



SHROPSHIRE COUNTY PENSION FUND

ANNUAL REPORT


2015/16





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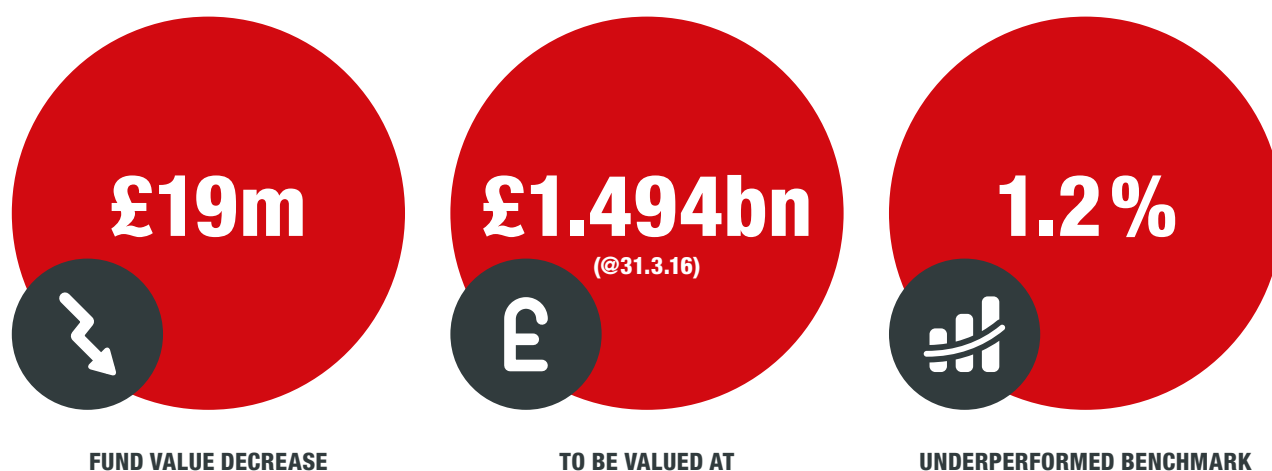
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INTRODUCTION

WELCOME TO THE 2015/16 ANNUAL REPORT AND ACCOUNTS OF THE SHROPSHIRE COUNTY PENSION FUND

This years Fund information:



During the year the Shropshire Fund decreased in value by £19 million to be valued at £1.494 billion at the end of the year. The Fund decreased in value by 0.6% over the year and underperformed its benchmark by 1.2%. This is the first year in seven years the Fund has decreased in value, this was largely due to the fall in equity markets throughout the year.

The Shropshire Fund had a variety of positive and negative investment returns in a number of asset classes during the year. The strongest returns were experienced in Private Equity where the Fund's investments increased in value by a notable 19.9% in the year. The Fund has also achieved strong returns in Property rising by 14.3% and Infrastructure increasing by 11.8%. The Fund's allocation to Index Linked Bonds also increased by 1.9% in line with the index. However, Hedge Funds delivered a negative return of 3.5% and all of the equity

managers with the exception of MFS delivered negative returns 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.

During 2015/16, the Committee together with Officers and Aon Hewitt have been reviewing the Fund's investment strategy. This included

building a greater understanding of the Fund's investment risk relative to its liabilities. A number of potential improvements to the investment strategy were reviewed and two recommendations have now been approved.

The allocation to Investment Grade Bonds (managed by PIMCO) was reviewed during 2015. Although strong returns have been generated since 2009, the future outlook for this type of instrument now appears limited by low yields, low credit spreads and declining liquidity. The entire 7.5% allocation to Investment Grade Bonds was removed in March 2016 and replaced by an equivalent increase in Unconstrained Bond Funds, providing further diversification within the fund and improving the Fund's risk adjusted returns going forward. The defining feature of unconstrained strategies is the flexibility in their approach to asset allocation and security selection within the global bond universe, which can offer better returns and more downside protection.

The Pensions Committee also agreed to commence the appointment process for a Liability Driven Investment (LDI) manager to replace the existing holding within the Investment Strategy in Index Linked Gilts. The present value of the Fund's liabilities, as measured by the Fund's Actuary, will increase if long term gilt yields (interest rates) fall and if long term inflation rises. If this is not matched by a corresponding rise in the Fund's asset value then the overall funding level will fall. The current investment strategy has a 10% allocation to index-linked gilts which will move in a similar way to the liabilities as interest rates and inflation changes. By appointing an LDI manager it enables the Fund to more efficiently match its assets to the interest rate and inflation movements of its liabilities by either increasing the level of liability matching while maintaining the allocation to growth assets, or achieve the same level of liability matching while increasing the allocation to growth assets.

The allocation to Investment Grade Corporate Bonds was also reviewed during the year. In March 2016 the 7.5% allocation (managed by PIMCO) was redeemed and an allocation to

Absolute Return Bonds increased. In April 2016 the existing 10% allocation to Index Linked Bonds was also terminated and this was used to part fund the new allocations to Absolute Return Bonds and LDI. There were no other Fund manager changes during the financial year.

It is expected that these appointments will provide further diversification of returns, improve the efficiency of the Fund's matching assets, (specifically to match the movement of the Fund's liabilities caused by interest rates and inflation, independent of the allocation to return seeking assets) and will help maintain the high standards expected from Shropshire's investment managers.

The Fund undergoes an independent actuarial valuation every three years. The latest actuarial valuation was conducted at the end of March 2013, identifying that the Fund had a funding level (the relationship between estimated future pension payments and the funds held to pay for these pensions) of 76%. The next actuarial valuation is being undertaken in March 2016 and the results will be known in November 2016.

As a local government pension scheme the Fund is able to take a long term view to the recovery of any funding deficit and is able to phase in any changes in the employer contribution rate in a manageable way. Whilst there is a lot written in the press about gold plated public sector pensions the reality is very different. The average pension paid from the Shropshire Fund as at the 2013 Actuarial Valuation was £4,737.

The Government's investment pooling agenda has meant that the Shropshire Fund has been working extremely hard during the year with eight other Funds in the Midlands region in order to meet the tight deadlines set by Government to pool assets by 1 April 2018. The pace of change will only continue to accelerate, most notably with the introduction of LGPS investment asset pooling.

LGPS Central is a major strategic collaboration of eight LGPS funds across the Midlands region. It will be a multi-asset manager, investing

approximately £35 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, and to have in place strong governance and decision-making arrangements. It will also aim to make the best use of a blend of internal and external investment management. Working with our partners to develop and implement LGPS Central will be a major strategic focus for the Fund over the next two years.

The Pensions Administration Team have had a busy year embedding the Career Average Revalued Earnings (CARE) Scheme, introduced on 1 April 2014. The CARE Scheme brought with it increased workloads and complexities which meant that some existing processes required updating and training was required for the team as well as Fund Employers.

Throughout the year Fund employers have been supported to try and ensure the data they have to provide to the team is supplied according to the Scheme regulations. To assist with this a

middleware service called iConnect went live with two of the largest Fund employers. This enabled data to be transferred directly from the employer's payroll system into the Pensions administration system. This has helped improve the accuracy of the data received by the Fund. Members have been kept up to date throughout the year via various newsletters and updates. The website has been constantly updated with the latest Pensions news and more members are now using the on-line facilities.

A more in depth report on the work of the Pensions Administration Team can be found on pages 26-28.

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

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



James Walton

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



Malcolm Pate

Chair of Pensions Committee 2016/17
Shropshire Council

SCHEME MANAGEMENT & ADVISORS



ADMINISTERING AUTHORITY

Shropshire Council
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

SCHEME ADMINISTRATOR

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

SHROPSHIRE COUNCIL OFFICERS

James Walton
Head of Finance, Governance and
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Justin Bridges
Head of Treasury and Pensions
Debbie Sharp
Pensions Administration Manager
Claire Green
Fund Accountant

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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 AND ADMINISTRATION ARE INCLUDED WITHIN THIS OVERALL STRATEGY. PLEASE SEE BELOW A SUMMARY OF THE PENSION FUND'S KEY RISKS.

Here is a summary of the Pension Fund's key risks.

RISKS	CONTROLS IN PLACE
The insolvency of an employer places additional liabilities on the Fund and ultimately the remaining employers.	Admission agreements, Employer covenant check across Fund employers, some bonds in place. Shorter deficit recovery periods for some employers. Funding Strategy Statement approved by Pension Committee.
Failure of Pension Fund investment managers to meet expected returns resulting in increased costs to the Council and other employers.	Rigorous selection process established. Rigorous and continual Investment Manager monitoring arrangements. Diversification of managers. External expert advice. Reporting & monitoring arrangements. Statement of Investment Principles and Funding Strategy Statement published. Clear and relevant mandates. Audit of investment managers.
Risks of the tight timescales imposed by Government for Pension Funds to pool assets by 1 April 2018 which is extremely challenging and a resource intensive process.	Shropshire has joined the LGPS Central Pool with 8 other Funds in the Midlands region. Fortnightly meetings take place between the Pool to progress work. Programme Director appointed and work stream leads to progress work and met deadlines. Advice from Deloitte and Eversheds regarding governance structure. Regular meetings with DCLG/HMT/LGA to update on progress. Meetings with s151 Officers and Chairs of Pension Committees to update on progress made. Training of Officers and Members throughout process.
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. Annual Actuarial review. Three yearly Actuarial Valuation. Statement of Investment Principles. 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 Statement of Investment Principles. The Fund has produced a Governance Compliance Statement. Audit of Governance arrangements.



SHROPSHIRE COUNCIL
FORMAL STRATEGY

RISKS	CONTROLS IN PLACE
Failure of Employers to provide accurate data leading to incorrect benefit payments	Employer Training. Communication to all employers. Administration Strategy in place. Internal controls in places. Contribution collection Audits.
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. Discussing alternative methodology with Actuary to calculate liability values rather than using gilt yields.
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.
Late payment of contributions leading to Pension Fund reporting to the Pension Regulator.	Employer training/guidance on website. Employer newsletter. Contributions check and balance. Adhere to internal governance compliance statement. Adhere to Pension Regulator code of practice.
Not undertaking work to reconcile Guaranteed Minimum Pension (GMP) data in line with ending of contracting out legislation resulting in possible overpayments.	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.

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 2019. IT ALSO IDENTIFIES THE 2015/16 ACTUALS AGAINST THE 2015/16 BUDGET.

Forecast v actual report on Fund cash flows

PENSION FUND ACCOUNT	2015-16 BUDGET £M	2015-16 ACTUAL £M	2016-17 BUDGET £M	2017-18 BUDGET £M	2018-19 BUDGET £M
Contributions (employees and employers)	59.967	60.089	61.166	62.389	63.637
Transfers in	5.000	2.373	5.000	5.000	5.000
Pensions paid	(53.645)	(53.069)	(55.722)	(58.508)	(61.433)
Lump sums paid	(10.250)	(9.488)	(10.500)	(11.000)	(11.500)
Lump sum death benefits	(1.300)	(1.074)	(1.400)	(1.500)	(1.600)
Refund of contributions	(0.080)	(0.245)	(0.250)	(0.250)	(0.250)
Transfers to other Funds	(4.500)	(4.259)	(4.600)	(4.700)	(4.800)
Net additions from dealings with Scheme Members	(4.808)	(5.673)	(6.306)	(8.569)	(10.946)
Management expenses	(14.452)	(13.097)	(13.778)	(14.456)	(15.165)
Investment income	18.500	19.322	18.500	18.000	17.500
Gain/(loss) on cash and currency hedging *	0.000	12.277	0.000	0.000	0.000
Taxes on income	(0.030)	(0.020)	(0.020)	(0.025)	(0.030)
Change in market value	96.579	(31.554)	94.338	105.549	116.145
Surplus/(deficit) on the Pension Fund for the year	95.789	(18.745)	92.734	100.499	107.504
OPENING NET ASSETS OF THE SCHEME	1512.735	1512.735	1493.990	1586.724	1687.223
CLOSING NET ASSETS OF THE SCHEME	1608.524	1493.990	1586.724	1687.223	1794.727

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.

* 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	2015-16 BUDGET £M	2015-16 ACTUAL £M	2016-17 BUDGET £M	2017-18 BUDGET £M	2018-19 BUDGET £M
UK Equities	122.849	105.961	113.696	121.996	130.902
Global Equities - Unconstrained	114.539	107.905	117.509	127.967	139.356
Global Equities - Passive	633.218	559.545	600.392	644.221	691.249
Fixed Income - UK index Linked Bonds	163.976	162.999	0.000	0.000	0.000
Fixed Income - Global Investment Grade Credit	112.023	0.000	0.000	0.000	0.000
Fixed Income - PARS IV	110.306	104.506	107.223	110.011	112.871
Unconstrained Bonds	0.000	100.096	214.672	226.909	239.842
Hedge Funds - Multi Strategy	81.876	75.029	79.756	84.781	90.122
Hedge Funds - Fund of Funds	81.253	74.022	77.427	80.989	84.714
Private Equity	70.256	65.688	71.666	78.188	85.303
Infrastructure	10.752	21.371	22.867	24.468	26.181
Property	67.441	77.525	82.176	87.107	92.333
Liability Driven Investments (LDI)	0.000	0.000	53.040	54.101	55.183
Cash	40.035	38.116	46.300	46.485	46.671
Total investment assets	1608.524	1492.763	1586.724	1687.223	1794.727

The forecast for total investment assets are based on actual allocations at 31st March 2016 figures multiplied by the forecast long term returns for each asset class as provided by the Fund's Statement of Investment Principles. These forecasts have also been adjusted for any investment decisions formally approved by the Pensions Committee prior to the date of publication of this annual report. They do not assume or take into account any other potential additions or disposals of investments within these asset classes during this three year period.

The long term forecasts are as follows ➤

ASSET CLASS	RETURN
UK Equities	7.30%
Global Equities - Unconstrained	8.90%
Global Equities - Passive	7.30%
Fixed Income - UK index Linked Bonds	1.90%
Fixed Income - PARS IV	2.60%
Unconstrained Bonds	5.70%
Hedge Funds - Multi Strategy	6.30%
Hedge Funds - Fund of Funds	4.60%
Private Equity	9.10%
Infrastructure	7.00%
Property	6.00%
Cash	0.40%

Management expenses forecast

The table below 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 forecast for 2016/17 to 2018/19 have been revised and are based on the 2015/16 actual costs which have been reanalysed to agree with the CIPFA guidance on management costs. (see note 8)

OPERATIONAL EXPENSES	2015-16 BUDGET £M	2015-16 ACTUAL £M	2016-17 BUDGET £M	2017-18 BUDGET £M	2018-19 BUDGET £M
Administrative Costs					
Employee costs	0.551	0.541	0.568	0.596	0.626
IT Costs	0.135	0.155	0.160	0.165	0.170
Office accommodation	0.023	0.028	0.029	0.030	0.031
Printing and postage	0.063	0.062	0.064	0.066	0.068
Subscriptions	0.023	0.014	0.016	0.017	0.018
Other costs	0.029	0.017	0.019	0.021	0.023
TOTAL	0.824	0.817	0.856	0.895	0.936
Investment Management Expenses					
Management Fees	7.777	7.098	7.453	7.826	8.217
Performance Fees	4.000	2.640	2.772	2.911	3.056
Other Fees	0.800	1.435	1.507	1.582	1.661
Transaction Costs	0.400	0.449	0.471	0.495	0.520
Custody Fees	0.097	0.051	0.053	0.055	0.057
TOTAL	13.074	11.673	12.256	12.869	13.511
Oversight and Governance Costs					
Investment advice	0.212	0.294	0.303	0.312	0.321
Employee costs (pensions investment)	0.111	0.138	0.141	0.144	0.147
Actuarial advice	0.080	0.005	0.050	0.055	0.060
Governance/Responsible Engagement	0.041	0.048	0.042	0.045	0.048
Professional fees	0.025	0.023	0.025	0.025	0.025
External audit	0.024	0.027	0.028	0.029	0.030
Performance analysis	0.024	0.023	0.025	0.027	0.029
Internal audit	0.018	0.017	0.018	0.019	0.020
Legal and Committee	0.016	0.015	0.016	0.017	0.018
Other costs	0.005	0.017	0.018	0.019	0.020
TOTAL	0.556	0.607	0.666	0.692	0.718
TOTAL MANAGEMENT EXPENSES	14.454	13.097	13.778	14.456	15.165

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 2015/16 a percentage of 99.61% contributions were received on time. No interest was charged to those payments that were late due to the fact that the individual amounts chargeable were so small.

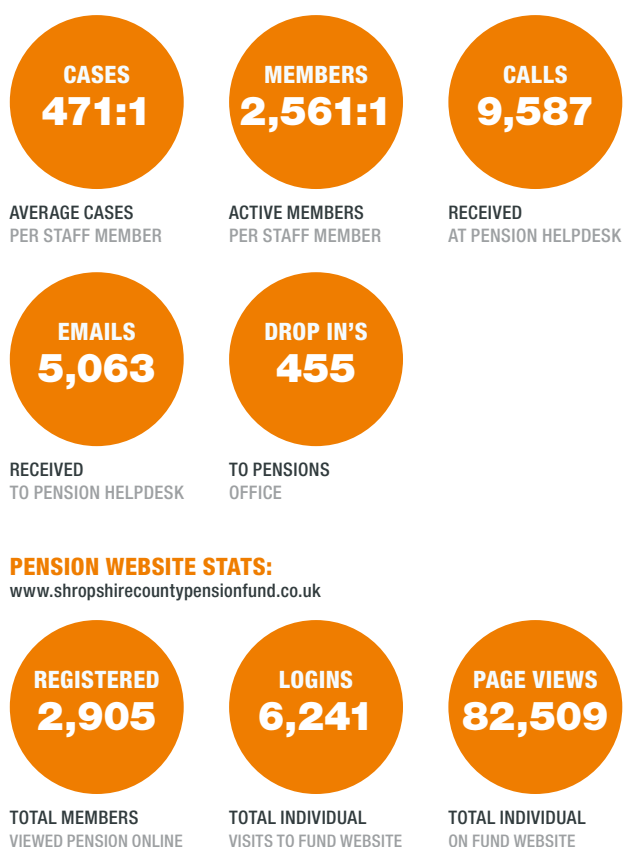
ADMINISTRATIVE MANAGEMENT PERFORMANCE

Top 10 Cases

CASE TYPE	TOTAL	%
Deferred Benefits (including aggregation tasks)	2499	27.09
New Starters	1823	52.44
Retirement Quotes	1437	36.67
Refunds	720	70.83
Early retirements	588	68.20
Deaths	405	75.06
GMP's	386	7.51
Transfers	327	62.39
Address Changes	320	91.56
Normal Retirements (65+)	291	71.82

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

Key Indicators 2015/16



Feedback

'Would just like to thank you for your help and how pleased I was with how smoothly my retirement process has gone.'

