to maintain a thorough knowledge of the regulations to keep the confidence of its members. The Pensions Team should always be the first-place staff members turn to for LGPS pension information during their working life and in retirement.

The fund also takes part in several national groups, with the aim of sharing best communication practices. The Joint Communications Group allows the fund to work with other Local Government Authorities, giving group members the chance to share communication resources and develop joint projects, such as newsletters and member guides. The fund is also part of the Local Government Pensions Committee (LGPC), which publishes national communication material.

Principles of communication

The fund has adopted five key principles that supports all its communication. The fund is committed to making sure:

- Communication is factual and presented in plain, easy to understand language.
- Communication is designed in a manner appropriate to its audience.
- Communication is issued in a timely manner.
- Communication keeps up with the developments and improvements in new technology.
- Communication is planned, co-ordinated and reviewed.

Digital communication is used by the fund to deliver scheme information, increase member engagement and to give regular updates to employers. It can help meet member demand and expectation to regularly access pension information. It can also reduce the fund’s environmental footprint by decreasing paper and printing usage. When information is asked for in paper format, a sustainable printing service will be used.

The fund makes every effort to make communication materials available in other formats such as large print, braille, audio tape and different languages, if requested.

The Local Government Pension Scheme is a desirable benefit for attracting employees to work in local government. For employers, it is a key part of their recruitment and retention package. The fund is also the last, and often the only, link between former staff members and their employers. The fund therefore has an important role in making sure effective communications continue even when members have left employment, have a deferred pension, or a pension in payment. The fund keeps in touch with all members and if contact is lost (for example, if a member has moved and not told the fund), a tracing exercise can be carried out to find the member and update their personal details.

The Pensions Team are committed to responding quickly to member requests for information, whether by face-to-face, email or letter. Information is given within set internal and regulatory timescales taking into consideration

The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and other overriding legislation. The turnaround time for dealing with requests is normally ten days.

When a request for information has been made, an acknowledgement receipt will be given. If it is going to take longer than ten days to provide the information, members will be told when they are likely to receive it.

How the fund communicates

Scheme literature: A wide range of scheme literature is produced and updated by the fund for both members and employers. Copies are available on the fund website and can be provided in paper format upon request. All paper and electronic guides are made using similar branding and include full contact details for the Pensions Team. The fund has basic and full scheme guides which cover the scheme benefits, who is eligible and retirement options. Both new and prospective members are provided with basic information about the LGPS, such as how benefits are worked out, how member and employer contributions are calculated etc via the scheme guides.

One-to-one meetings: For members who prefer 'face-to-face' communication, the fund's office is at the Shirehall in Shrewsbury, and appointments can be made with a member of the team. Pre-booked appointments are encouraged and if a member drops in, they will be seen if a member of the team is available. The fund will organise one-to-one meetings at employer workplaces periodically. Employers can also ask for one-to-one meetings, but these requests will be considered depending on location and member interest.

Helpdesk: The fund has a dedicated helpdesk which deals with all the incoming post, emails and telephone calls. The helpdesk contact details are published on all scheme literature. The helpdesk telephone number is 01743 252130 and email address is pensions@shropshire.gov.uk

The helpdesk is open from 8.45am to 5.00pm Monday – Thursday and 8.45am to 4.00pm on Friday. During team meetings and busy periods an automated answering service will be in place.

Website: The fund has a website, www.shropshirecountypensionfund.co.uk, which holds most of the scheme information including copies of scheme literature, policies and annual reports. There is a latest news page which is used to keep members up to date. There is also a news page on the employer's area of the website specifically aimed at employers. The website has been adapted to make sure it is accessible to view on electronic devices such as tablets and mobile phones. The website has been developed in line with accessibility standards and has a published compliance statement.

My Pension Online: A secure online portal gives members access to their pension record. The facility provides members with the opportunity to update their personal details, view annual benefit statements and perform benefit projections, as well as change death grant nominations. Members in receipt of a pension are also able to change bank details, check their annual pension and view monthly payments. The online system can be accessed via the fund's website homepage.

Material changes to the scheme: The fund will inform members when any material changes are made to the LGPS via the website, email alerts or newsletter unless a paper notification has bene requested. This information is normally given as soon as possible after the change takes effect, but in any event within three months after the change.

Email alerts: The fund asks all members for an email address, so they can be contacted by the fund with the latest scheme news.