Retired Member

'I would just like to comment on how smoothly the process of bringing my pension benefit into payment was and also how helpful the team are.'

Scheme Member

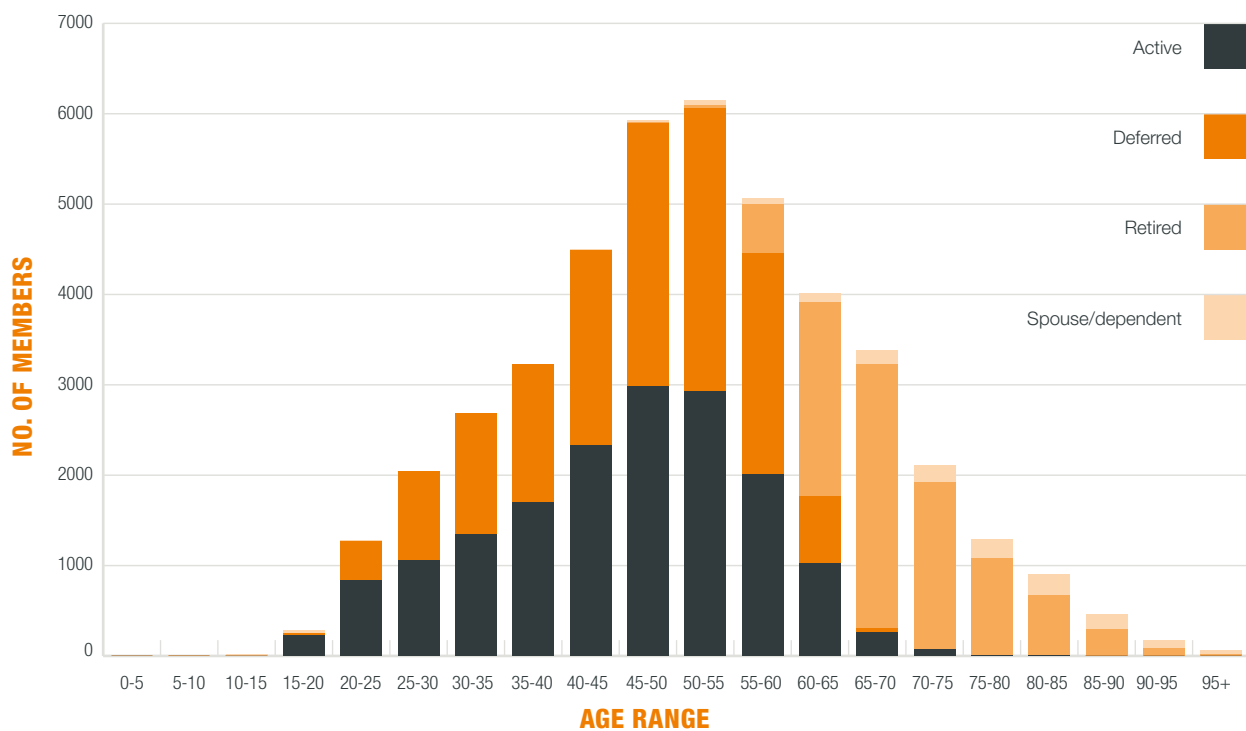
'Hugely impressed by the speed of your response thank you.'

Scheme Member

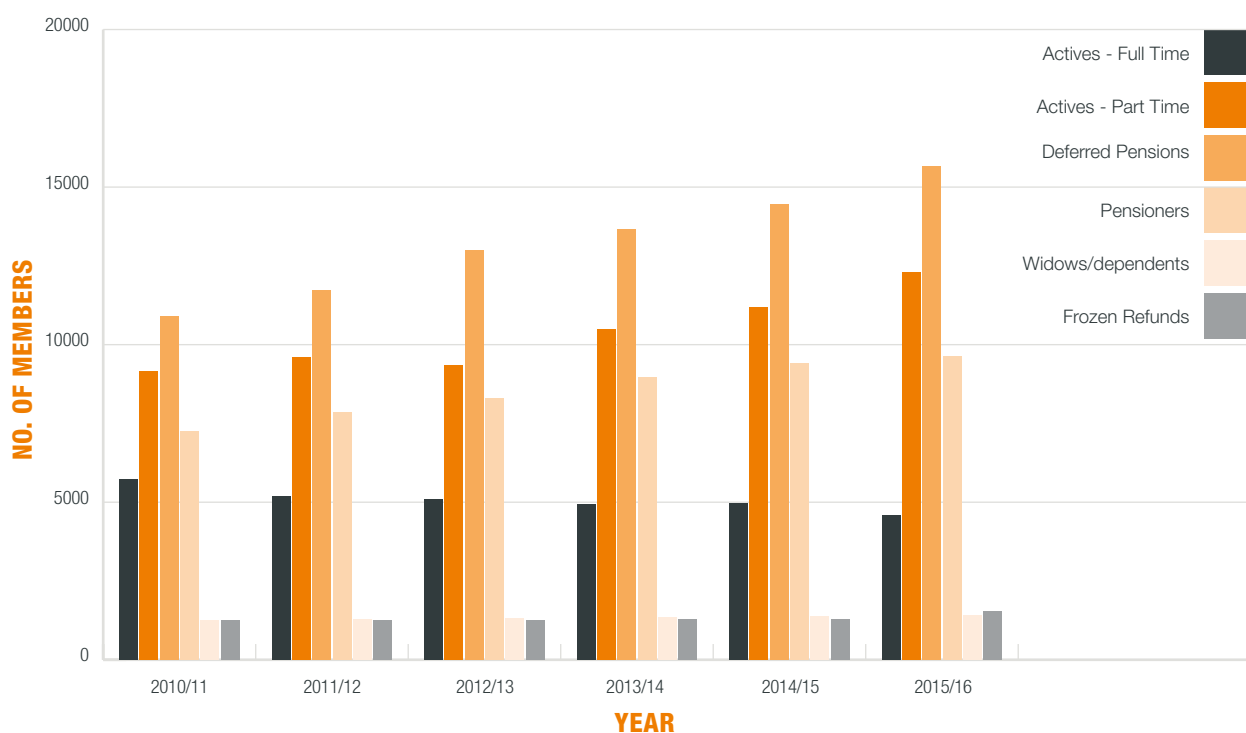
'Just to reiterate; I think you did a great job today...brought the subject to life, covered all the right areas and above all demonstrated how well you understand and manage your areas.'

Pension Board Member

Age profile of membership



Membership numbers and trends



A LIST OF CONTRIBUTING EMPLOYERS AND THE AMOUNT OF CONTRIBUTIONS RECEIVED FROM EACH DURING THE YEAR (SPLIT BY EMPLOYERS AND EMPLOYEES)

EMPLOYER NAME	EMPLOYEES CONTRIBUTIONS £	EMPLOYERS CONTRIBUTIONS £
Scheme Employer		
Abraham Darby Academy	49,584.63	114,501.55
Abraham Darby School	No active members	
HAFT Adams Grammar School	33,765.86	109,029.12
Adams Grammar School	No active members	
Barrow 1618 Free School	4,911.39	11,949.47
Bishop Anthony Educational Trust	7,642.36	24,420.52
Bitterley C.E Primary School	5,657.56	23,664.70
Bridgnorth Endowed School	30,983.35	107,281.12
Bridgnorth District Council**	No active members	
Charlton School	49,797.01	134,299.77
Church Stretton Academy	29,418.67	116,871.94
Clee Hill Community Academy	6,096.26	21,218.78
Cleobury Mortimer Primary School	14,800.99	49,842.05
Communities Academies Trust	123,678.24	436,526.49
Corbet School***	No active members	
Corbet School Academy	30,076.85	109,309.51
Ercall Wood School	37,370.64	106,067.01
Grange Junior School	No active members	
Grange Primary School***	11,926.33	42,417.22
Holy Trinity Academy	22,591.99	64,600.39
Holy Cross CE School***	No active members	
Idsall School	41,496.87	164,191.49
Kick Start Academy	1,582.50	4,200.78
Lacon Childe Academy	24,255.36	92,597.81
Lakelands Academy	38,516.68	141,841.85
Lawley Village Academy	1,144.22	1,385.81
Ludlow College	No active members	
Madeley Academy Trust Ltd	45,178.73	125,549.22
The Marches School	77,029.74	298,698.27
Moorfield Primary School	12,827.73	37,172.74
Morville C.E Primary School	1,346.89	3,869.71
National Health Service	No active members	
New College Telford	56,157.24	143,627.39
Newport Girls High School Academy Trust	15,839.69	51,856.92
North Shropshire College	95,825.76	361,896.73
North Shropshire College (Pre 02)	No active members	
North Shropshire District Council**	No active members	
North West Education Action Zone	No active members	
Oswestry Borough Council**	No active members	
Oldbury Wells Academy	20,339.46	76,774.41
Priorslee Primary Academy	15,752.68	48,498.81
The Priory School	37,980.02	140,270.78
Severndale Specialist Academy	137,678.74	439,104.26
Shrewsbury & Atcham Borough Council**	No active members	
Shrewsbury Academies Trust	91,711.13	333,453.57
Shropshire Career Service Ltd	No active members	
Shrewsbury College of Arts & Technology	198,668.85	631,139.92
Shrewsbury Sixth Form College	65,317.81	163,555.93
Shropshire & Wrekin Fire Authority	142,778.29	322,653.18
Shropshire Council	5,241,370.80	17,018,236.65

EMPLOYER NAME	EMPLOYEES CONTRIBUTIONS £	EMPLOYERS CONTRIBUTIONS £
Shropshire County Council**	No active members	
Shropshire Magistrates Court	No active members	
Shropshire Probation Committee	No active members	
South Shropshire District Council**	No active members	
Stokesay Primary School	6,316.27	23,191.33
Stottesdon C.E Primary School	2,349.55	8,741.98
Telford & Wrekin Council	4,292,264.60	11,365,571.24
Telford and Wrekin Education Action Zone	No active members	
Telford College of Arts & Technology	374,957.12	916,118.95
West Mercia Energy	26,985.49	179,810.26
Walford College Shropshire	No active members	
West Mercia Supplies	No active members	
William Brookes Academy	37,395.89	128,467.68
Woodside Primary School	31,492.94	110,267.41
Woodside Start Centre	10,897.73	29,673.93
Wrekin District Council*	No active members	
Admission Bodies		
Accord Housing Association	8,298.88	69,340.28
Age Uk Shropshire, Telford & Wrekin	4,418.67	43,786.29
Alliance in Partnership (Oldbury Wells)	2,323.36	7,535.78
Alliance in Partnership (Ludlow School)	1,794.46	7,587.86
Alliance in Partnership (SAT)	404.04	1,572.04
Association of Local Councils	2,654.75	10,541.78
Care Quality Commission	13,972.58	70,233.85
Catering Academy Ltd (NGHS)	154.75	517.72
Catering Academy Ltd (Priory)	469.72	1,342.86
Churchill Contract Services	709.82	3,007.15
Compass (UK) Ltd	1,074.80	3,904.54
Connexions	No active members	
County Training	No active members	
Coverage Care Crowmoor House	28,452.11	77,855.14
Coverage Care Ltd	20,195.48	216,584.99
CRI	No active members	
Energize	5,150.40	13,200.36
Fastrack Maintenance Ltd	No active members	
Funeral Services Ltd	5,873.20	13,337.17
Halo Leisure Services Ltd	7,154.80	24,306.58
Harper Adams University College	481,112.04	1,181,009.38
HMM Arts Ltd (The Hive)	472.08	1,445.25
Interserve Ltd	796.61	2,837.15
IP&E	41,278.47	129,564.06
Ironbridge Gorge Museum Trust	5,816.80	63,242.82
Landau Consultants	No active members	
Mencap	No active members	
Meres & Mosses Housing Association	49,099.04	141,662.74
Midland Heart Ltd	36,635.68	124,878.90
Mouchel Ltd	16,425.13	51,826.09
RAPT	2,980.98	7,449.92
Relate	No active members	
Ringway Infrastructure Ltd	151,776.46	344,832.04
Sanctuary Group	9,125.95	30,831.77
Severn Gorge Countryside Trust	6,723.48	18,507.48
Severnside Housing Association	248,484.58	924,018.17
Shropshire County Leisure Trust	44,926.50	101,152.54
Shropshire Disability Consortium	No active members	

EMPLOYER NAME	EMPLOYEES CONTRIBUTIONS £	EMPLOYERS CONTRIBUTIONS £
South Shropshire Housing Association	6,899.12	169,281.42
South Shropshire Leisure Ltd	18,146.61	40,455.55
Strettons Mayfair Trust	476.90	1,647.53
Taylor Shaw (Bridgnorth Endowed)	224.32	664.80
Taylor Shaw (Priory)	81,558.37	451,679.42
Telford & Wrekin Services Ltd	No active members	
Telford Development Corporation	No active members	
Telford Trust	3,131.52	9,283.91
The Boathouse Ellesmere Ltd	No active members	
Transforming Telford	402.88	1,457.60
Veolia Environmental Services (UK) Plc	109,730.06	269,539.32
Womens Royal Voluntary Service	No active members	
Wrekin Housing Trust	823,503.85	2,123,433.24
Designated Bodies		
Albrighton Parish Council	19.82	50.45
Alverley and Romsley Parish Council	No active members	
Bayston Hill Parish Council	952.01	4,042.45
Bishops Castle Town Council	1,213.32	3,215.40
Bridgnorth Town Council	16,553.48	53,453.90
Broseley Town Council	3,580.33	14,574.06
Church Stretton Town Council	6,608.84	28,318.65
Conover Parish Council	924.85	3,237.11
Craven Arms Town Council	No active members	
Dawley Hamlets Parish Council	624.36	2,610.92
Donnington and Muxton Parish Council	3,855.02	11,500.38
Ellesmere Town Council	3,457.29	7,676.40
Ford Parish Council	151.29	475.11
Great Dawley Parish Council	6,801.90	13,244.15
Great Hanwood Parish Council	327.39	934.57
Hadley & Leegomery Parish Council	3,676.75	11,813.11
Hollinswood & Randlay Parish Council	5,120.38	15,760.03
Ketley Parish Council	2,206.41	5,821.51
Ludlow Town Council	13,956.15	36,730.17
Madeley Town Council	9,270.31	32,039.68
Market Drayton Town Council	7,327.91	25,370.12
Much Wenlock Town Council	4,264.10	16,294.74
Newport Town Council	5,775.14	14,856.83
Oakengates Town Council	No active members	
Oswestry Town Council	27,482.47	67,896.23
Shifnal Town Council	3,686.79	13,175.34
Shrewsbury Town Council	72,035.83	173,034.99
Shropshire Towns & Rural Housing	169,961.69	327,237.72
St Georges and Priorslee Parish Council	No active members	
Stirchley & Brookside Parish Council	4,464.58	16,567.97
The Gorge Parish Council	888.59	2,803.48
Wellington Town Council	6,357.46	18,186.37
Wem Town Council	3,544.80	11,111.51
Whitchurch Town Council	2,380.11	6,581.23
Wrockwardine Parish Council	780.48	3,277.68
	14,234,840.01	42,531,666.40

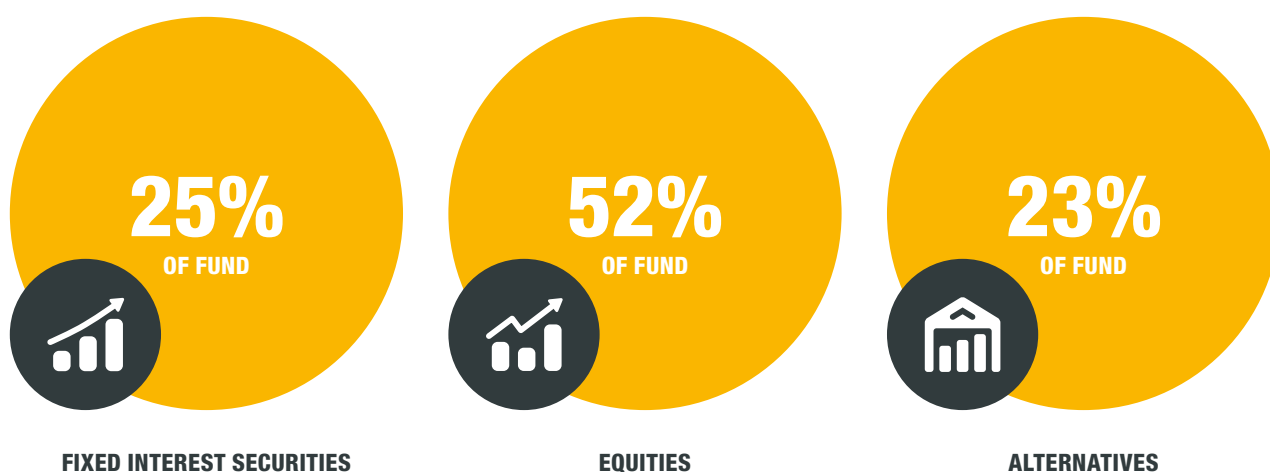
* Formed Telford and Wrekin Council // ** Employers merged on 1st April 2009 to form Shropshire Council

***Ex Shropshire Foundation School

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 NEXT VALUATION DUE IN 2016, THE RESULTS OF WHICH WILL BE KNOWN IN NOVEMBER 2016.

For 2015/16 the Fund's strategic allocation was:



Fixed Interest Securities (also known as Bonds) are generally considered to be less risky, as returns are less volatile than Equities. Bonds are deemed to closely match liabilities as they are both valued on the same basis. Over longer periods, investment returns achieved by Bonds are expected to be lower than those achieved by Equities.

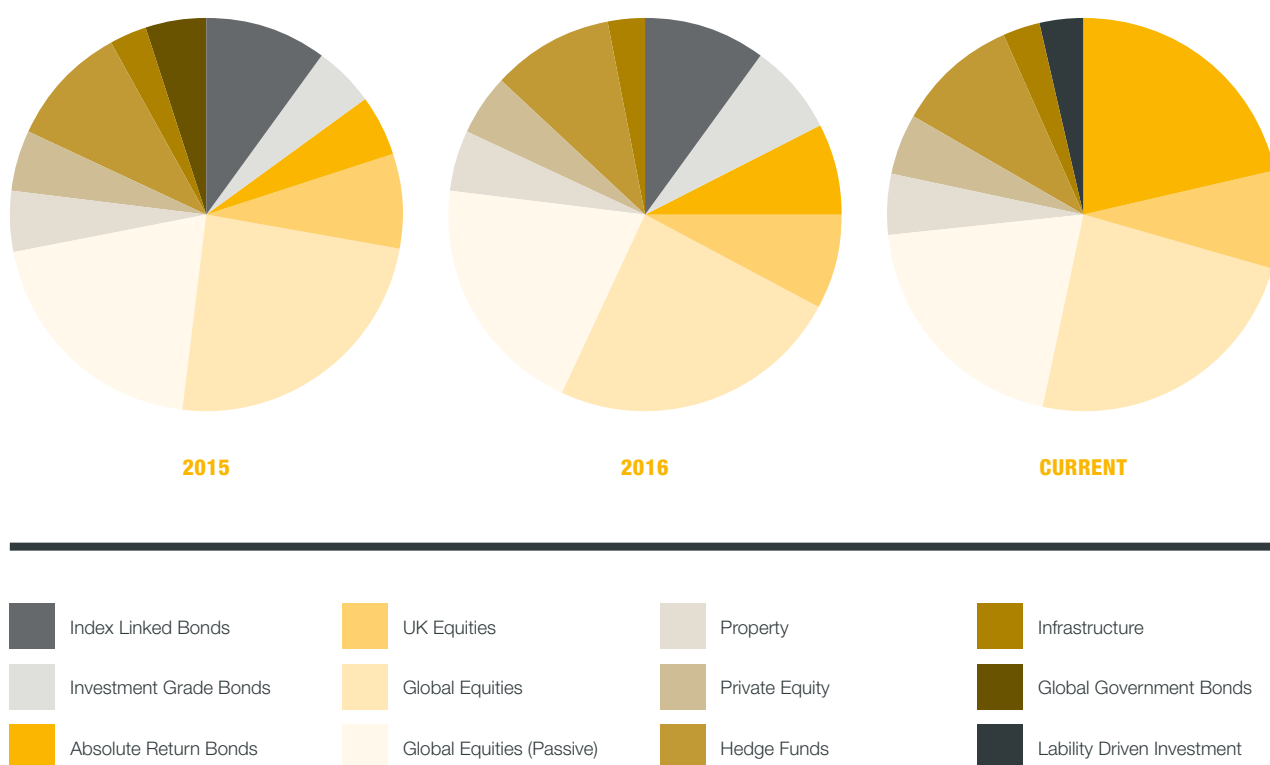
During 2015/16 the Committee, together with Officers and Aon Hewitt, have been reviewing the Fund's investment strategy. This included building a greater understanding of the Fund's investment risk relative to its liabilities. A number of potential improvements to the investment strategy were reviewed and two recommendations have now been approved.

The allocation to Investment Grade Bonds (managed by PIMCO) was reviewed during 2015. Although strong returns have been generated since 2009, the future outlook for this type of instrument now appears limited by low yields, low credit spreads and declining liquidity. The entire 7.5% allocation to Investment Grade Bonds was removed in March 2016 and replaced by an equivalent increase in Unconstrained Bond Funds, providing further diversification within the fund and improving the Fund's risk adjusted returns going forward. The defining feature of unconstrained strategies is the flexibility in their approach to asset allocation and security selection within the global bond universe, which can offer better returns and more downside protection.

The Pensions Committee also agreed to commence the appointment process for a Liability Driven Investment (LDI) manager to replace the existing holding within the Investment Strategy in Index Linked Gilts. The present value of the Fund's liabilities, as measured by the Fund's Actuary, will increase if long term gilt yields (interest rates) fall and if long term inflation rises. If this is not matched by a corresponding rise in the Fund's asset value then the overall funding level will fall. The current investment strategy has a 10% allocation to index-linked gilts which will move in a similar way to the liabilities as interest rates and inflation changes. By appointing an LDI manager it enables the Fund to more efficiently

match its assets to the interest rate and inflation movements of its liabilities, by either increasing the level of liability matching while maintaining the allocation to growth assets, or achieve the same level of liability matching while increasing the allocation to growth assets. It is expected that these appointments will provide further diversification of returns, improve the efficiency of the Fund's matching assets, (specifically to match the movement of the Fund's liabilities, caused by interest rates and inflation, independently of the allocation to return seeking assets) and will help maintain the high standards expected from Shropshire's investment managers.














Strategic asset allocation at the start and end of the year and current allocation:



The 20% global equity allocation managed passively by Legal & General is 100% hedged back to sterling. This is designed to eliminate some of the risks in holding an increased proportion of overseas investments. The fees were reduced during the year following a joint procurement exercise with six other Funds which resulted in savings of £0.033m during 2015/16.

SPREAD OF ASSETS BETWEEN FUND MANAGERS AS AT 31 MARCH 2016

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

FUND MANAGER		PERCENTAGE OF FUND %	VALUE OF FUNDS HELD £M	PORTFOLIOS HELD
	Legal & General Investment Managers	19.46	290.816	Global Equities
	Legal & General Investment Managers	10.91	162.999	UK Index Linked Bonds
	MFS	9.00	134.460	Global Equities
	Investec	8.25	123.194	Global Equities
	Majedie Asset Management	8.00	119.535	UK Equities
	Harris Associates	7.48	111.791	Global Equities
	PIMCO Europe Ltd	7.00	104.506	Global Aggregate Bonds
	Blackrock	6.70	100.096	Fixed Interest
	Aberdeen Property Investors	5.38	80.373	Property Unit Trusts
	Blackrock	5.02	75.029	Hedge Fund
	Brevan Howard	4.95	74.022	Multi Strategy Hedge Fund
	HarbourVest Partners Ltd	4.57	68.239	Private Equity
	Global Infrastructure Partners	1.54	22.948	Infrastructure
Other		1.66	24.755	Other
Total Assets Held by Fund Managers		99.92	1,492.763	
Net Current Assets		0.08	1.227	Net Current Assets
TOTAL FUND		100.00	1,493.990	

MAJOR SHAREHOLDINGS AS AT 31 MARCH 2016

UK EQUITIES		SECTOR	VALUE £M	% OF FUND
	Royal Dutch Shell	Energy	8.648	0.58
	HSBC	Banks	8.360	0.56
	BP Ord	Energy	7.908	0.53
	Vodafone	Telecommunications	6.755	0.45
	Glencore	Materials	6.047	0.40
	Diageo	Consumer Staples	5.476	0.37
	Tesco	Consumer Staples	4.385	0.29
	GlaxoSmithKline	Health Care	4.348	0.29
	Rio Tinto	Materials	4.212	0.28
	Reckitt Benckiser	Consumer Staples	3.870	0.26
OVERSEAS EQUITIES		COUNTRY	VALUE £M	% OF FUND
	Alphabet	United States	8.322	0.56
	American International Group	United States	7.064	0.47
	Johnson & Johnson	United States	6.306	0.42
	Medtronic	Ireland	6.018	0.40
	BNP Paribas	France	5.819	0.39
	Wells Fargo	United States	5.715	0.38
	Daimler	Germany	5.688	0.38
	Toyota Motor Corp	Japan	5.654	0.38
	Nestle	Switzerland	5.640	0.38
	Honeywell International	United States	5.467	0.37
TOTAL FUND VALUE			1493.990	

INVESTMENT PERFORMANCE

DURING THE YEAR THE SHROPSHIRE FUND DECREASED IN VALUE BY £19 MILLION TO BE VALUED AT £1.494 BILLION AT THE END OF THE YEAR. THE FUND DECREASED IN VALUE BY 0.6% OVER THE YEAR AND UNDERPERFORMED ITS BENCHMARK BY 1.2%. THIS IS THE FIRST TIME IN SEVEN YEARS THE FUND VALUE HAS DECREASED.

The Fund invests in a range of asset classes so as to diversify risk and provide more stable returns. The Shropshire Fund had a variety of positive and negative investment returns in a number of asset classes last year. The strongest performance was in Private Equity where the Fund's investments increased by a notable 19.9% during the year. The Fund has also achieved strong returns in Property which delivered an investment return of 14.3% and Infrastructure increased by 11.8%. The Fund's Index linked bonds increased by 1.9% in line with the benchmark in the year. Hedge Funds delivered a negative return of 3.5% and all of the Fund's equity managers with the exception of MFS delivered negative returns during the year.

GRAPH 01: WHOLE FUND PERFORMANCE

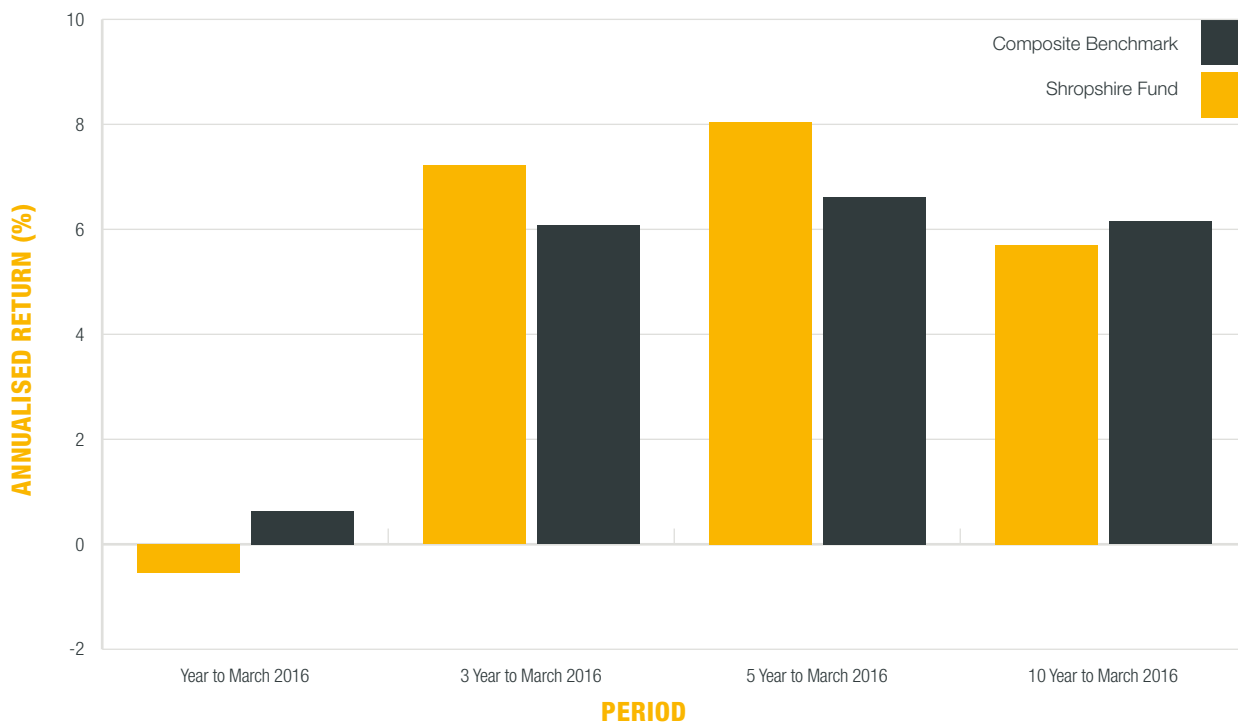
Graph 01 shows total Fund investment returns compared with the benchmark. The stock markets that make up the benchmark showed positive returns in 2015/16 of 0.6%. The Fund decreased in value by 0.6% over the year underperforming its benchmark by 1.2%. Overall the Fund has increased in value by an average of 7.2% per annum over the last 3 years which is 1.1% above benchmark, 8% per annum over the last 5 years which is 1.4% above benchmark and by 5.7% per annum over the last 10 years which is slightly below the benchmark by 0.4%.

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

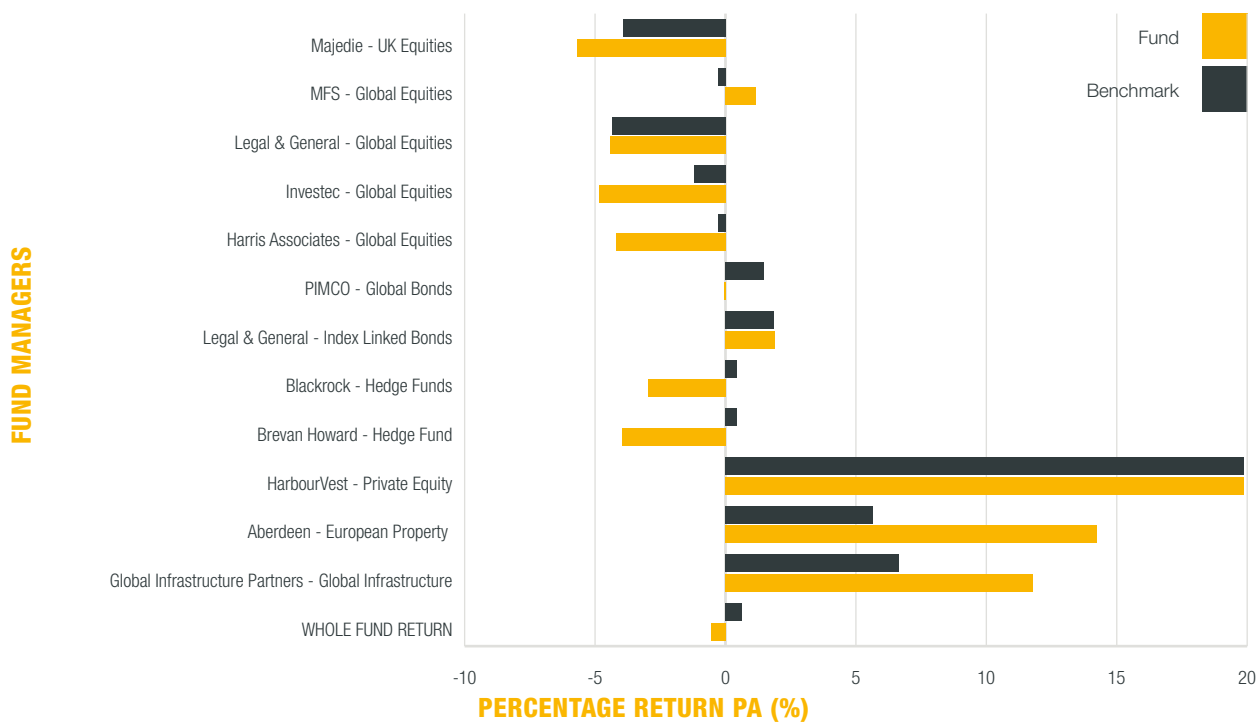
GRAPH 02: INDIVIDUAL FUND MANAGER PERFORMANCE

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

Graph 01: Whole Fund performance



Graph 02: Individual fund manager performance



CORPORATE GOVERNANCE

AND SOCIALLY RESPONSIBLE ENGAGEMENT

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

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

SHAREHOLDER VOTING

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

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

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

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

SOCIALLY RESPONSIBLE ENGAGEMENT

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

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

For example, BMO have been at the forefront of raising concerns around potential asset stranding with a wide range of executives and boards within the oil and gas, mining and electric utility sectors. The concepts of stranded

assets and a limited carbon budget have begun to resonate within these industries. Political movement on climate change, and advances in alternative energy technologies, are turning the transition to a lower-carbon future from theory into reality. This is presenting a key challenge to fossil fuel businesses, and investors in these companies.

Much of BMO's activity occurred in the context of collaborative investor initiatives, where they took a lead role in the dialogue with many companies. BMO engaged 95 companies – 58 in oil and gas, 15 in mining and 22 utilities, including 46 meetings. In addition to targeting larger companies such as Exxon, Royal Dutch Shell, BP, Anglo American and Glencore, they have also reached out to emerging market and medium sized oil and gas companies.

BMO's main engagement objectives include ensuring companies stress-test and disclose the range of possible future energy scenarios used for their strategic planning, to provide greater disclosure on carbon risks embedded in their assets and to set clearer targets for mitigating these risks, to strengthen board expertise on climate change economics and improve oversight to ensure that business models are resilient to rapid energy transition pathways.

LOCAL AUTHORITY PENSION FUND FORUM

Shropshire remains a committed and active member of the Local Authority Pension Fund Forum (LAPFF). The LAPFF brings together 70 public sector pension funds (as at 31 March 2016) representing 85% of local government pension funds when measured by assets. LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders in promoting corporate social responsibility and high standards in corporate governance among the companies in which they invest.

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

Energy & Environmental Risk

LAPFF's own engagement, and collaboratively with 'Aiming for A' partners, achieved an unprecedented number of global institutional co-filers, board support and high level of vote turnout for the strategic resilience shareholder resolutions to the BP and Shell AGMs.

These resolutions included a request for an assessment of the companies' asset portfolio resilience against the range of International Energy Agency scenarios and the role exploration, disposals and cash distributions to investors play in the nearer term.