Presentations: The fund delivers standard or tailored presentations on a wide range of pension topics for both employers and members around the county. These presentations are provided by fund staff at the request of employers, or organised by the fund, at geographically convenient locations. Presentations keep members informed of any changes that may affect their benefits.

Newsletters: 'Pension update' is the fund's in-house newsletter for active and deferred members and is sometimes produced as a collaborative project with other funds. This newsletter is issued periodically and aims to provide topical news articles and the latest information about the scheme and pensions in general. The newsletters are usually issued via email and published on the fund website.

InTOUCH is the fund's in-house newsletter for retired members. The newsletter is a useful way of providing updates on relevant changes in legislation, topical news and member articles.

Annual report, accounts & meeting: The annual report is a statutory financial reporting document showing the funds accounts over the previous twelve months, along with details on both investment and administration performance. Members and employers are notified when the report has been published via email and the news pages of the Fund website. An overview of the report and accounts are the focus of the fund's Annual Meeting.

Annual meeting: All members and employers 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. The fund's management team also use this meeting as an opportunity to provide updates on the latest fund news. The fund is committed to making the meeting widely accessible to all members and ensuring the meeting content is of both interest and relevance. The annual meeting regularly covers scheme benefit changes, valuation position and investments in an interesting and informative manner. How the fund considers economic, social and governance issues with its investments is also covered at each meeting. The annual meeting is filmed, and the video can be viewed on the fund website.

Videos: When needed, the fund uses short videos to help explain the scheme. The annual meeting and employers meeting are filmed and published on the website for members and employers to view if they are unable to attend.

Annual benefit statements: It is a statutory requirement to provide annual benefit statements to both active and deferred members. annual benefit statements are issued via My Pension Online unless a paper copy has been requested. The statements include various pension details such as the current value of benefits, how they are calculated and when they become payable. The format of the statement is continually reviewed to provide members with the required statutory information in a clear and concise manner. Statements for active members must be issued by the 31 August each year and members are notified via email when statements become available to view.

Pension savings statement: A Pensions Saving Statement will be supplied to a member by the 6 October each year if their pension savings in the fund, during a pension input period, are more than the annual allowance limit.

Active members - new starters: When eligible members are enrolled into the scheme, the employer is instructed to provide basic scheme information by issuing a scheme booklet either in paper format or via a link to the fund website. The fund also provides basic scheme information to new starters following a new employment notification. The fund produces a brief scheme guide on the Local Government Pension Scheme. This should be provided by scheme employers to all new employees as part of their letter of employment, terms and conditions – some employers choose to email this to new employees.

Retirement process booklet: All active members on reaching retirement receive a comprehensive booklet providing information on the scheme and the retirement process.

Corporate induction courses: Officers of the fund are invited to attend or to contribute to employer corporate inductions (including e-learning) for prospective members or new joiners.

Promotional campaigns: The fund periodically 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 members who have opted out an option to re-join the scheme.

P60 notification: Each member receiving a pension will have a P60 issued each year by the statutory deadline of 31 May.

Pension increase notification: Following the publication of a Pensions Increase (Review) order, the fund will adjust the relevant pensions in payment according to the order and make available the new annual pension amount to the member.

Existence checks of retired members living abroad The fund will, when appropriate, undertake to establish the continued existence of pensioner members living abroad.

Other employer communications: The increasing role of communication within all organisations means that more employers have staff newsletters, intranets and other communication facilities. The fund actively works to provide their employees with the best information and opportunities regarding the scheme and often provides information to be made available on intranets and websites.

Employer specific communications

New or prospective employers: Scheme information is given to all new and prospective scheme employers via information booklets or the employer's areas on the fund website.

Employer meetings & training sessions: Meetings and training sessions are arranged for employers on a regular basis. They are used to communicate issues with employers. For example; benefit regulation changes, administration changes, employer contribution rates and the funding level of the fund at each actuarial valuation.

Employers' guide: An employers' guide is available to all employers, explaining the processes, procedures and forms needed to effectively discharge their pension administration responsibilities. The employers' guide is held on the employers' area of the website www.shropshirecountypensionfund.co.uk

Employers bulletins: Regular email bulletins are sent to all employers who are registered contacts. These emails aim to tell employers about the latest news, issues, events and regulatory changes. The bulletin is also used to communicate any consultations about policy and regulations.