Social & Reputational Risks

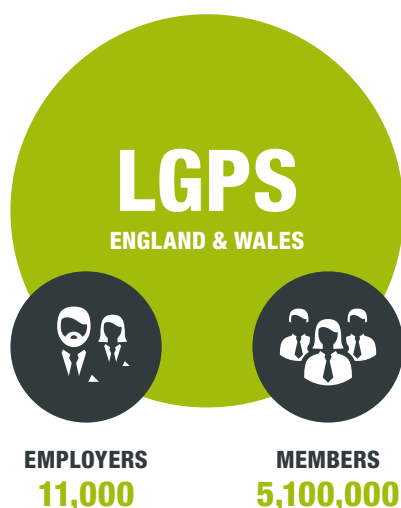
LAPFF members (including the Shropshire Fund) have a significant level of holdings in European pharmaceutical companies, and one issue that has come up in company dialogue is transparency of companies' clinical trials. LAPFF has signed on to an investor Clinical Trial Transparency Initiative. The initiative includes an Investor Statement that highlights the importance of clinical trials in determining the effectiveness and safety of drugs that come to market and a request that companies publish complete and accurate information on trial results so that investors can make fully informed decisions.

Palm Oil

During the year, LAPFF wrote with other investors to the Roundtable on Sustainable Palm Oil (RSPO) on strengthening its standards for sourcing palm oil sustainably and to an accelerated timeline. The RSPO has recognised concerns over the development of differing sustainable sourcing initiatives and that it is working to address these. LAPFF also attended a meeting of the United Nations Principles for Responsible Investment Working Group on Palm Oil to discuss ways forward for the group and effective engagement practices with companies listing palm oil as one of their commodities.

REVIEW OF THE YEAR

The LGPS is one of the largest Pension Schemes



The Local Government Pension Scheme (LGPS) is one of the largest Pension Schemes, with over 11,000 employers and 5,100,000 members in England and Wales.

Shropshire Council is required by law to administer the LGPS within the geographical area of Shropshire. The responsibilities for Scheme administration are met in-house, which includes the collection of Scheme contributions and data from all employers and the calculation of active member benefits; paying pension benefits to retired members; looking after the benefits for deferred members who have not yet taken payment and not only provides pensions for its members but also offers death benefits to spouses, civil and cohabiting partners and children.

As at 31 March 2016 the Shropshire County Pension Fund had 16,869 active members, 15,674 deferred members, 9,644 pensioners, 1,411 dependants and 152 employers, all looked after by 24 members of staff in the Pensions Administration Team.

The LGPS is a statutory scheme, and operates on a “defined benefit basis”. From the 1 April 2014 benefits for active members changed from Final Salary benefits and are now built up in the Career Average Revalued Earnings (CARE) Scheme. Benefits for members with service pre and post April 2014 have to be calculated under the provisions of the 1997, 2008 and 2013 LGPS Regulations and other applicable overriding legislation. It also pays benefits early on grounds of permanent ill-health at any age and redundancy when members are over 55. Under Part 2 regulation 57 of The Regulations 2013 all LGPS funds are required to publish an Annual Report. The aim of the Annual Report is to provide a single source of information about the status of the Shropshire County Pension Fund for its members, employers, and other stakeholders.

The Annual Reports for the other 91 Funds are collated and reported in the consolidated report issued by the LGPS Advisory Board and can be found on www.lgpsboard.org

EMBEDDING OF THE LGPS 2014

From 1st April 2014 the LGPS changed from a Final Salary Scheme to a Career Average Revaluation Earnings (CARE) Scheme and as this was a significant change to the Scheme, it has increased the workload of the Administration Team and Scheme employers. The CARE Scheme brought increased complexities particularly in the area of tracking member records especially when a member re-joins this Scheme, moves employers or re-joins another Fund.

Since the introduction of CARE, the Fund has undertaken a lot of work to ensure processes and work flow are up to date. Largely this was achieved, although all LGPS Funds were affected by the late publication of statutory guidance and Government Actuary Department factors to perform some calculations. This has meant in some cases work was stockpiled after the Scheme change and during 2015/16 time has been spent working on the backlog of work that had been created.

MEMBER DATA TRANSFER

During 2015/16 a middleware service called iConnect was fully implemented. Data is now transferred directly from an employer's payroll system, on a monthly basis, into the Pension Administration system for both of the Funds largest employers, Shropshire Council and Telford and Wrekin Council.

This has meant more timely notification of starters, leavers and changes. As a result there has been an increase in the number of changes identified on a monthly basis, thus reducing the amount of time and resource required to identify missing data during the year-end process.

The two largest Fund employers as well as going live with iConnect for their own payrolls are also processing their external client's payrolls, who are Fund employers, this way too. This means that the Fund is receiving clean data on a monthly basis for 88% of the membership. The Fund employers who are not using iConnect have provided the data required by the regulations by submitting monthly returns.

KEY ICONNECT DATA FACTS FOR 2015/16

- 2,086 address changes
- 80,215 contribution postings
- 156,341 pay data postings
- 2,347 notifications of starters
- 1,678 notifications of leavers

2016 ACTUARIAL VALUATION

The Fund's Valuation plan was put in place during 2015/16 and was constantly monitored to ensure the deadline of July 2016 for submitting the data to the Actuary is met. All member records at 31 March 2016 must be at the correct status at the date of submission to the Actuary to ensure an accurate assessment of Fund employer funding levels and contribution rates.

The data supplied by Scheme employers forms a major part of the Valuation the Scheme Actuary undertakes. Therefore, it is important that the information submitted is correct and compliant with the LGPS regulations 2013. By moving to a more streamlined process of submitting data throughout 2015/16 using iConnect and monthly returns should mean that data has been received more timely and less errors will be identified during year end balancing.

REPORTING BREACHES

In line with guidance issued by the Pensions Regulator, the Fund has developed a policy and procedure for ensuring those responsible for reporting breaches and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Fund. The breaches policy was approved by the Pensions Committee in November 2015 and is available to view on the Fund's website. The Pensions Administration team received training on the reporting breaches procedure and a record of breaches is being kept. If the breach of the Scheme regulations is deemed to be 'materially significant' then the breach will be reported to the Pensions Regulator in line with the Policy.

EMPLOYERS IN THE FUND

Academies

The number of Academies within the Fund continues to grow and during 2015/16 six schools converted to Academy status. As the number of Academies grow, so has the number of multi academy trusts which Academies can join during or after conversion.

Outsourcings

To be an employer in the Fund a body must be listed in Part 1 of Schedule 2 of the Local Government Pension Scheme Regulations 2013. Shropshire Council as the administering authority can admit organisations that are not automatically Scheme employers but who satisfy certain other conditions laid down by the regulations. These are called 'admission bodies' and employees of an admission body can join the LGPS if the admission agreement allows it. The full list of the Fund's admission bodies can be found on pages 15-17.

The Best Value Authority Staff Transfers (Pensions) Direction 2007 issued on 1st October 2007 provides that where an authority enters into a contract with a person for the provision of services the contract requires the contractor to secure pension protection for each transferring employee.

The Fund has seen a steady growth in the number of admission bodies as the number of service contracts being let by Scheme Employers increase.

ANNUAL BENEFIT STATEMENTS

To comply with the timescale set out in section 14(5) of the Public Service Pensions Act 2013, regulation 89 of the LGPS Regulations 2013 an administering authority must issue an annual benefit statement to all members by the end of 31st August. In 2015/16, Annual benefit statements to deferred members of the Fund were issued on the 26 June 2015 and to active members on the 26 August 2015, which means the Fund adhered to the 31 August deadline set by the Regulations.

GMP RECONCILIATION EXERCISE

Following the end of contracting out in April 2016, HMRC will be sending a statement to all individuals affected stating the amount of Guaranteed Minimum Pension (GMP) they will receive and who is responsible for paying for it. Ahead of this, HMRC have advised that Schemes should reconcile the GMP values they hold for members with those calculated by HMRC or face making overpayments to existing members and even individuals for whom they believe they have no liability.

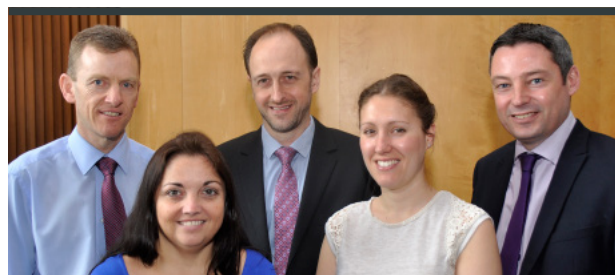
During 2015/16 the project for the reconciliation exercise was set up and investigations were made into the solutions available to perform the GMP reconciliation efficiently. The initial match-up exercise was awarded externally to a company called ITM and initial results showed that there are approximately 3,500 records that need extensive investigative work.

EFFECTIVE ADMINISTRATION

The administration team ensures the operation of its functions is effective and efficient by taking part in both internal and external audits. The teams internal audit has received a good rating, which is the highest rank awarded in both its administration and system areas. The team also is audited externally, please refer to pages 56-57 in this report for information. Quarterly reports are also provided to the Pensions Committee on administration performance.



PENSIONS ADMINISTRATION TEAM



SCHEME ADMINISTRATOR, HEAD OF TREASURY AND PENSIONS AND TREASURY TEAM

INTERNAL DISPUTE RESOLUTION PROCEDURE

DESPITE OUR BEST EFFORTS WE DO, SOMETIMES, RECEIVE COMPLAINTS FROM OUR MEMBERS WHEN THEY HAVE NOT BEEN SATISFIED WITH SCHEME DECISIONS.

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

The complaint procedure's official name is the Internal Dispute Resolution Procedure and the procedure is outlined in Regulation 72 of the LGPS Regulations 2013. A Scheme member, pensioner, deferred pensioner or potential beneficiary can all make an appeal under the IDRP procedure.

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

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

If after the stage 2 decision the member or beneficiary is still dissatisfied they can contact The Pensions Advisory Service (TPAS) and ask for their assistance. Where the complaint or dispute cannot be resolved after the intervention of TPAS, the member or beneficiary has three years in which to apply to the Pensions Ombudsman for a decision.

The Pensions Ombudsman can investigate any type of complaint about a member's or beneficiary's pension, but they must have been through stages 1 and 2 of the IDRP before they contact the Ombudsman.

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

IDRP cases reported in 2015/16

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

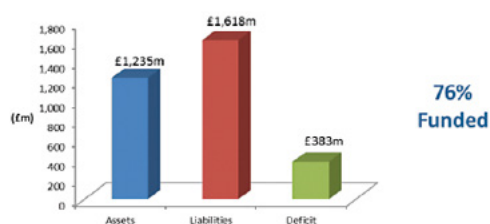
STATEMENT BY THE CONSULTING ACTUARY

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

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

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

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



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

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

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

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

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

	FOR PAST SERVICE LIABILITIES (FUNDING TARGET)	FOR FUTURE SERVICE LIABILITIES (COMMON CONTRIBUTION RATE)
Rate of return on investments (discount rate)	4.95% per annum	5.6% per annum
Rate of pay increases (long term)*	4.1% per annum	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

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

The assets were assessed at market value.

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

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2016 (the 31 March 2015 assumptions are included for comparison):

	31 MARCH 2014	31 MARCH 2015
Rate of return on investments (discount rate)	3.3% per annum	3.6% per annum
Rate of pay increases (long term)*	3.5% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.0% per annum

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

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

During the year, corporate bond yields rose, resulting in a higher discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.6% p.a. versus 3.3% p.a.). There was no change in the expected long-term rate of CPI inflation during the year, resulting in the same assumption for pension increases at the year end than at the beginning of the year (2.0% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2015 was estimated as £2,181 million.

The effect of the changes in actuarial assumptions between 31 March 2015 and 31 March 2016 as described above is to decrease the liabilities by c£118 million. Adding interest over the year increases the liabilities by c£72 million, and allowing for net benefits accrued/paid over the period increases the liabilities by a further c£9 million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2016 is therefore £2,144 million.

John Livesey
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2016

GOVERNANCE STRUCTURE

**SHROPSHIRE COUNCIL, AS ADMINISTERING
AUTHORITY IS REQUIRED TO PREPARE,
PUBLISH AND MAINTAIN A GOVERNANCE
COMPLIANCE STATEMENT UNDER
REGULATION 55 OF THE LOCAL GOVERNMENT
PENSION SCHEME REGULATIONS 2013.**

Outline of the Governance Structure

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

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

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

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

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

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

The Governance Structure of the Fund from 1 April 2015:



The Pensions Board members 2015/16



Pat Hockley
Member Representative



Mike Morris (Chair)
Member Representative



Stuart Wheeler
Employer Representative
Sevenside Housing



Liz Furey
Employer Representative
Harper Adams University College

COMMITTEE MEMBERS 2015/16

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

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

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

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

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



**Malcolm Pate
(Chairman)**
Shropshire Council
VOTING



**Malcolm Smith
(Vice Chairman)**
Telford & Wrekin Council
VOTING



Anne Chebsey
Shropshire Council
VOTING



Andrew B Davies
Shropshire Council
VOTING



Thomas Biggins
Shropshire Council
VOTING



Charles Smith
Employee Representative
VOTING



Jean Smith
Pensioner Representative
NON-VOTING



Nigel Neat
Employee Representative
NON-VOTING

TRAINING POLICY (MEMBERS AND OFFICERS)

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

Training policy

The Fund has adopted a Training Policy which sets out how the Fund intends to meet its training responsibilities. Reference within the policy is made to the Chartered Institute of Public Finance and Accountancy (CIPFA) knowledge and skills framework which identifies eight core areas of technical knowledge and skills for those working in public sector pension's 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

The Fund's Training Policy has a knowledge matrix based on the eight core areas shown above. The matrix identifies the level of knowledge required for Officers, Pension Committee Members and Pension Board Members and will assist the Fund when organising future training required.

Pension Committee

The Pensions committee meets quarterly or more often if required and before each meeting there is a training session usually delivered by the Fund investment advisors, Aon Hewitt. Topics are wide ranging and in the past year have included the following:

- Liability driven investments (LDI)
- Diversification and economic scenarios
- Alternative Indexation
- Update on Government consultation

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

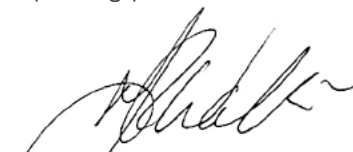
Pensions Board: Each Pension Board member throughout 2015/16 received training. The training was either provided by the Local Government Association, Aon Hewitt or was provided by officers in-house. Each Pension Board member and senior officers have completed the The Pensions Regulators' eLearning programme.

Pensions Training day: Presentations on Liability Driven Investments, unconstrained bond strategies, investment governance frameworks and also interest rate and inflation hedging.

Pensions AGM: Presentations were given on Hedge Funds by Blackrock, Collaboration work and Investment Performance and a Fund administration update.

Officer Attendance at conferences, seminars and networking groups: LGC Investment Symposium, LGC Investment Summit, PLSA conference, CIPFA Pensions network seminars, North West and Wales Pension & Accounting Group.

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



James Walton
Head of Finance, Governance and Assurance
(S151 Officer and Scheme Administrator)
21 September 2016

PENSION FUND ACCOUNT

Pension Fund Account for the year ended 31 March 2016

2014/15 £M		NOTES (PGS 38-54)	2015/16 £M	
	CONTRIBUTIONS & BENEFITS			
	Contributions			
44.657	Employers	7	45.854	
14.134	Employees	7	14.235	
4.339	Transfers In from other pension funds	3,7	2.373	
63.130	TOTAL INCOME			62.462
	Benefits Payable			
51.090	Pensions	7	53.069	
10.842	Commutation of pensions and lump sum retirement benefits	7	9.488	
1.202	Lump sum death benefits	7	1.074	63.631
	Payment to & account of leavers			
0.081	Refund of contributions	7	0.245	
4.312	Transfer to other Funds	3,7	4.259	4.504
67.527	TOTAL EXPENDITURE			68.135
(4.397)	Net additions from dealings with scheme members			(5.673)
(13.764)	Management Expenses	8		(13.097)
	Returns on Investments			
19.248	Investment Income	3,9,14	19.322	
16.767	Gain/(loss) on cash and currency hedging		12.277	
(0.020)	Taxes on Income	10	(0.020)	
155.698	Profits and losses on disposal of investments and changes in value of investments	11	(31.554)	
191.693	Net increase (decrease) in the net assets available for benefits during the year			0.025
173.532	Surplus / (deficit) on the pension fund for the year			(18.745)
1339.203	OPENING NET ASSETS OF THE SCHEME			1512.735
1512.735	CLOSING NET ASSETS OF THE SCHEME			1493.990

NET ASSETS STATEMENT

Net Assets Statement as at 31 March 2016

31/03/2015 £M		NOTES (PGS 38-54)	31/03/2016 £M	%
	Investment Assets			
228.604	Equities		213.865	14.32
	Pooled Investment Vehicles			
159.821	Unitised Investment Vehicles		162.999	10.91
1082.132	Other Managed Funds		1077.783	72.14
	Cash Deposits			
39.915	Deposits		38.116	2.55
3.380	Temporary Investments	27	0.860	0.06
1513.852	TOTAL INVESTMENT ASSETS		1493.623	99.98
	CURRENT ASSETS			
2.044	Contributions due from Employers	18	2.262	0.15
1.288	Other Current Assets	18	1.835	0.12
0.020	Cash Balances	27	0.005	0.00
	CURRENT LIABILITIES			
(0.505)	Unpaid Benefits	19	(0.380)	(0.03)
(3.964)	Other Current Liabilities	19	(3.355)	(0.22)
1512.735	Net Assets of the Scheme - Available to Fund Benefits as at 31 March		1493.990	100.00

NOTES

TO THE SHROPSHIRE COUNTY PENSION FUND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

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 2009 (as amended)

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

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

Organisations participating in the Shropshire County Pension Fund include:

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

There are 152 employers within the Shropshire County Pension Fund including Shropshire Council itself, as detailed below.

SHROPSHIRE COUNTY PENSION FUND	31 MARCH 2016	31 MARCH 2015
No of employers with active members	114	99
Number of employees in the scheme		
Shropshire Council	7,605	7,166
Other employers	9,264	8,980
Total	16,869	16,146
Number of pensioners in the scheme		
Shropshire Council	4,806	4,686
Other employers	4,838	4,723
Total	9,644	9,409
Number of deferred pensioners in the scheme		
Shropshire Council	7,755	7,265
Other employers	7,919	7,184
Total	15,674	14,449

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2016. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last valuation was as at 31 March 2013. Currently, employer contribution rates range from 5.4% to 28.0% of pensionable pay.

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

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

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

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

NOTE 2: BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2015/16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – revenue recognition

Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund Actuary in the payroll period to which they relate. Employers deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set out by the scheme

actuary or on receipt if earlier than the due date. Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

Transfers to and from other schemes

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

Investment Income

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

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

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

Fund Account – expense items

Benefits payable

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

Taxation

The Fund is a registered Public Service Scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and is therefore exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises and in 2015/16 this figure is £19,575.

Management expenses

The Code does not require any breakdown of Pension Fund administrative expenses. However, in the interests of greater transparency, the Council discloses its Pension Fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

All administrative expenses are accounted for on an accruals basis. 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.

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

Investment management expenses

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

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

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

Majedie Asset Management - UK Equities
Pimco Europe Ltd - Absolute Return Bonds
MFS Investment Management - Global Equities
Blackrock - Hedge Fund
Investec Asset Management - Global Equities
Harris Associates - Global Equities
Brevan Howard - Multi Strategy Hedge Fund
Performance related fees in 2015/16 £2.640m (2014/15 £3.928m).

Where an investment manager's fee note has not been received by the balance sheet 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 2015/16, £0.007m of fees is based on such estimates (2014/15 £0.013m).

Net Assets Statement

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

The values of investments as shown in the Net Assets Statement have been determined as follows:

- Market quoted investments are valued by the bid market price ruling on the final day of the accounting period.
- Fixed interest securities are recorded at net market value based on their current yields.
- Investments in private equity funds are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund manager in accordance with the International Private Equity and Venture Capital Valuation guidelines 2012.
- Investments in infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published. If single priced they are valued at the closing single price. In the case

of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of withholding tax.

- Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.
- Cash 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.
- The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.
- Shropshire County Pension Fund provides an additional voluntary contributions (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

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using the International Private Equity and Venture Capital Valuation Guidelines 2012.

The Pension Fund liability is calculated every three years by the Fund Actuary. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in note 17. This estimate is

subject to significant variances based on changes to the underlying assumptions.

NOTE 5: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates. The items in the Net Assets Statement as at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

ITEM	UNCERTAINTIES	EFFECT IF ACTUAL RESULTS DIFFER FROM ASSUMPTIONS
Private Equity	Private Equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £65.7 million. There is a risk that this investment may be under or overstated in the accounts.
Hedge Funds	The hedge funds are valued at the sum of the fair values provided by the Administrators of the underlying funds plus any adjustments deemed necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total hedge fund value in the financial statements is £149.1 million. There is a risk that these investments may be under/over - stated in the accounts.

NOTE 6: EVENTS AFTER THE REPORTING DATE

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. There have been no events between 31 March 2016 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	ADMISSION BODIES	DESIGNATION BODIES / SCHEME EMPLOYERS	TOTAL
	£M	£M	£M	£M
2015/16				
Contributions Received				
Employees	5.289	2.234	6.712	14.235
Employers	18.687	6.997	20.170	45.854
Transfers In	1.375	0.076	0.922	2.373
TOTAL INCOME	25.351	9.307	27.804	62.462
Payments Made				
Pensions	32.484	6.261	14.324	53.069
Lump Sums	3.928	1.982	3.578	9.488
Death Benefits	0.405	0.058	0.611	1.074
Refunds	0.080	0.021	0.144	0.245
Transfers Out	0.351	0.374	3.534	4.259
TOTAL EXPENDITURE	37.248	8.696	22.191	68.135
2014/15				
Contributions Received				
Employees	5.306	2.269	6.559	14.134
Employers	18.732	7.154	18.771	44.657
Transfers In	1.142	2.012	1.185	4.339
TOTAL INCOME	25.180	11.435	26.515	63.130
Payments Made				
Pensions	31.725	5.806	13.559	51.090
Lump Sums	5.643	1.796	3.403	10.842
Death Benefits	0.454	0.129	0.619	1.202
Refunds	0.045	0.003	0.033	0.081
Transfers Out	1.730	0.762	1.820	4.312
TOTAL EXPENDITURE	39.597	8.496	19.434	67.527

THE TABLE BELOW SHOWS A BREAK DOWN OF THE EMPLOYERS CONTRIBUTIONS ABOVE:

2014/15 £M	EMPLOYERS CONTRIBUTION BREAKDOWN	2015/16 £M
30.860	Employers normal contributions	31.199
10.639	Employers deficit contributions	11.333
3.158	Employers augmentation contributions	3.322
44.657		45.854

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 guidance.

2014/15 £M	MANAGEMENT EXPENSES	2015/16 £M
0.785	Administrative costs	0.817
12.451	Investment management expenses	11.673
0.528	Oversight and governance costs	0.607
13.764		13.097

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 £2.640m (2014/15 £3.928m) in respect of performance related fees paid/payable to the Fund's investment managers.

It also includes £0.449m in respect of transaction costs (2014/15 £0.404m).

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).

2014/15 £M	INVESTMENT EXPENSES	2015/16 £M
7.186	Management Fees	7.098
3.928	Performance Fees	2.640
0.841	Other Fees	1.435
0.404	Transaction Costs	0.449
0.092	Custody Fees	0.051
12.451		11.673

The costs incurred by the Council in administering the Fund totalled £0.817m for the year ended 31 March 2016 (2014/15 £0.785m).

2014/15 £M	ADMINISTRATIVE COSTS	2015/16 £M
0.525	Employee costs	0.541
0.129	IT	0.155
0.060	Printing & Postage	0.062
0.022	Office Accommodation	0.028
0.022	Subscriptions	0.014
0.027	Other Costs	0.017
0.785		0.817

The costs incurred by the Council in Oversight and Governance totalled £0.607m for the year ended 31 March 2016 (2014/15 £0.528m)

2014/15 £M	OVERSIGHT & GOVERNANCE COSTS	2015/16 £M
0.202	Investment advice	0.294
0.108	Employee costs (pensions investment)	0.138
0.075	Actuarial advice	0.005
0.040	Responsible engagement overlay	0.048
0.023	Professional fees	0.023
0.023	External audit	0.027
0.022	Performance analysis	0.023
0.017	Internal audit	0.017
0.015	Legal and Committee	0.015
0.003	Other costs	0.017
0.528		0.607

NOTE 9: INVESTMENT INCOME

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

2014/15 £M	INVESTMENT INCOME	2015/16 £M
0.421	Interest from Fixed Interest Securities	0.000
6.229	Dividends from equities	6.508
0.000	Income from index-linked securities	0.000
3.097	Income from pooled investment vehicles	3.649
0.025	Interest on cash deposits	0.022
9.476	Other	9.143
19.248		19.322

NOTE 10: TAXES ON INCOME

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

2014/15 £M	TAXES ON INCOME	2015/16 £M
0.000	Withholding tax - Fixed interest securities	0.000
0.008	Withholding tax - equities	0.020
0.012	Withholding tax - pooled	0.000
0.020		0.020

NOTE 11A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS

2015/16

INVESTMENT TYPE	VALUE AS AT 1ST APRIL 2015	PURCHASES AT COST AND DERIVATIVE PAYMENTS	SALE PROCEEDS AND DERIVATIVE RECEIPTS	OTHER CASH TRANSACTIONS	CHANGE IN MARKET VALUE	VALUE AS AT 31ST MARCH 2016
	£M	£M	£M	£M	£M	£M
Equities	228.604	84.236	(79.570)		(19.405)	213.865
Pooled Investment Vehicles - Unitised Investment Vehicles	159.821	0.000	0.000		3.178	162.999
Pooled Investment Vehicles - Other managed Funds	1082.132	156.834	(143.357)	(2.460)	(15.366)	1077.783*
	1470.557	241.070	(222.927)	(2.460)	(31.593)	1454.647
Cash deposits - with Managers	39.915	8.468	(8.517)	(1.789)	0.039	38.116
Temporary Investments	3.380			(2.520)		0.860
	1513.852	249.538	(231.444)	(6.769)	(31.554)**	1493.623

2014/15

INVESTMENT TYPE	VALUE AS AT 1ST APRIL 2014	PURCHASES AT COST AND DERIVATIVE PAYMENTS	SALE PROCEEDS AND DERIVATIVE RECEIPTS	OTHER CASH TRANSACTIONS	CHANGE IN MARKET VALUE	VALUE AS AT 31ST MARCH 2015
	£M	£M	£M	£M	£M	£M
Fixed Interest Securities - Public Sector	61.798	3.643	(65.380)		(0.061)	0.000
Equities	207.853	89.382	(87.992)		19.361	228.604
Pooled Investment Vehicles - Unitised Investment Vehicles	131.773	0.000	0.000		28.048	159.821
Pooled Investment Vehicles - Other managed Funds	912.315	116.035	(55.181)		108.963	1082.132*
Derivative contracts	0.638	0.000	(0.021)		(0.617)	0.000
	1314.377	209.060	(208.574)	0.000	155.694	1470.557
Cash deposits - with Managers	22.241			17.670	0.004	39.915
Cash deposits - margin balances	(0.043)			0.043		0.000
Temporary Investments	2.650			0.730		3.380
	1339.225	209.060	(208.574)	18.443	155.698**	1513.852

* Within the Pooled Investment Vehicles - other managed funds total of £1077.783m are £214.739m of level 3 investments as at 31 March 2016. The value of the level 3 investments were £218.741m as at 1st April 2015 which increased to £214.739m as at 31 March 2016. The decrease in value is due to purchases of £23.896m, sales of £22.247m and change in market value of -£5.651m.

** The total change in market value for 2015/16 as per the table above is -£31.554m. This figure is made up of profit on sales of £28.599m and also the difference between book cost and market value for the whole Fund which for 2015/16 was -£60.153m.

NOTE 11B: ANALYSIS OF INVESTMENTS (EXCLUDING DERIVATIVE CONTRACTS)

2014/15 £M		2015/16 £M
FIXED INTEREST SECURITIES		
UK		
0.000	Corporate quoted	0.000
Overseas		
0.000	Public sector quoted	0.000
0.000		0.000
EQUITIES		
UK		
103.656	Quoted	103.007
Overseas		
124.948	Quoted	110.858
228.604		213.865
POOLED FUNDS - ADDITIONAL ANALYSIS		
UK		
159.821	Index Linked Bonds	162.999
10.410	Unit Trusts	11.075
Overseas		
780.065	Unit Trusts	753.072
154.404	Hedge Fund of Funds	149.051
62.970	Pooled property investments	77.526
64.337	Private Equity	65.688
9.946	Infrastructure	21.371
1241.953		1240.782
1470.557		1454.647

NOTE 12: ANALYSIS OF DERIVATIVES

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

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

NOTE 13: CASH EQUITISATION

During 2013/14, following a review of the Fund structure, a decision was taken to terminate the Fund cash equitisation programme. This was

designed to reduce risk by maintaining the Fund close to its strategic asset allocation and minimise the drag on investment performance caused by holding cash. This was completed using futures.

Following on from the restructure cash equitisation is no longer required as this is now managed within the Pension Fund team.

NOTE 14: 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 £0.079m in 2015/16 and this is included within investment income in the Pension Fund Account. At 31 March 2016 £7.971m worth of stock (via the Custodian) was on loan, for which the Fund was in receipt (via the Custodian) of £8.604m worth of collateral representing 108% of stock lent.

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 15A: CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

31-MAR-15			31-MAR-16		
FAIR VALUE THROUGH PROFIT & LOSS	LOANS AND RECEIVABLES	FINANCIAL LIABILITIES AT AMORTISED COST	FAIR VALUE THROUGH PROFIT & LOSS	LOANS AND RECEIVABLES	FINANCIAL LIABILITIES AT AMORTISED COST
£M	£M	£M	£M	£M	£M
Financial Assets					
228.593			Equities	213.865	
159.821			Pooled Investment Vehicles - Unitised Investment Vehicles	162.999	
1082.132			Pooled Investment Vehicles - Other managed Funds	1077.783	
	43.325		Cash		38.981
	3.332		Debtors		4.097
1470.546	46.657	0.000		1454.647	43.078
Financial Liabilities					
		(4.468)	Creditors		(3.735)
0.000	0.000	(4.468)		0.000	(3.735)
1470.546	46.657	(4.468)		1454.647	43.078

NOTE 15B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

2014/15 £M	FINANCIAL INSTRUMENTS	2015/16 £M
Financial Assets		
155.698	Fair value through profit and loss	(31.554)
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
155.698		(31.554)

NOTE 15C: VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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

Level 1:

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

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2:

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

Level 3:

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

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Shropshire County Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are undertaken quarterly, however, lag a quarter behind so the valuation in the accounts is as at 31st December 2015. 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 financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

ASSET TYPE	INVESTMENT MANAGER	INVESTMENT TYPE	MARKET VALUE £M	QUOTED MARKET PRICE LEVEL 1 £M	USING OBSERVABLE INPUTS LEVEL 2 £M	WITH SIGNIFICANT UNOBSERVABLE INPUTS LEVEL 3 £M
2015/16						
Equities	Majedie Asset Management	UK Equities	105.961	105.961		
	Harris Associates	Global Equities	107.897	107.897		
Pooled Investment Vehicles	Legal & General	UK Index Linked Bonds	162.999	162.999		
	Majedie Asset Management	UK Pooled Fund	11.075	11.075		
	Pimco Europe Ltd	Global Aggregate Bonds	104.506	104.506		
	MFS	Global Equities	134.460	134.460		
	HarbourVest Partners Ltd	Private Equity	65.688			65.688
	Aberdeen Property Investors	Property Unit Trusts	77.525		77.525	
	Blackrock	Hedge Fund	75.029			75.029
	Global Infrastructure Partners	Infrastructure	21.371		21.371	
	Legal & General	Global Equities	290.816	290.816		
	Investec	Global Equities	123.194	123.194		
	Brevan Howard	Hedge Fund	74.022			74.022
	Blackrock	Fixed Interest	100.096	100.096		
Net Current Assets (including cash)			39.351	39.351		
			1493.990	1180.355	98.896	214.739
2014/15						
Equities	Majedie Asset Management	UK Equities	114.245	114.245		
	Harris Associates	Global Equities	114.348	114.348		
Pooled Investment Vehicles	Legal & General	UK Index Linked Bonds	159.821	159.821		
	Majedie Asset Management	UK Pooled Fund	10.410	10.410		
	Pimco Europe Ltd	Global Aggregate Bonds	213.878	213.878		
	MFS	Global Equities	132.423	132.423		
	HarbourVest Partners Ltd	Private Equity	64.337			64.337
	Aberdeen Property Investors	Property Unit Trusts	62.971		62.971	
	Blackrock	Hedge Fund	77.314			77.314
	Global Infrastructure Partners	Infrastructure	9.946		9.946	
	Legal & General	Global Equities	304.277	304.277		
	Investec	Global Equities	129.486	129.486		
	Brevan Howard	Hedge Fund	77.090			77.090
Net Current Assets (including cash)			42.189	42.189		
			1512.735	1221.077	72.917	218.741

NOTE 16: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the assets mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk the Pension Fund Officers and the Fund investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

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

Other price risk – sensitivity analysis

Following analysis of historic data and expected investment return movement during the financial year the Fund has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period:

ASSET TYPE	POTENTIAL MARKET MOVEMENTS (+/-)
UK Equities	10.7%
Global Equities	9.8%
Property	2.4%
Private Equity	4.6%
Hedge Funds	4.6%
Absolute Return Bonds	2.8%
UK ILG over 5 years	9.6%
Infrastructure	4.6%

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

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

ASSET TYPE	VALUE AS AT 31 MARCH 2016 £M	POTENTIAL MARKET MOVEMENT £M	VALUE ON INCREASE £M	VALUE ON DECREASE £M
Net Assets including Cash	39.343	0.000	39.343	39.343
Investment Portfolio Assets				
UK Equities	114.082	12.207	126.289	101.875
Global Equities	659.329	64.614	723.943	594.715
Absolute Return Bonds	204.602	5.729	210.331	198.873
Property	77.525	1.861	79.386	75.664
Private Equity	65.688	3.022	68.710	62.666
Hedge Funds	149.051	6.856	155.907	142.195
UK Index linked Gilts over 5 years	162.999	15.648	178.647	147.351
Infrastructure	21.371	0.983	22.354	20.388
TOTAL ASSETS AVAILABLE TO PAY BENEFITS	1,493.990	110.920	1,604.910	1,383.070

ASSET TYPE	VALUE AS AT 31 MARCH 2015 £M	PERCENTAGE CHANGE %	VALUE ON INCREASE £M	VALUE ON DECREASE £M
Net Assets including Cash	42.189	0.000	42.189	42.189
Investment Portfolio Assets				
UK Equities	114.066	11.749	125.815	102.317
Global Equities	691.124	61.925	753.049	629.199
Corporate Bonds	213.878	5.497	219.375	208.381
Property	62.970	2.286	65.256	60.684
Private Equity	64.337	3.120	67.457	61.217
Hedge Funds	154.404	7.056	161.460	147.348
UK Index linked Gilts over 5 years	159.821	15.327	175.148	144.494
Infrastructure	9.946	0.433	10.379	9.513
TOTAL ASSETS AVAILABLE TO PAY BENEFITS	1,512.735	107.393	1,620.128	1,405.342

Interest rate risk

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

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

The Fund's direct exposure to interest movements as at 31 March 2016 and 31 March 2015 is set out in the following table. These disclosures present interest rate risk based on the underlying financial assets at fair value.

ASSET TYPE	AS AT 31 MARCH 2016 £	AS AT 31 MARCH 2015 £
Cash and cash equivalents	35,656,426	39,914,769
Cash balances	5,000	20,122
Index Linked Bonds	162,998,633	159,821,466
Corporate Bonds	204,602,099	213,878,386
TOTAL CHANGE IN ASSETS AVAILABLE	403,262,158	413,634,743

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 100 basis point (BPS) 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 +/- 100 BPS change in interest rates assuming all variables, in particular exchange rates, remain constant.