Monthly data requirements and end of year procedure: Employers must send monthly data to the Pensions Team for their scheme members to make sure their pension record is accurate. Employers in the fund must use a "middleware" facility called i-Connect that helps the fund and employers by improving the flow of member data from employers to the fund, minimizing the risk of fines from the Pension Regulator by ensuring data is regularly supplied. The cost of this system is met by the fund. Guides for using i-Connect are published on the employer's area on the fund website.

Each year employers must to submit a year end return and compliance statement. Employers are contacted towards the end of the financial year with the year-end template, forms and instructions for completion.

Webinars: Webinars are used to give information to employers without them having to travel for meetings. Employers can learn from the comfort of their desks and ask questions while the presentation is taking place. Webinar content varies depending on feedback received from employers and target specific topics where they feel they lack knowledge. Webinars can also be recorded and sent to employers who were unable to attend.

Reporting breaches: The fund has a reporting breaches policy and procedure. This makes sure anyone responsible for reporting and whistle blowing can find, assess and report (or record if not reported) a breach of pensions law. All potential breaches of the law are recorded by the fund and the scheme employer informed that it has been recorded as a breach. Each employing authority must choose a named individual to act as the main point of contact about any aspect of administering the LGPS. If an employer has built up multiple recorded breaches, the main contact will be told and asked to help resolve any outstanding issues and reduce the risk of reoccurrence.

Governance and communications

Pension Committee: The Pension Committee is made up of member representatives, employing authorities, trade union representatives and a retired member representative. The committee has an ongoing training programme for members and officers to ensure that decision making is on an informed basis. Training forms part of the quarterly committee meeting.

Knowledge building and training is provided via the fund's officers, advisors and external training courses. 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 on www.shropshirecountypensionfund.co.uk

Pensions Board

Under the LGPS Governance Regulations 2015, a Pension Board was introduced on 1 April 2015 to ensure effective governance and administration of the Scheme.

The Local Pension Board is responsible for assisting Shropshire Council, the Scheme Manager, to secure compliance with:

- The Local Government Pension Scheme Regulations;
- Any other legislation relating to the governance and administration of the Scheme, and;
- Requirements imposed by The Pensions Regulator in relation to the Scheme and to ensure the effective governance and administration of the Scheme.

The Pension Board consists of an equal number of employee and employee representatives. Training forms part of the Pensions Board meeting.

Pension Board 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 Board' page on www.shropshirecountypensionfund.co.uk

Surveys and self-assessments of the knowledge and skills of both the Pensions Committee and Pensions Board members are regularly undertaken. More information can be found in the Training Policy.

Management team: The Scheme Administrator (s 151 officer) is responsible for the Pensions Administration Team and the Pension Investment Team. The Pensions Management Team meets on a weekly 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 monthly. 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. This includes the Public Sector Pension Scheme modules on the Pensions Regulators online e-portal. The fund conducts performance appraisals for its entire staff. The fund's training requirements are documented in the Training Policy held on the fund website.

Intranet and email: Each member of staff has access to email and a storage drive which contains electronic copies of many of the key documents, procedures, minutes and circulars.

Policy documents: All the fund's approved policies can be found on the website www.shropshirecountypensionfund.co.uk.

Local Authority Pensions Web: All senior members of the Pensions Team have access to the Local Authority Pensions Web where information can be exchanged with other Local Authority Pension colleagues.

Communication with other bodies

Mercer (Pension Fund Actuary): The fund performs an actuarial valuation as required by the regulations. The actuary also deals with interim valuations when needed and gives information and advice about a range of issues affecting the fund. These issues include dealing with new and ceasing 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.

Ministry of Housing, Communities and Local Government (MHCLG): The fund communicates with the MHCLG while in consultation on proposals for change to the scheme regulations or any other legislation matters.

Trade unions or member representatives: The Fund liaises with trade unions or other member representatives to ensure that details of the LGPS availability are brought to their members' attention and assist in providing information, in circumstances such as negotiations under TUPE, to make sure, whenever possible, continued access to the LGPS. The fund works with the trade unions to check the scheme is understood by all interested parties. The fund ensures that all pension-related issues are communicated effectively with the trade unions through representation on the Pensions Committee or via member representatives on the Pensions Board.

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, comprised of a number of local authority funds, discuss technical queries and legislation matters of common interest.

National working groups

The fund is involved at national level in an LGPS technical officer group, Local Government Association (LGA) communications working group and LGPS Central Strategic Administration group.