ASSET TYPE	CARRYING AMOUNT £	EFFECT ON ASSET VALUES	
		+100 BPS £	-100 BPS £
As at 31 March 2016			
Cash and cash equivalents	35,656,426		
Cash balances	5,000		
Index Linked Bonds (average 25 years)	162,998,633	(40,749,658)	40,749,658
Absolute Return strategy IV Fund (-3.84 years)	104,505,945	4,013,028	(4,013,028)
Blackrock Global Opportunities Fund (1.69 years)	100,096,154	(1,691,625)	1,691,625
TOTAL CHANGE IN ASSETS AVAILABLE	403,262,158	(38,428,255)	38,428,255
As at 31 March 2015			
Cash and cash equivalents	39,914,769		
Cash balances	20,122		
Index Linked Bonds (average 25 years)	159,821,466	(39,955,367)	39,955,367
Absolute Return strategy IV Fund (-1.87 years)	106,473,083	1,991,047	(1,991,047)
Global Investment Grade Credit Fund (5.67 years)	107,405,303	(6,089,881)	6,089,881
TOTAL CHANGE IN ASSETS AVAILABLE	413,634,743	(44,054,201)	44,054,201

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

During 2015/16 the Fund received £0.022m 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 £0.055m. The

impact of a 1% fall in interest rates would be a £0.022m reduction in interest received as this would imply negative interest rates. It is therefore assumed no interest would have been received or charged on these investments.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than £ sterling. The following table summarises the Fund's currency exposure as at 31 March 2016 and as at the previous year end:

CURRENCY EXPOSURE - ASSET TYPE	AS AT 31 MARCH 2016 £M	AS AT 31 MARCH 2015 £M
Overseas Equities	354.361	368.515
Overseas Pooled Fixed Interest	100.096	0.000
Overseas Private Equity	68.239	67.925
Overseas Pooled Property	24.320	15.043
Overseas Government Bonds	22.948	0.000
Overseas Infrastructure		16.067
TOTAL OVERSEAS ASSETS	569.964	467.550

Following analysis of historical data the Fund considers the likely volatility associated with foreign exchange rate movements to be 6% (as measured by one standard deviation). A 6% fluctuation in the currency is considered reasonable based on historical movements in the month end exchange rates over a rolling 36 month period assuming all other variables, in particular, interest rates, remain constant. A 6% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

CURRENCY EXPOSURE - ASSET TYPE	ASSET VALUE AS AT 31 MARCH 2016	CHANGE TO NET ASSETS AVAILABLE TO PAY BENEFITS	
		+6%	-6%
Overseas Equities	354.361	375.425	333.296
Overseas Fixed Interest	100.096	106.046	94.146
Overseas Private Equity	68.239	72.296	64.183
Overseas Pooled Property	24.320	25.766	22.874
Overseas Infrastructure	22.948	24.312	21.584
Total change in assets available	569.964	603.845	536.083

CURRENCY EXPOSURE - ASSET TYPE	ASSET VALUE AS AT 31 MARCH 2015	CHANGE TO NET ASSETS AVAILABLE TO PAY BENEFITS	
		+5%	-5%
Overseas Equities	368.515	386.941	350.089
Overseas Private Equity	67.925	71.321	64.529
Overseas Pooled Property	15.043	15.795	14.291
Overseas Infrastructure	16.067	16.870	15.264
TOTAL CHANGE IN ASSETS AVAILABLE	467.550	490.927	444.173

Credit Risk

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

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

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 high 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.

	RATING	AS AT 31 MARCH 2016 £M	AS AT 31 MARCH 2015 £M
NatWest Instant Access Account	BBB+	-	1,380,000
Handelsbanken Instant Access Account	AA	860,000	2,000,000
TOTAL		860,000	3,380,000

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due i.e. that cash is not available when required. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs and also to meet investment commitments.

The Fund has immediate access to cash through 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 2016 was £24.747m. The Fund does not have access to an overdraft facility. All financial liabilities at 31 March 2016 are due within one year.

NOTE 17: FUNDING ARRANGEMENTS

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

The key elements of the funding policy are:

- To ensure the long term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- To ensure that employer contribution rates are as stable as possible
- 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 the administering authority 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 funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. The Funding Strategy Statement specifies a target period for achieving full funding of 19 years (19 years as at the 2010 valuation). For each individual employer, the funding objective, method and assumptions depend on a particular employer's circumstances and different approaches have been adopted where applicable, in accordance with the Funding Strategy Statement.

At the 2013 actuarial valuation, the Fund was assessed as 76% funded (81% at the March 2010 valuation). This corresponded to a deficit of £383 million (2010 valuation was £226 million) at that time. Revised contributions set by the 2013 valuation were introduced in 2014/15 and the common contribution rate (i.e. the average employer contribution rate in respect of future service only) is 14.0% of pensionable pay.

The valuation of the Fund has been undertaken by the projected unit method under which the salary increase assumed 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 2013	31 MARCH 2010
Discount rate	4.95% p.a.	6.25% p.a.
Assumed long term CPI inflation	2.6% p.a.	3.0% p.a.
Salary increases – long term	4.1% p.a.	4.5% p.a.
Salary increases – short term	1% p.a. for 3 years	In line with Government proposals
Pension increases in payment	2.6% p.a.	3.0% p.a.

MORTALITY ASSUMPTIONS	MALE	FEMALE
Current pensioners (at age 65)	23.7	26.0
Future pensioners (assumed current age 45)	25.9	28.8

NOTE 18: ANALYSIS OF DEBTORS

Provision has been made for debtors known to be outstanding as at 31 March 2016. An analysis of debtors is shown below:

2014/15 £M	DEBTORS	2015/16 £M
0.009	Central Government bodies	0.005
1.679	Other Local Authorities	1.949
0.001	NHS Bodies	0.000
0.000	Public corporations	0.000
1.643	Other entities and individuals	2.143
3.332		4.097

NOTE 19: ANALYSIS OF CREDITORS

Provision has also been made for creditors known to be outstanding as at 31 March 2016. An analysis of creditors is shown below:

2014/15 £M	CREDITORS	2015/16 £M
0.000	Central Government bodies	0.000
1.239	Other Local Authorities	1.852
0.000	NHS Bodies	0.000
0.000	Public corporations	0.000
3.230	Other entities and individuals	1.883
4.469		3.735

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 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093).

Contributions are invested in with-profit, unit linked or deposit funds of the Scheme member. At present there are around 497 scheme members with AVC policies. These policies are held either by Equitable Life or Prudential.

During 2015/16 contributions to the schemes amounted to £0.474m. The combined value of the AVC funds as at 31 March 2016 was £4.276m.

NOTE 21: RELATED PARTY TRANSACTIONS

The Shropshire County Pension Fund is administered by Shropshire Council. Consequently there is a strong relationship between the Council and the Pension Fund. Shropshire Council incurred costs of £0.977m (2014/15 £0.906m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

Shropshire Council is also the single largest employer of members of the pension fund and contributed £18.523m (2014/15 £18.686m). All monies owing to the Fund were paid across in the year. The Scheme Administrator of the Shropshire County Pension Fund is also the Head of Finance, Governance & Assurance for Shropshire Council.

Several employees of Shropshire Council hold key positions in the financial management of the Shropshire County Pension Fund. The Head of Finance, Governance & Assurance (s151 Officer & Scheme Administrator), the Head of Treasury

and Pensions, the Treasury Accountant, the Investment Officer and the Pensions Administration Manager are all active members of the Fund.

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

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

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

Jean Smith, pensioner representative, and Nigel Neat, Unison representative, are also members of the Fund.

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

NOTE 22: CONTRACTUAL COMMITMENTS

The Fund has a 5% (£75 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 2016 £129m 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 2016 the Funds Private Equity investments totalled £65.688m.

NOTE 23: CONTINGENT ASSETS

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

NOTE 24: VALUE ADDED TAX

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

NOTE 25: CUSTODY OF INVESTMENTS

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

NOTE 26: FUND AUDITORS

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

NOTE 27: PENSION FUND BANK ACCOUNT

In March 2010 a separate bank account was opened for the Shropshire County Pension Fund and from the 1 April 2010 all income received is being paid into this account. The balance on this account is monitored daily and surplus cash balances invested and as at 31 March 2016 £0.860 million was invested. The cash balance in the Pension Fund account as at the same date was £0.005 million. During 2015/16 all expenditure was still being paid by Shropshire Council on behalf of the Fund and this was reimbursed to Shropshire Council on a monthly basis.

In April 2016 a second bank account was opened and from 27th April 2016 the Fund will have the capacity to make all payments direct from this account including the monthly pensioner payroll. The Fund will no longer require Shropshire Council to make payments on its behalf and therefore the monthly transfer to Shropshire Council will no longer be necessary.

NOTE 28: FUND STRUCTURE UPDATE

At the March 2015 Pensions Committee, members, (under guidance from the Fund Advisers), decided to undertake a manager selection exercise to appoint a Liability Driven Investment (LDI) Manager and two unconstrained bond managers. This would be achieved by replacing the L&G index linked gilt allocation as well as the Pimco Investment grade corporate bond investment.

At the June 2015 Committee Blackrock and Global Asset Management (GAM) were appointed as unconstrained bond managers and BMO Global Asset Management (BMO) as the LDI Manager. The process to transfer funds from Pimco to Blackrock took place in March 2016, whereas the L&G to BMO and GAM transfers were not completed until April and May 2016 respectively.

STATEMENT OF RESPONSIBILITIES

For the statement of accounts

Shropshire Council's Responsibilities

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

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

Approved by Pensions Committee

The Statement of Accounts was approved at a meeting of the Pensions Committee on 21 September 2016.

Malcolm Pate

Chair of Pensions Committee

21 September 2016

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

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

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

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

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

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

Certificate of the Chief Financial Officer

I hereby certify that the Shropshire County Pension Fund Statement of Accounts presents a true and fair view of the financial position and the income and expenditure of the Fund for the year ended 31 March 2016 and also that the Statement of Accounts complies with the requirements of the Accounts and Audit Regulations 2011.

James Walton

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

21 September 2016

INDEPENDENT AUDIT OPINION AND CERTIFICATE

Independent Auditor's Report

Independent auditor's report to the members of Shropshire Council on the consistency of the pension fund financial statements included in the pension fund annual report

The accompanying pension fund financial statements of Shropshire Council (the "Authority") for the year ended 31 March 2016 which comprise the fund account, the net assets statement and the related notes are derived from the audited pension fund financial statements for the year ended 31 March 2016 included in the Authority's Statement of Accounts. We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 26 September 2016. 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 is not a substitute for reading the audited Statement of Accounts of the Authority.

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

The Head of Finance, Governance and Assurance (s 151 Officer and Scheme Administrator) responsibilities for the pension fund financial statements in the pension fund annual report

Under the Local Government Pension Scheme Regulations 2013 the Head of Finance, Governance and Assurance (s 151 Officer and Scheme Administrator) 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 Authority 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 2015/16.

Auditor's responsibility

Our responsibility is to state to you whether the pension fund financial statements in the pension fund annual report are consistent with the pension fund financial statements in the Authority's Statement of Accounts in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

In addition we read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of the: Introduction, Management and Financial Performance, Investment Policy and Performance, Scheme Administration, Actuarial Report on Funds, Governance Arrangements, Pensions Administration Strategy, Funding Strategy Statement, Statement of Investment Principles, Communications, Further Information, Governance Compliance Statement, Administration Strategy Statement, Funding Strategy Statement, Statement of Investment Principles, and the Communications Policy Statement.

Opinion

In our opinion, the pension fund financial statements in the pension fund annual report derived from the audited pension fund financial statements in the Authority Statement of Accounts for the year ended 31 March 2016 are consistent, in all material respects, with those financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

John Gregory

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

The Colmore Building, 20 Colmore Circus, Birmingham B4 6AT

26 September 2016

OTHER FUND POLICIES



E: Governance Compliance Statement

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

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



G: Pensions Administration Strategy Report

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

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

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



H: 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.

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

Please see appendix 3 on page 91 for the latest copy of this document.



I: Statement of Investment Principles

Pension Fund administering authorities are also required to prepare, maintain and publish a Statement of Investment Principles (SIP) under Regulation 12 of the LGPS (Management and Investment of Funds) Regulations 2009.

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 101 for the latest copy of this document.

COMMUNICATIONS

How we keep in touch with our members and employers

01: COMMUNICATIONS POLICY

Part 2 (61) of the LGPS regulations 2013, state that an administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with members, representatives of members, prospective members; and Scheme employers. The Communications Policy was last updated in June 2015 to take account of changes in legislation from the introduction of the new LGPS on 1 April 2014 and other relevant legislation. The statement in place from this date can be found in Appendix 5.

The 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 the Pensions Committee and is published on the Fund website.

02: PARTICIPATION AT A NATIONAL LEVEL

The Fund participates in the Communications Working Group (CWG) set up by the Local Government Association (LGA). It is a meeting of communication professionals from LGPS Funds in England and Wales in a collaborative forum, who meet on a quarterly basis to develop items of communication, primarily for Scheme members in the LGPS.

A communications plan is developed and agreed on an annual basis to detail the areas of work the group will be focusing on each year. This is to ensure that all administering authorities, Pension Funds and employers are aware of the items of communication the group is aiming to produce.

Details on the work being carried out by the Communications Working Group for 2016/17 are available on the website www.lgpsregs.org

03: NEWSLETTERS ISSUE TO ACTIVE MEMBERS

During 2015/16, newsletters have been issued to all contributing members, some of these have been collaboration projects with other Funds. The main purpose of the newsletters is to satisfy disclosure requirements, by informing contributing members about changes in the regulations of the LGPS. These publications were not produced at fixed times, but rather in response to changes in the regulations such as the removal of contracted out status of the LGPS. Two out of the three newsletters were issued to the member's home address and all newsletters issued can be found on the Fund's website.

The Fund's newsletters were used to communicate to members that the Fund will be reducing the amount of paper it uses and will be moving to electronic communication through the website, email and member self-service, unless a request is received to continue with paper copies. Further communication exercises are planned later in 2016/17 to reinforce this message and to encourage members to sign up to the online area.

04: PRESENTATIONS IN THE WORKPLACE

Throughout 2015/16 the communications officer attended various work places at the request of Scheme employers in order to provide pensions' information to Scheme members.

Pre-retirement courses were also held throughout the year which were ran by a company called Affinity Connect.

05: RETIRED MEMBER COMMUNICATION

The InTouch newsletter is sent to all retired members twice a year in October and April. The April edition accompanied the P60, payslip and pension increase notification document. The annual Retired Members' Meeting was held in July 2015 in the Council Chamber, Shrewsbury. The Scheme Administrator,



James Walton provided an update along with a presentation from Debbie Sharp on the work of the administration team. Guest speakers from Connecting Shropshire, Men in Sheds and Richard Hayes were also provided. Over seventy Retired Members attended the event.

06: EMPLOYER TRAINING

Various employer training events were held throughout 2015/16 for Scheme employers to attend. At the start of the year a specific event was held for staff involved in outsourcing and the issues when contracting a service an employer needs to be aware of. The Actuary provided the training which was well attended by a number of employers.

In October 2015 the annual employers meeting took place covering a range of topics. The meeting was held over a day and the agenda featured updates from the Scheme Administrator, the Fund Actuary and from pensions administration officers. For the employers who were unable to attend the meeting, each of the presentations were filmed and are available to view on the Fund's website.

07: FUND WEBSITE

The Funds website is the main source of information for both current and prospective members, and employers. The website address is www.shropshirecountypensionfund.co.uk.

In July 2015 the Fund launched a new look website. The design has been improved to make using the website easier to navigate following feedback from our members.

The website holds the Brief Scheme Guide including the forms and other guidance available to members to download. Members can also access their pension record online via 'View your Pension Online' and is the most popular page on the website.

The busiest day of the period was Thursday 27th August 2015 (day after the active annual benefit statement was sent out) as there were 174 sessions on this day alone.

The website also holds information for Scheme employers and provides links to the forms and guidance made available for employers to use when supplying employee data.

08: ANNUAL BENEFIT STATEMENTS

To comply with the timescale set out in section 14(5) of the Public Service Pensions Act 2013, regulation 89 of the LGPS Regulations 2013 an administering authority must issue an annual benefit statement to members by the 31st August.

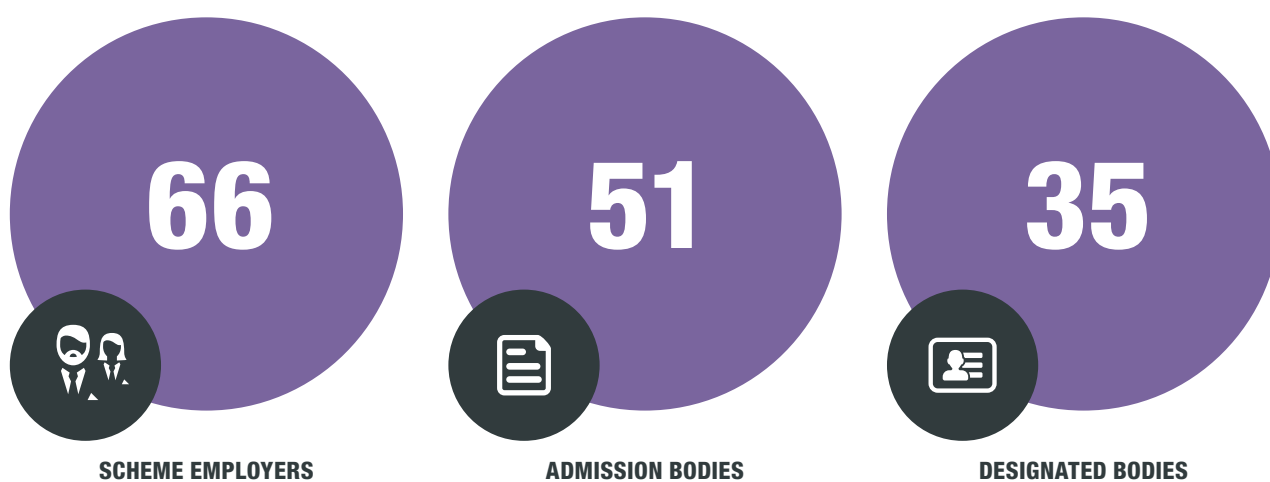
Annual benefit statements for deferred members of the Fund were issued on the 26 June 2015 and to active members on the 26 August 2015, which means the Fund adhered to the 31 August deadline set by the Regulations.

Benefit statements were calculated as at the 31 March 2015 and is the first statement since the Scheme changed to Career Average Revalued Earnings (CARE) benefits.

The Fund led on a collaboration with 7 other Funds on the statement design and significant work was undertaken to ensure the statement met the requirements for the CARE Scheme. The other Funds included in the collaboration were Staffordshire, Cheshire, Warwickshire, Cambridgeshire, Northamptonshire and Worcestershire. By working together the Fund received reduced postage and benefited by sharing the design costs and knowledge.

FURTHER INFORMATION

Employer Summary as at 31st March 2016



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 31st March 2016.

EMPLOYERS	ACTIVE	CEASED	TOTAL
Scheme Employers	44	22	66
Admission Bodies	39	12	51
Designated Bodies	31	4	35
Total	114	38	152

Analysis of fund assets as at 31st March 2016

ASSET TYPE	UK £M	NON-UK £M	GLOBAL £M	TOTAL £M
As at 31 March 2016				
Equities	103.007	110.858	559.545	773.410
Bonds	162.999	0.000	204.602	367.601
Alternatives	55.162	109.423	149.051	313.636
Cash and cash equivalents	28.609	7.047	2.460	38.116
Other	0.000	0.000	0.000	0.000
Total	349.777	227.328	915.658	1492.763
As at 31 March 2015				
Equities	114.066	124.948	566.175	805.189
Bonds	159.821	0.000	213.879	373.700
Alternatives	40.882	95.266	155.509	291.657
Cash and cash equivalents	27.762	12.153	0.000	39.915
Other	0.000	0.000	0.011	0.011
Total	342.531	232.367	935.574	1510.472

Analysis of investment income accrued during the reporting period

ASSET TYPE	UK £M	NON-UK £M	GLOBAL £M	TOTAL £M
As at 31 March 2016				
Equities	4.126	0.000	2.381	6.507
Bonds	0.000	0.000	0.000	0.000
Alternatives	2.750	0.899	0.000	3.649
Cash and cash equivalents	0.090	0.004	0.453	0.547
Other	1.136	4.349	3.134	8.619
Total	8.102	5.252	5.968	19.322
As at 31 March 2015				
Equities	3.961	0.465	1.803	6.229
Bonds	0.000	0.000	0.422	0.422
Alternatives	2.163	0.934	0.000	3.097
Cash and cash equivalents	0.061	0.622	0.028	0.711
Other	1.173	1.657	5.959	8.789
Total	7.358	3.678	8.212	19.248

GLOSSARY

ACTUARY

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

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

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

ADMISSION BODIES

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

BENCHMARK

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

CASH EQUITISATION

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

CORPORATE BONDS

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

CURRENCY HEDGING

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

CUSTODY

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

DEFERRED PENSION

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

DESIGNATED BODIES

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

EMERGING MARKETS

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

EQUITIES

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

FIXED INTEREST SECURITIES

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

FUND OF FUNDS

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

FUTURES

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

HEDGE FUNDS

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

INFRASTRUCTURE

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

INDEX LINKED SECURITIES

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

MARKET VALUE

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

MYNERS PRINCIPLES

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

POOLED INVESTMENT VEHICLES

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

PRIVATE EQUITY

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

RETURN

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

SCHEME EMPLOYERS

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

STAKEHOLDERS

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

TRANSFER VALUE

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

UNIT TRUST (MANAGED FUNDS)

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

01: GOVERNANCE COMPLIANCE STATEMENT



AGREED BY PENSIONS COMMITTEE ON 26 JUNE 2015

APPENDICES

- 67. APPENDIX 01**
GOVERNANCE COMPLIANCE STATEMENT
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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 Scheme), in accordance with The Local Government Pension Scheme Regulations 2013 (Regulation 55 refers), and its predecessor, Regulation 31 of the Local Government Pension Scheme Regulations 2008 (as amended).
2. It has been prepared by the administering authority in consultation with appropriate interested persons.

PURPOSE OF GOVERNANCE COMPLIANCE STATEMENT

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

any arrangements for representing admitted body employers (non-scheme employers).

Governance of Shropshire County Pension Fund

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

SHROPSHIRE COUNCIL

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

Terms of Reference:

- a. To advise the Council on the arrangements for the proper administration of the Shropshire County Pension Fund in accordance with the Local Government Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009;
- b. To advise employing organisations and employees within the Fund of their benefits, contributions and the financial performance of the Fund;
- c. To advise and assist the Council on the determination of any matters of general

policy relating to the investment of the Pension Fund;

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

REPRESENTATION

- 9.** Representation on the Pensions Committee is as follows:

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

The Administering Authority (Shropshire Council) always holds either the Chairmanship or Vice Chairmanship. The position of Chairman and Vice Chairman rotate between Shropshire

Council and the Borough of Telford & Wrekin on a one year basis.

The Committee is supported by the advice from an independent advisor and investment consultant – one advises on strategic issues and overall investment approach and the investment consultant provide analysis and advice of a technical nature in relation to portfolio construction, interpretation of performance measurement and the monitoring of investment managers.

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

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

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

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

REASONS FOR CURRENT REPRESENTATION

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

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

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

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

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

For example by the holding of:

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

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

LOCAL PENSION BOARD

Introduction and Role

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

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

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

- is done effectively and efficiently
- complies with relevant legislation and
- is done by having due regard and in the spirit of the Code of Practice on the governance and administration of public service pension schemes issued by the Pension Regulator and any other relevant statutory or non-statutory guidance.

Composition and Appointment

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

a. 2 employer representatives

b. 2 scheme member representatives

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

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

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

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

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

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

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

Operational Procedures

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

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

- Compliance with Shropshire Council's Conflict of Interest Policy including declarations of interest of members which may lead to a conflict.
- The ability to access advice and information, either from Fund officers, or other professional advisers as appropriate.
- The requirement of members to be able to demonstrate their appropriate knowledge and understanding and to refresh and keep their knowledge up to date. In addition to the requirements under the Public Service Pensions Act, it includes compliance with the Pension Fund's Training Policy insofar as it relates to Pension Board members.
- A requirement for members to have the highest standards of conduct in accordance with the Council's Constitution.
- The right for members of the Pensions Committee to attend in an observer capacity.
- The publication of information relating to the local Pensions Board in accordance with the Public Service Pensions Act requirements.
- Details of reimbursement, remuneration and allowances.

DELEGATION TO OFFICERS

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

ARRANGEMENTS OUTSIDE OF FORMAL GOVERNANCE

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

WITH EMPLOYING AUTHORITIES

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

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

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

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

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

27.

28. The Fund undertakes annual monitoring of its actuarial valuation position. Employer organisations are kept up to date of the latest position and its likely impact on employer contributions at the next formal valuation. At triennial valuations the Scheme Actuary presents to the employers meeting to explain changes in the funding level and implications on employer contribution rates. Employers meetings are also used to discuss the Funding Strategy Statements and data requirements for FRS17.

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

WITH SCHEME MEMBERS

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

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

32. Where possible every member of the scheme receives Pensions Newsletters. The fund's annual report and a financial summary of the scheme are published on The Pension Fund's web site and in September an email notifications (where an email address is held) is issued notifying the website update.

The full communication policy can be found on the website. This outlines the fund approach on communicating with members, representatives of members, prospective members and employing authorities including the format, frequency and method of communications.

The Pension Fund's website includes further information on:

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

33. The Pensions Section has a very good informal working relationship with the unions, and is always there to assist with any problems in understanding the regulations.

34. In light of the requirements following the LGPS Governance changes emerging from the Public Service Pensions Act 2013, Fund Officers are currently reviewing the Training Policies in order to ensure that all stakeholders are well equipped to carry out their duties as effectively and efficiently as possible. The Training Plan includes:

- Pension Fund Officers and Managers
- Pensions Committee Members
- Local Pensions Board Members.

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

COMPLIANCE AGAINST BEST PRACTICE GUIDELINES

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

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

APPENDIX A: SHROPSHIRE COUNTY PENSION FUND POLICY ON LOCAL DISCRETIONS

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

REGULATION	DISCRETION	GUIDELINE	DELEGATED TO
A52 (2) TP17 (5) TO (8) R40 (2) R43 (2) R46 (2) R82 (2) LGPS 1997 38 (1) & 155 (4) R17 (12)	Payment of death grant	The death grant will normally be paid to or amongst nominated beneficiaries. Where no nomination has been made, we would normally pay a death grant to the deceased's personal representatives (in that capacity). Where both of these options are seen to be inappropriate or impossible perhaps because nominees have died, circumstances appear to have changed since the nomination was made or other persons claiming some or all of the death grant or would seem to have a claim, we may pay the grant as we see fit to or between surviving nominees or personal representatives or any person appearing to us to have been a relative or dependant of the deceased at any time.	Scheme Administrator
R17 (12)	Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member	The approach for this discretion will be the same as stated above in 'Payment of death grant'	Scheme Administrator
Rsch1 & TP 17 (9)	Decide to treat child as being in continuous education or vocational training despite a break	To be reinstated where break does not exceed one academic year	Scheme Administrator
B27 (5)	Split of children's pensions	To be paid in equal proportions to the children	Scheme Administrator
A52 (A) B27 (5)	Payment of children's pensions to parent or guardian	To be paid to child and only paid to parent or guardian in exceptional circumstances.	Scheme Administrator
R30(8) TP3 (1), TPSch2, paras 2 (1) and 2 (2) B30 (5) and B30A (5)	Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age including any actuarial reduction on pre and/or post April 2014 benefits	Due to the potential costs of waiving actuarial reduction it is recommended that it be applied only on strong compassionate grounds e.g. where evidence shows that long-term care is being given to a dependent relative (solely dependent on the employee) and that this is likely to continue for many years. However, the cost of pension strain will be given significant relevance in reaching a decision.	Scheme administrator (where Employer has become defunct)
R30 (8)	Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement	The Fund will not agree to flexible retirement except in circumstances where the interests of the employer considers and it is in its financial or operational interests to do so. Each case - will be considered on the merits of the financial and / or operational business case put forward, - will set out whether, in addition to any pre 1 April 2008 benefits, the member will be permitted, as part of the flexible retirement agreement, to take a) all, some or none of their 1 April 2008 to 31 March 2014 benefits, and /or b) all, some or none of their post 31 March 2014 benefits, and - will require the approval of the scheme administrator	Scheme administrator (where Employer has become defunct)
B39 & T14 (13) R34 (1)	Commutation of small pensions	To be commuted in all cases where annual value is below Inland Revenue limits other than in exceptional circumstances. The member must make a formal request including the exceptional circumstance they wish to be taken into account. Each formal request to not commute benefits will be assessed on its circumstances and merits	Scheme Administrator
A56 (2) R 36 (3)	Medical requirements	To be based on advice from the Council's Occupational Health Physician or one of the doctors on the list as approved by the pensions committee for the giving of certificates regarding permanent incapacity.	Scheme Administrator
LGPS97 - 60 (5)	Minimum level of Additional Voluntary Contribution	NONE	Scheme Administrator
R71 (1)	Employer's Contributions	To be paid with employees contribution by the 19th of month following the month to which they relate. If contributions are overdue by a month or more than interest may be charged depending on the individual circumstances.	Scheme Administrator

REGULATION	DISCRETION	GUIDELINE	DELEGATED TO
A28 (2) TP15 (1) (d) A28 (2)	Charge for estimate of transfer of AVC to main scheme	First calculation free thereafter £25 per estimate	Scheme Administrator
LGPS97 - 92	Recovery of Contribution Equivalent Premium	To be recovered in all cases permitted by the regulations	Scheme Administrator
A83 (9) R100 (7)	Acceptance of transfer value	To be refused if insufficient to meet Guaranteed Minimum Pension liability	Scheme Administrator
R100(68)	Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS	<p>The Fund will only extend the 12 month time limit within which a scheme member must make an election to transfer other pension rights into the LGPS after joining the LGPS:</p> <ul style="list-style-type: none"> - where the member asked for transfer investigations to be commenced within 12 months of joining the LGPS but a quotation of what the transfer value will purchase in the LGPS has not been provided to the member within 11 months of joining the LGPS. The time limit for such a member to make a formal election to transfer pension rights into the LGPS will be extended to one month beyond the date of the letter issued by the Pension Fund administering authority notifying the Scheme member of the benefits the transfer will buy in the LGPS; - where the available evidence indicates the member made an election within 12 months of joining the LGPS, but the election was not received by the Pension Fund administering authority (e.g. the election form was lost in the post); - where the available evidence indicates the member had not been informed of the 12 month time limit due to maladministration. <p>- The Funds decision would also be to support employers decision where is reasonable</p>	T
Financial Rules of the Administering Authority, Shropshire Council.	Overpayment of pension	Overpayments of less than £100 not to be recovered where they occur during the month of death and recovery is likely to cause hardship or be impractical.	Scheme Administrator
R69 (1)	Decide frequency of payments to be made over to Fund by employers and decide form and frequency of information to accompany payments	All payments must be made by the 19th of the month following the month they were deducted. The formal procedure employers must adhere to is set out in the Administration Strategy Statement.	Scheme Administrator
A60 (8) R76 (4)	Procedure to be followed by Admin Authority when exercising its stage two IDRPs functions	Full procedure can be found on: www.shropshirecountypensionfund.co.uk	Scheme Administrator
R100 (68)	Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS	The fund will generally support employers who wish to allow an employee to transfer in pension rights outside of the standard 12 month election period. However, where the Fund considers that such a transfer would have a significantly adverse effect on an individual employers funding position and/or there is a possibility that the additional liability will fall to a sponsoring employer or some other employing authority a late transfer will not be permitted.	Scheme Administrator
LGPS97 - 109 & 110 (4) (b) TP3 (13) A70 (1) A71 (4) (c) T12	Abatement of pensions following re-employment	<p>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.</p> <p>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.</p>	Scheme Administrator
B10 (2) TP3 (6) TP4 (6)(c) TP8 (4) TP10 (2) a TP17 (2)(b) Tsch1 L23(9)	Where a member dies before making an election of average of 3 years pay for final pay purposes.	Election to be made by the Fund on behalf of the deceased member.	Scheme Administrator
A52 A B27 (5) R83	Payments for persons (other than an eligible child) incapable of managing their affairs	<p>If it appears that a person (other than an eligible child as defined in the appropriate regulations) is entitled to the payment of benefits under the Scheme but is, by reason of mental disorder or otherwise, incapable of managing his or her affairs, taking regard to the circumstances of the case and medical guidance where appropriate the following will be considered;</p> <p>(a) paying benefits or any part of them to a person having care of the person entitled, or such other person as the Scheme Administrator may determine, to be applied for the benefit of the person entitled as the Scheme Administrator may direct, or</p> <p>(b) applying the benefits in such manner as the Scheme Administrator may determine for the benefit of the person entitled, or his/her beneficiaries and is authorised to implement the Regulation subject to any third parties who are not the legal partner of the pension benefit recipient being required to provide Power of Attorney where the annual pension payable exceeds £1000 (linked to CPI from 2014); in cases where the annual pension benefit is below £1000, medical and documentary evidence as applied for legal partners would be deemed acceptable.</p>	Scheme Administrator

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

APPENDIX B: GOVERNANCE COMPLIANCE STATEMENT

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

1. STRUCTURE

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

Fully compliant

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

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

Fully compliant

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

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

Not applicable.

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

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

Not applicable

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

2. REPRESENTATION

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

Fully compliant

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

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

Fully compliant

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

3. SELECTION AND ROLE OF LAY MEMBERS

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

Fully compliant

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

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

Fully compliant

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

4. VOTING

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

Fully compliant

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

5. TRAINING/ FACILITY TIME/ EXPENSES

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

Fully compliant

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

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

Fully Compliant

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

6. MEETINGS (FREQUENCY/QUORUM)

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

Fully compliant

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

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

Not applicable

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

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

Fully compliant

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

7. ACCESS TO INFORMATION, DOCUMENTS AND ADVICE

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

Fully compliant

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

8. SCOPE

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

Fully compliant

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

9. PUBLICITY

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

Fully compliant

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

02: ADMINISTRATION STRATEGY STATEMENT



AGREED BY PENSIONS COMMITTEE ON 26 JUNE 2016

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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 the Scheme members.

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

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

2. COMPLIANCE

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

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

3. REVIEW

The undertakings set out within this Pension Administration Strategy will be reviewed annually by the Fund. The Fund will review this policy statement and make revisions as appropriate

following a material change in its policies in relation to any of the matters contained in the strategy. Employers will be consulted and informed of the changes.

4. REGULATORY FRAMEWORK

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

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

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

5. SCHEME EMPLOYER DUTIES AND RESPONSIBILITIES

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

Monthly/Annual Data transfer

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

Appointing a main contact

Each Employing authority must designate a named individual to act as the main point of contact with regard to any aspect of

administering the LGPS and be responsible for ensuring the requirements set out in this strategy are met.

Their key responsibilities will be to:

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

Authorised signatories

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

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

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

Employer Training

The Fund holds annual training for employers where its officers provide information on Fund Finances, Investment Performance, Regulatory

changes and also Administration Performance. Attendance by each employer's main contact and Senior Management is actively encouraged. Usually the meeting content is communicated so the relevant staff can attend. In some instances the training is filmed to enable individuals unable to attend to watch afterwards.

Policy Discretions

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

Notification of employee's rights

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

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

Nominated person

Each employing authority is required to nominate and name the person to whom

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

Computer Links

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

The Fund will ensure that the Pensions Administration System is available for use during normal office hours with the exception of

any necessary scheduled maintenance of the system. Employers must notify the Fund when registered users leave the organisation or no longer requires access.

6. SERVICE STANDARDS TO SCHEME MEMBERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Standards of data

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

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

and any future amendments to the above legislation.