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 user group meetings with the pensions administration software provider, to make sure the administration system can deal with regulation changes when they happen, and to discuss how the system is used on a day-to-day basis.

How communication is measured

Surveys: Surveys are issued to members periodically with various correspondences, including retirements and benefit quotes. Surveys are also published to the website and via email. This allows the fund to evaluate the service provided. Survey responses are collated and reviewed at regular intervals when running a satisfaction exercise.

Employer satisfaction survey: A survey is given to employers, periodically to allow the fund to review 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 verbally, are recorded. The fund aims to always learn from the feedback received and to make improvements to the service.

Data Protection

Data Protection Act : The fund is required to hold and keep a record of certain information on scheme members which is needed to administer the fund. The fund is a data controller under the Data Protection Act 2018 and is required to protect the information it holds about scheme members and communicate the legal basis for holding, storing and using the information. The fund has published a summary and full privacy notice for scheme members and employers. Statements on 'how we use your data' are published on documentation supplied to scheme members.

The fund is committed to keeping member data safe and uses Shropshire Council's policies on information sharing. Pension benefits information can only be provided directly to the scheme member and cannot be requested by a third-party. Information shared with employers will only be supplied when necessary and via a secure portal or email encryption. Further information can be found in the fund's full privacy notice.

All fund officers are required to undertake annual 'Protecting Information' training.

Dealing with freedom of information requests
The Freedom of Information Act (FOI) means that members of the public and organisations have rights of access to information held by public bodies. Requests for information under the Freedom of Information Act or similar legislation should be sent to:
information.request@shropshire.gov.uk

FUND PUBLICATIONS AND COMMUNICATIONS				
Communication Document	**When Issued**	**Available To**	**Format**	**When Reviewed**
Brief scheme guide	Upon notification of a new employment/ when requested	All members	Paper on request/website	Annually and as regulations change
Full scheme guide	As required	All members	Paper on request/website	Annually and as regulations change
Retirement process booklet	With retirement forms	To retiring active members	Paper/ website	Annually and as regulations change
Thinking of retiring- guide for active members	To active members when required	Active members	Website	Annually and as regulations change
Thinking of retiring- guide for deferred members	To deferred members when required	Deferred members	Website	Annually and as regulations change
Leaving before retirement booklet	As required	Prospective Deferred Members	Website	Annually and as regulations change
Topping up your pension guide	As required	Active members	Paper on request/website	Annually and as regulations change
Internal Dispute Resolution Procedure (IDRP) booklet	As required	All members and employers	Paper on request/website	Annually and as regulations change
Divorce booklet	As required	All members	Paper on request/PDF on website	Annually and as regulations change
Annual benefit statements	Annually by 31 August	Active/deferred/pension credit	Paper on request /online via My Pension Online	Annually
P60	Annually by 31 May	Pensioner members/dependents	Paper	Annually
Pensions increase notification	Annually	Pensioner members	Paper/My Pension Online	Annually
Monthly pension payment confirmation	Monthly	Pensioner members/dependents	My Pension Online	Monthly
Annual report	Annually in line with regulations	All stakeholders	Paper upon request/website	Annually
Members newsletter	As required	Active/deferred members	Paper when requested/on website	As regulations change/ when required
InTouch- pensioner newsletter	As required	Retired members	Paper/website	As required
Valuation report	Every three years	Employers/ all stakeholders	Website/overview at Annual Meeting	Every three years
Investment strategy statement	Continuously	All members/ stakeholders	Website	As required*
Governance compliance statement	Continuously	All members/ stakeholders	Website	As required*
Administration strategy statement	Continuously	Scheme employers	Website	As required*

FUND PUBLICATIONS AND COMMUNICATIONS				
Communication Document	**When Issued**	**Available To**	**Format**	**When Reviewed**
Funding strategy statement	Continuously	Employers	Website	Every three years
Reporting breaches policy	Continuously	All stakeholders	Website	As required*
Training policy	Continuously	All stakeholders	Website	As required*
Employer events policy	Continuously	All employers	Website	As required*
Communications policy statement	Continuously	All stakeholders	Website	As required*

*At least every three years

FUND MEETINGS, PRESENTATIONS AND TRAINING				
Event	**Frequency**	**Available to**	**Availability**	**Reviewed**
Annual meeting	Annually	All members/ employers/ Fund managers	Presentation/ Face-to-face/ video on website	Annually
Workplace presentations	As required	Prospective/active members	Face-to-face	As required
Induction presentations	When requested by employer	Prospective members	Face-to-face	As required
Employer meetings and training	As required	Scheme employers	Face-to-face/ webinars/videos on website	As regulations change/as required

OTHER FUND COMMUNICATIONS				
Event	**Frequency**	**Available to**	**Availability**	**Reviewed**
Website	Continually	All stakeholders	Online	Continuously
Help desk	Within office hours	All members/ employers and all other stakeholders	Face-to-face appointment/ telephone/ paper correspondence/email	N/A
Email alerts	As required, when there is a significant website update /event/ regulation change	All members/ employers	Email	As required
Pension consultations	As required	Active members	Face to face	As required
New starter letter	Monthly	Active members	Paper	As regulations change/as required
Encouraging new members campaign	When required	Prospective eligible members	When required	When required
Existence checks of pensioners living abroad	As required	Pensioner members	As required	As required
Service quality survey	Continually	Active/ deferred/ retired members	Paper/ email	As required
Employers guide including forms	As required	Employers	Website	As regulations change/ as required
Employers email bulletin	As required	Employers	Email alerts	As regulations change/ as required
Employer satisfaction survey	As required	Employers	Paper/online survey	As required

Reporting Breaches Policy Statement

Appendix

06

Agreed by Pensions Committee on 27 November 2015

Appendices

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1. Introduction

1.1 This document sets out the procedures to be followed by certain persons involved with the Shropshire County Pension Fund, the Local Government Pension Scheme managed and administered by Shropshire Council, in relation to reporting breaches of the law to the Pensions Regulator.

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

1.3 This Procedure document applies, in the main, to:

- all members of the Shropshire Pension Board;
- all officers involved in the management of the Pension Fund including members of the Treasury Team and Pensions Administration Team, and the Head of Finance, Governance3 and Assurance (Section 151 Officer);
- any professional advisers including auditors, actuaries, legal advisers and fund managers; and
- officers of employers participating in the Shropshire County Pension Fund who are responsible for Local Government Pension Scheme matters.

2. Requirements

2.1 This section clarifies the full extent of the legal requirements and to whom they apply.

2.2 Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme;
- a member of the pension board of a public service pension scheme;
- a person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;
- the employer in relation to an occupational pension scheme;
- a professional adviser in relation to such a scheme; and
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme, to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

i. a legal duty relating to the administration of the scheme has not been or is not being complied with, and
ii. the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

2.3 The Pension Regulator's Code of Practice

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice including in the following areas:

- implementing adequate procedures.
- judging whether a breach must be reported.
- submitting a report to The Pensions Regulator.
- whistleblowing protection and confidentiality.

2.4 Application to the Shropshire County Pension Fund

This procedure has been developed to reflect the guidance contained in The Pension Regulator's Code of Practice in relation to the Shropshire County Pension Fund and this document sets out how the Board will strive to achieve best practice through use of a formal reporting breaches procedure.

3. The Shropshire County Pension Fund Reporting Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Shropshire County Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

3.1 Clarification of the law

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004: *www.legislation.gov.uk/ukpga/2004/35/contents*
- Employment Rights Act 1996: *www.legislation.gov.uk/ukpga/1996/18/contents*
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations): *www.legislation.gov.uk/uksi/2013/2734/contents/made*
- Public Service Pension Schemes Act 2013: *www.legislation.gov.uk/ukpga/2013/25/contents*
- Local Government Pension Scheme Regulations (various): *www.lgpsregs.org/timelineregs/Default.html* (pre 2014 schemes) *www.lgpsregs.org/index.php/regs-legislation* (2014 scheme)
- The Pensions Regulator's Code of Practice: *www.thepensionsregulator.gov.uk/codes/code-governance-administration-publicservice-pension-schemes.aspx*
  In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Head of Finance Governance & Assurance (s151 Officer) and Monitoring Officer, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

3.2 Clarification when a breach is suspected

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, it will usually be appropriate to check with the Head of Finance Governance & Assurance, the Monitoring Officer, a member of the Pensions Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3.3 Determining whether the breach is likely to be of material significance

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

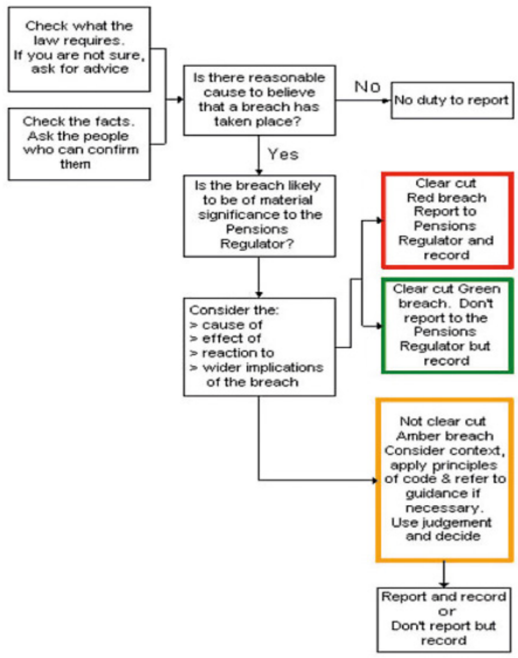
- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

3.4 A decision tree is provided overleaf to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.

Decision-tree: deciding whether to report



3.5 Referral to a level of seniority for a decision to be made on whether to report

Shropshire Council has a designated Monitoring Officer to ensure the Council acts and operates within the law. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate. If breaches relate to late or incorrect payment of contributions or pension benefits, the matter should be highlighted to the Head of Finance Governance & Assurance or the Head of Treasury & Pensions at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of the Monitoring Officer is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to any of these officers if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in more serious breaches.

3.6 Dealing with complex cases

The Head of Finance Governance & Assurance or Monitoring Officer may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LGA Group - http://www.lgpsregs.org/). If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Board meeting.

3.7 Timescales for reporting

The Pensions Act and Pension Regulators Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on "reasonable cause to believe" and on "material significance" should be consistent with the speed implied by 'as soon as reasonably practicable'. In particular, the time taken should reflect the seriousness of the suspected breach.

3.8 Early identification of very serious breaches

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

3.9 Recording all breaches even if they are not reported

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Shropshire Council will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports to the Head of Finance Governance & Assurance. Records of unreported breaches should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pension Committee, and this will also be shared with the Pension Board.

3.10 Reporting a breach
Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:
- full scheme name (Shropshire County Pension Fund);
- description of breach(es);
- any relevant dates;
- name, position and contact details;
- role in connection to the scheme; and
- employer name or name of scheme manager (the latter is Shropshire Council).

If possible, reporters should also indicate:
- the reason why the breach is thought to be of material significance to The Pensions Regulator;
- scheme address (provided at the end of this procedures document);
- scheme manager contact details (provided at the end of this procedures document);
- pension scheme registry number (10051249); and
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

3.11 Confidentiality
If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

3.12 Reporting to Pensions Committee and Pension Board
A report will be presented to the Pensions Committee and the Pension Board on a quarterly basis setting out:
- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates;
- in relation to each breach, details of what action was taken and the result of any action (where not confidential);
- any future actions for the prevention of the breach in question being repeated; and
- highlighting new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

3.13 Review
This Reporting Breaches Procedure was originally developed in November 2015. It will be kept under review and updated as considered appropriate by the Head of Finance Governance & Assurance. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

Further Information

If you require further information about reporting breaches or this procedure, please contact:

Justin Bridges
Head of Treasury & Pensions
Email: justin.bridges@shropshire.gov.uk
Telephone: 01743 252072

Debbie Sharp
Pension Administration Manager
Email: debbie.sharp@shropshire.gov.uk
Telephone: 01743 252192

Shropshire County Pension Fund,
Shropshire Council, Shirehall, Abbey Foregate, Shrewsbury, SY2 6ND

Designated officer contact details:
1) Head of Finance Governance & Assurance – James Walton
Email: james.walton@shropshire.gov.uk
Telephone: 01743 255011

2) Monitoring Officer – Claire Porter
Email: claire.porter@shropshire.gov.uk
Telephone: 01743 252763

Appendix A

Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- acting, or failing to act, in deliberate contravention of the law;
- dishonesty;
- incomplete or inaccurate advice;
- poor administration, i.e. failure to implement adequate administration procedures;
- poor governance; or
- slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant.

The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.
- Conflicts of interest of Committee or Board members, resulting in them being
- prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.

- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time.
- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

The reaction to the breach
A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; or
- fail to notify affected scheme members where it would have been appropriate to do so.

The wider implications of the breach
Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated next:

Appendix B

Traffic light framework for deciding whether or not to report

Red

Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance. **These must be reported to The Pensions Regulator.**

Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.

Amber

Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members.

Green

However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.
Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported.

Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.
When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by The Pensions Regulator at the following link:
www.thepensionsregulator.gov.uk/codes/code-related-notifiable-events.aspx

Appendix C

Example Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions

Training Policy Statement

Appendix

07

Agreed by Pensions Committee on 18 March 2016

Appendices

75. Appendix 01
Governance compliance statement
87. Appendix 02
Administration strategy statement
97. Appendix 03
Funding strategy statement
117. Appendix 04
Investment strategy statement
127. Appendix 05
Communications policy statement
137. Appendix 06
Reporting breaches policy statement
145. Appendix 07
Training policy statement

Introduction

This is the Training Policy of the Shropshire County Pension Fund, which is managed and administered by Shropshire Council. The Training Policy is established to aid all to whom this Policy applies in having the sufficient knowledge and understanding ensuring that all decisions, actions and other activities are carried out in an informed and appropriate way. This means that advice and guidance from external bodies can be challenged and tested appropriately and that the Funds operational and strategic direction is in accordance with best practice and guidance. The Training Policy has the ultimate aim of ensuring that the Shropshire County Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills.

Aims and objectives

Shropshire Council recognises the importance of its role as Administering Authority to the Shropshire County Pension Fund on behalf of its stakeholders which include:

- Over 40,000 current and former members of the Fund
- Over 140 employers

In relation to training, the Administering Authority's objectives are to ensure that:

- Those persons charged with the financial management and decision-making with regard to the LGPS Fund are fully equipped with the knowledge and skills required to discharge the duties and responsibilities allocated to them;
- Those persons responsible for the day-to-day administration and running of the Fund are appropriately equipped with the knowledge and skills required to discharge their duties and responsibilities in relation to the Fund;
- Those persons responsible for providing governance and assurance of the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, to ensure their decisions are robust and soundly based, and to manage any potential conflicts of interest

All to whom this Policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met.

To assist in achieving these objectives, the Fund will aim to comply with:

- The Chartered Institute of Public Finance and Accountancy (CIPFA) knowledge and skills frameworks;
- Section 248a of the Pensions Act 2004 (as amended by the knowledge and skills requirements of the Public Service Pensions Act 2013;
- The Pensions Regulator's (TPR) Code of Practice No 14, Governance and Administration of Public Service Pension Schemes 2015

By adhering to a Training Policy the Fund will be able to demonstrate a high level of governance and standards, and report against peer group Funds in the Scheme Advisory Board KPI program.

To whom this Policy applies

This Training Policy applies to all individuals that take on a decision making, scrutiny or oversight role in the Fund. This includes:

- Officers of the administering authority involved in the management and administration of the Fund
- Members of the Pension Fund committee, including scheme member and employer representatives
- Members of the pension board, including scheme member and employer representatives.

CIPFA knowledge and skills framework

The CIPFA knowledge and skills framework identifies eight areas of knowledge and skills as the core technical requirements for those working in public sector pensions finance.
They are:

- Pensions legislation
- Public sector pensions governance
- Pensions administration
- Pensions accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial markets and product knowledge
- Actuarial methods, standards and practices

James Walton (Head of Finance, Governance & Assurance (s151 Officer & Scheme Administrator) at Shropshire Council is the Fund's designated named individual responsible for ensuring that the this Training Policy is implemented. This is in line with principle five of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge.

Shropshire County Pension Fund Training Plan

The Fund recognises the importance of training in ensuring pension fund committee members, pension board members and officers attain, and then maintain, the relevant knowledge and skills.

The Funds approach to training will be supportive with the intention of providing pension fund committee members, pension board members and officers with regular sessions that will contribute to their level of skills and knowledge. The Fund will develop a rolling Training Plan, which takes account of the following:

Individual training needs

A training needs analysis will be developed for committee members, pension board members and officers to identify the key areas in which training is required. This evaluation will be undertaken on an annual basis. Training on the identified areas will be provided as necessary and on an ongoing refresher basis.

Topic based training

The need for appropriately timed training in relation to current topics, such as when decisions are required in relation to complex issues or in new areas not previously considered will be provided as required.

General awareness

There is an expectation on those to which this policy applies that they should maintain a reasonable knowledge of ongoing developments and current issues, and have a good level of general awareness of pension related matters appropriate for their roles.

How training will be provided

Training will be delivered through a variety of methods including:

- in-house training days provided by officers and/or external providers;
- shared training with other LGPS Funds or framework arrangements
- training at meetings (e.g. committee or pension board) provided by officers and/or external advisers;
- external training events, such as those organised by the Local Government Association (LGA), CIPFA, or Pensions and Lifetime Saving Association (PLSA), previously NAPF.
- attendance at seminars and conferences offered by industry-wide bodies, such as those organised by the LGA, LGC Pension Investment Seminars, CIPFA, Local Authority Pension Fund Forum or PLSA
- circulation of reading material, including Fund committee reports and minutes from attendance at seminars and conferences;
- attendance at meetings and events with the Fund's investment managers and advisors
- links to on-line training such as that provided by the TPR;
- the Funds website www.shropshirecountypensionfund.co.uk and national LGPS websites where Scheme information is available.
- fund policies and documents such as the Annual Report and the Governance Compliance Statement

Induction process

An evaluation will be undertaken in the form of a short self-assessment questionnaire to develop an appropriate individual training plan.

Monitoring knowledge and skills

In order to identify whether the objectives of this policy are being met, the fund will maintain a training log which records attendance at training and compare this to the Training Plan.

Key risks

The key risks to the delivery of this Policy are outlined below. The pension fund committee members, with the assistance of the Pension Board and Officers, will monitor these and other key risks and consider how to respond to them.

- Changes to the committee and/or pension board membership and/or officer's potentially diminishing knowledge and understanding.
- Poor attendance and/or a lack of engagement at training and/or formal meetings by committee members, pension board members

and/or other officers resulting in a poor standard of decision making, administration and/or monitoring.
- Insufficient resources being available to deliver or arrange the required training.
- The quality of advice or training provided not being of an acceptable standard.

Success measures

Knowledge gaps will be identified in annual assessment with success measured against the previous year and whether the knowledge gap has been fulfilled. A training log which records attendance at training throughout the year will also be kept.

Reporting

A report will be presented to the committee and the pension board on an annual basis setting out:
- the training provided/attended in the previous year at an individual level;
- commentary on how this compares to the Training Plan; and
- any actions required, such as a review of the Training Plan.

This information will also be included in the Fund's Annual Report and Accounts.

The Funds committee members and pension board members will be provided with details of forthcoming seminars, conferences and other relevant training events.

Costs

Where there is a cost involved in providing the training this will be met directly by the Fund. However, Investment Managers and some of the training events are provided at no cost.

Degree of knowledge and understanding required

To ensure all individuals to whom this policy applies work towards what is required a knowledge matrix has been developed, shown below. The matrix determines the level of knowledge required of the eight core technical areas highlighted by the CIPFA guidance for officers, committee and the pension board. The core areas listed below have been identified as the key skills that lie at the core in the training for those involved in public sector pension's finance. The knowledge matrix is not exhaustive and other technical or non-pensions related skills will be identified on an individual basis within job descriptions or via annual assessment.

Knowledge Matrix

Core technical area	Officers (Job description)	Pensions Committee	Pension Board
Pensions Legislation LGPS Regulations	C	BK	BK / C*
Public Sector Pensions Governance	C	BK	C*
Pensions Administration	E	BK	C*
Pensions Accounting and Auditing Standards	E	C	C
Financial services procurement and relationship management	E	C	BK
Investment performance and risk management	E	C	BK
Financial Markets and Product Knowledge	C	C	BK
Actuarial methods, Standards and Practices	C	C	BK

BK = Basic knowledge
C = Conversant (i.e. working knowledge)
E = Expert

***Statutory requirement (Paragraphs 34-36 of the Pensions Regulator's Code of Practice state that: A member of the Pensions Board of a public sector pension scheme must be conversant with the rules of the scheme, any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme and must also have a knowledge and understanding of the law relating)**

Further information

For further information about anything in or related to in this policy please contact:

Rebecca Purfit,
Communications Officer,
Pension Services,
Shropshire County Pension Fund,
Shirehall,
Abbey Foregate,
Shrewsbury,
SY2 6ND

Telephone: 01743 254457
Email: rebecca.purfit@shropshire.gov.uk

Shropshire County Pension Fund

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

Administered by:
Pension Services, Shropshire Council,
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(01743) 252130

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pensions@shropshire.gov.uk