Data Protection

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

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

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

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

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

Tel: 01743 252774 or 01743 252179

Email: governance@shropshire.gov.uk

Visit the website: www.shropshire.gov.uk

Secure Data Transfer

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

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

The full guidelines can be made available on request.

8. FUND ADMINISTRATION PERFORMANCE MEASURES

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

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

Audit

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

Benchmarking

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

9. EMPLOYER PERFORMANCE REPORTING

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

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

Poor Performance

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

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

Any third party costs or regulatory fines incurred by the Fund as a consequence of administrative failures or poor performance by the employing authority will be recovered from the employer. These may include fines imposed by the Courts, the Pensions Ombudsman or the Pensions

Regulator and additional charges in respect of actuarial fees, third party computer charges and additional printing and distribution costs.

In dealing with poor performance the Fund will:

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

Reporting Breaches

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

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

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

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

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

10. ASSOCIATED POLICY STATEMENTS

The statement outlines the Fund's policy on:

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

Governance Policy

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

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

Employer Discretions

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

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

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

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

11. REGULATIONS EXTRACTS

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

80. — (1) A Scheme employer must —

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

(2) If—

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

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

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

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

- a. the dates of active membership;
- b. the pensionable pay received and employee contributions deducted while regulation 9 (contributions) applied;
- c. the pensionable pay received and employee contributions deducted while regulation 10 (temporary reduction in contributions) applied;
- d. any contributions by the employer in relation to the employee's pensionable pay;
- e. any contributions by employee or employer under regulation 16 (additional pension contributions);
- f. any contributions by employee or employer under regulation 17 (additional voluntary contributions).

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

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

(2) The matters are —

- a. procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");
- b. the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—
 - i. the setting of performance targets,
 - ii. the making of agreements about levels of performance and associated matters, or
 - iii. such other means as the administering authority considers appropriate;
- c. procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of

performance;

- d. procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;
- e. the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);
- f. the publication by the administering authority of annual reports dealing with—
 - the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
 - such other matters arising from its pension administration strategy as it considers appropriate; and
- g. such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must —

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

(4) In preparing or reviewing and making

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

(5) An administering authority must publish—

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

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

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

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

03: FUNDING STRATEGY STATEMENT

AGREED BY PENSIONS COMMITTEE ON 20 MARCH 2014

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TRAINING POLICY STATEMENT

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

1. INTRODUCTION

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

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

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

The Scheme is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings (“CARE”)

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

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

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

2. PURPOSE OF THE FSS IN POLICY TERMS

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

The purpose of this Funding Strategy Statement is:

- to establish a clear and transparent fund-specific strategy which will identify how employers’ pension liabilities are best met going forward;
- to support the regulatory requirement to maintain as nearly constant employer

- contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities.

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

3. AIMS AND PURPOSE OF THE SCPF

The aims of the Fund are to:

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

The purpose of the Fund is to:

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

4. RESPONSIBILITIES OF THE KEY PARTIES

The Administering Authority should:

- collect employer and employee contributions
- invest surplus monies in accordance with the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- manage the valuation process in consultation with the SCPF's actuary
- prepare and maintain an FSS and a SIP,

both after due consultation with interested parties, and

- monitor all aspects of the SCPF's performance and funding and amend FSS/SIP.

The Individual Employer should:

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

The Fund actuary should:

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

5. SOLVENCY ISSUES AND TARGET FUNDING LEVELS

Funding Objective

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

Determination of the Funding Target and Recovery Period

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

Underlying these assumptions are the following two tenets:

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

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

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

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

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

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

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

- A default recovery period of 19 years will apply.
- In addition, at the discretion of the Administering authority, a maximum deficit recovery period of 25 years will apply. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan below).
- In current circumstances, as a general rule, the Fund does not believe it appropriate for contribution reductions to apply. As a result, employers' contributions will be subject to a "floor", such that total contributions are not reduced relative to the 2010 valuation contribution plan, unless this can be achieved using a deficit recovery period lower than the default.
- The employer contributions will be expressed and certified as two separate elements:
 - a percentage of pensionable payroll in respect of the future accrual of benefit
 - a schedule of lump sum amounts over 2014/17 in respect of the past service deficit, subject to review from April 2017 based on the results of the 2016 actuarial valuation.
- On the cessation of an employer's participation in the Scheme, the actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer will be due to the Scheme as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer. The full termination policy can be found on our website:

www.shropshirecountypensionfund.co.uk

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

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

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

Deficit Recovery Plan

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

Additional contributions will be expressed as annual monetary lump sums, subject to review based on the results of each actuarial valuation. In determining the actual recovery period to apply for any particular employer to employer grouping, the Administering Authority may take into account some or all of the following factors:

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

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

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

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

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

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

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

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

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

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

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

The funding strategy adopted for the 2013 valuation is based on an overall assumed asset out-performance of 1.75% per annum over and above the returns on long-dated gilts.

7. IDENTIFICATION OF RISKS AND COUNTER MEASURES

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

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

What are the Risks?

Financial

- Investment markets fail to perform in line with expectations
- Market yields move at variance with assumptions

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

Demographic

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

Insurance of certain benefits

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

Regulatory

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

Governance

- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements)
- Administering Authority not advised of an employer closing to new entrants

An employer ceasing to exist with insufficient funding or adequacy of a bond.

- Changes in Committee membership.

8. MONITORING AND REVIEW

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

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

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

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

Shropshire Council as Administering Authority for the Shropshire County Pension Fund

APPENDIX 1: ACTUARIAL VALUATION AS AT 31 MARCH 2013

METHOD AND ASSUMPTIONS USED IN CALCULATING THE FUNDING TARGET

Method

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

Financial assumptions

Investment return (discount rate)

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

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

Inflation (Consumer Prices Index)

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

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

Salary increases

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

Pension increases/Indexation of CARE benefits

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

Demographic assumptions

Mortality

The mortality in retirement assumptions will be based on up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the scheme. The mortality tables used are set out below, which include adjustments reflecting the SCPF characteristics. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. Current members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 4 years older. Existing ill health retirees are assumed to be 3 years older. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a level of

longevity 'improvement' year on year in the future in line with the CMI projections with a long-term improvement trend of 1.5% per annum.

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

Commutation

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

Other Demographics

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

Expenses

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

Discretionary Benefits

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

Method and assumptions used in calculating the cost of future accrual

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

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

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

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real return (i.e. return in excess of price inflation)

of 3.0% per annum, with a long term average assumption for consumer price inflation of 2.6% per annum. These two assumptions give rise to an overall discount rate of 5.6% p.a (i.e. 3.0% plus 2.6%).

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

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

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

LONG-TERM GILT YIELDS	
Fixed interest	3.2% p.a.
Index linked	-0.4% p.a.
PAST SERVICE FUNDING TARGET FINANCIAL ASSUMPTIONS	
Investment return/Discount Rate	4.95% p.a.
CPI price inflation	2.6% p.a.
Long Term Salary increases	4.1% p.a.
Pension increases/indexation of CARE benefits	2.6% p.a.
FUTURE SERVICE ACCRUAL FINANCIAL ASSUMPTIONS	
Investment return	5.6% p.a.
CPI price inflation	2.6% p.a.
Long Term Salary increases	4.1% p.a.*
Pension increases/indexation of CARE benefits	2.6% p.a.

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

Demographic assumptions

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

LIFE EXPECTANCY AT 65 IN 2013		BASE TABLE	ADJUSTMENT	IMPROVEMENT MODEL	LONG TERM RATE
CURRENT ANNUITANTS	Normal Health	S1PxA	89% / 89%	CMI_2012	1.5%
	Ill Health	S1PxA	Normal health + 3 years	CMI_2012	1.5%
	Dependants	S1PMA / S1DFA	139% / 104%	CMI_2012	1.5%
	Future Dependants	S1PMA / S1DFA	104% / 94%	CMI_2012	1.5%
CURRENT ACTIVES / DEFERREDS	Actives normal health	S1PxA	89% / 84%	CMI_2012	1.5%
	Actives ill health	S1PxA	Normal health + 4 years	CMI_2012	1.5%
	Deferreds	S1PxA	106% / 96%	CMI_2012	1.5%
	Future dependants	S1PMA / S1DFA	101% / 94%	CMI_2012	1.5%

Other demographic assumptions are noted below:

Withdrawal	As for 2010 valuation
Other demographics	Based on LG scheme specific experience.
50:50 Option	Up to 10% take-up for certain employers

APPENDIX 2: ASSUMPTIONS USED IN CALCULATING CONTRIBUTIONS PAYABLE UNDER THE RECOVERY PLAN

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

Changes in Financial Conditions after the Valuation Date

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

Further Future Yield Reversion

In addition to the above, for certain employers which are considered by the Administering Authority to provide a high level of financial covenant and are required to increase contributions (compared to the 2014/15 levels that would have been payable under the previous funding plan), an allowance may be

made as part of the recovery plan for interest rates and bond yields to revert to higher levels over a period of 10 years.

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

As indicated above, this variation to the assumptions in relation to the recovery plan can only be applied for those employers which the Administering Authority deems to be of sufficiently high financial covenant to support the anticipation of increased gilt yields over the entire duration of the recovery period. No such variation in the assumptions will apply in any case to any employer which does not have a funding deficit at the valuation (and therefore for which no recovery plan is applicable). Where a funding deficit exists the impact of the anticipated increases in gilt yields will be limited so that the total employer contributions emerging from the valuation will be no less the 2014/15 levels that would have been payable under the previous funding plan.

04: STATEMENT OF INVESTMENT PRINCIPLES



AGREED BY PENSIONS COMMITTEE ON NOVEMBER 2015

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1. INTRODUCTION

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

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

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

Shropshire Council is the Adminstrating Authority for the Fund

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

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

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

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

2. GOVERNANCE

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

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

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

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

2.1 ADVICE AND CONSULTATION

Members of the Committee receive independent investment advice from the following sources

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

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

2.2 LIABILITIES

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

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

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

2.2 MATURITY AND CASHFLOW

The Fund remains open to new members and new accruals. Contributions are received from both active members and Employing authorities. Active members contribute on a tiered system. Employing authorities contributions are determined based on advice from the Fund's actuary based on the triennial valuation.

3. OBJECTIVES

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

4. RISKS

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

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

- asset-liability mismatch risk (asset allocation risk)
- the need to pay benefits when due (cash-flow risk)

- actions by the investment managers (investment risk)
- the failure of some investments (concentration risk)
- currency and counterparty risk
- custody risk

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

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

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

5. STRATEGIC ASSET ALLOCATION

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

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

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

- the advisability of investing money in a wide variety of investments
- the suitability of particular investment and types of investment
- The Committee will consider a full range of investment opportunities including:
 - quoted and unquoted equity
 - government and non-government bonds
 - Liability Driven Investment (LDI)
 - property and infrastructure
 - hedge funds and other alternative investments

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

5.1 EXPECTED RETURN ON INVESTMENTS

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

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

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

Expected annualised returns are formulated for each asset class based on long term capital market assumptions, using ten year expected returns and volatilities. The returns and volatilities used for each asset class are shown in the table below, and represent the current 10 year annualised nominal return assumptions from Aon Hewitt at 31 December 2013 (as used in the Asset-Liability Modelling study carried out in May 2014) and at 30 September 2015.

ASSET CLASS	31 DECEMBER 2013		30 SEPTEMBER 2015	
	EXPECTED RETURN %	VOLATILITY %	EXPECTED RETURN %	VOLATILITY %
UK Equities	7.7	20.0	7.3	19.0
Global Unconstrained Equities	10.1	21.8	8.9	21.4
Global Passive Equities	7.7	19.8	7.3	20.5
UK Property	7.1	14.5	6.0	12.5
UK Gilts (15 year duration)	3.6	11.0	2.6	11.0
UK Investment Grade Corporate Bonds (10 year duration)	4.3	9.0	3.5	9.0
UK Index-Linked Gilts (15 year duration)	2.6	9.0	1.9	9.0
Unconstrained Bonds	-	-	5.7	10.0
Global Fund of Hedge Funds	5.4	8.0	4.6	9.0
Multi-Strategy Hedge Funds	5.9	8.3	6.3	12.0
Global Private Equity	9.2	26.0	9.1	27.5
Infrastructure (USD)	8.1	20.4	7.0	19.0
Inflation (CPI)	2.3	-	2.0	-

5.2 INVESTMENT STRATEGY

The Fund's strategic asset allocation was agreed by Pensions Committee in September 2015 and following implementation, will be as follows:

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

5.3 REBALANCING POLICY

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

5.4 CURRENCY HEDGING POLICY

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

6. IMPLEMENTATION

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

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

The Committee also avails of passive management where they believe the extra risk and costs of active management would not benefit the Fund and to manage overall risk. The activities of each manager are governed by their Investment Management Agreement. This includes details on the portfolio performance objectives and risk limits as well as information on permissible investments.

6.1 SELECTION & REALISATION OF INVESTMENT

Each investment manager has full discretion in terms of stock selection within the constraints of the investment management agreement signed

with each manager. The majority of investments held within the Fund are quoted on major markets and may be realised quickly, if required. Certain asset classes, Hedge funds, Private Equity, Property and Infrastructure are relatively illiquid and may take longer to realise, if required.

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

6.3 SECURITY LENDING

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

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

6.2 CUSTODY

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

7. REVIEW AND CONTROL

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

7.1 PERFORMANCE MEASUREMENT

The Committee monitors the strategy and its implementation as follows.

- The Committee receives, on a quarterly basis, a written report on the returns of the fund and asset classes together with supporting analysis.
- The performance of the total fund is also measured against the strategic benchmark, which is comprised of the

asset class benchmarks weighted by the strategic allocations, and against agreed outperformance targets.

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

7.2 SERVICE PROVIDER MONITORING

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

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE AND EXERCISE OF RIGHTS

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

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.

The Fund is also a member of the Local Authorities Pension Fund Forum (LAPFF), which seeks to combine like-minded bodies to promote the above issues. At present 64 Local Authorities are members of this forum with a combined asset value of 75% of local government pension fund assets.

8.1 MYNERS INVESTMENT PRINCIPLES

Details to the extent to which the Pensions Committee complies with the six Myners principles and the extent to which management and investment arrangements at Shropshire comply (in accordance with the existing CIPFA guidance), and where not, what action is proposed in order to comply are set out in Appendix B.

9. INVESTMENT MANAGER AND ADVISER FEES

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

APPENDIX A: CURRENT INVESTMENT MANAGERS

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

This appendix shows the position at September 2015 and has been appended to the Statement of Investment Principles for information only, and does not form part of the Statement.

INVESTMENT MANAGER	ASSET CLASS	BENCHMARK	TARGET
ACTIVE PORTFOLIOS			
PIMCO Europe Ltd	Unconstrained bonds	1 month Sterling LIBOR	+4% p.a.
BlackRock	Unconstrained bonds	3 month USD LIBOR	+ 4-6% p.a.
GAM	Unconstrained bonds	3 month Sterling LIBOR	+ 3-5% p.a.
BMO	Liability Driven Investment (LDI)	Hedge Benchmark (based on FTSE over 5 yrs Index Linked Gilt Index)	Outperform the benchmark
Majedie Asset Management	UK Equities	FTSE All Share	+2% p.a. over rolling 3 year periods
MFS Investment Management	Global Equities	MSCI World	+2% p.a. over rolling 3 year periods
Investec Asset Management	Global Equities	MSCI All Country World NDR	+ 3-5% p.a. over rolling 3 year periods
Harris Associates	Global Equities	MSCI World	+ 2-3% p.a. over 3 to 5 years
Harbour Vest Partners Limited	Private Equity Fund of Funds	Broad public equities index	+ 3-5% p.a.
Global Infrastructure Management	Infrastructure	n/a	RPI +5% p.a.
Aberdeen Property Investors	European (incl UK) Property	Composite of INREV VA Europe Index, vintage 2005 – 2008 and IPD UK All Balanced Funds Index	RPI +4% p.a.
Brevan Howard	Multi-Strategy Hedge Fund	3 month Sterling LIBOR	+6.0% p.a.
BlackRock	Fund of Hedge Funds	3 month Sterling LIBOR	+5.0% p.a.
INDEXED (PASSIVE) PORTFOLIOS			
Legal & General Investment Management	Global Equity	FTSE Developed World – GBP Currency Hedged	Match benchmark

APPENDIX B: MYNERS PRINCIPLES COMPLIANCE STATEMENT

PRINCIPLE	COMPLY OR EXPLAIN	COMMENT/EXAMPLES	DEVELOPMENT NEEDS
1. Effective decision making <ul style="list-style-type: none"> 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	Pensions Committee takes decisions relating to setting investment objectives and strategic asset allocation, appointment of investment managers. Pensions Committee members, substitute members and officers participate in an annual training day, attend educational seminary and receive occasional papers and presentations at committee meetings. The training requirements of new Pensions Committee members are addressed and appropriate training programmes made available, with a formal Training Programme being submitted to the Committee for consideration on an annual basis. The Pension Board provide assurance and good governance around the Pension Committee and the process.	
2. Clear Objectives <ul style="list-style-type: none"> An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers and the attitude to risk of both the administrating authority and scheme employers, and these should be clearly communicated to advisors and investment managers 	Comply	A Fund specific investment objective is set to maintain a funding level at, or close to 100% and within this, to endeavour to maintain low and stable employers contribution rates. As set out in the Funding Strategy Statement, the actuary takes account of a range of factors on the Fund's liabilities in setting contribution rates as part of the valuation process. Performance and risk parameters are specified in relation to relevant indices and appropriate time periods and are set out in investment mandates.	
3. Risk and liabilities <ul style="list-style-type: none"> In setting and reviewing their investment strategy administrating authorities should take account of the form and structure of liabilities. These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk 	Comply	Asset/Liability review is carried out every three years and the actuary takes account of a range of factors on the Fund's liabilities as set out in the Fund's Funding Strategy Statement which addresses the issues of financial assumptions, longevity and strength of covenant. If required, the actuarial funding position can be reported to the Pensions Committee on a quarterly basis, using information provided by Aon Hewitt.	
4. Performance assessment <ul style="list-style-type: none"> Arrangements should be in place for formal measurement of performance of the investments, investment managers and advisors Administrating authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members 	Comply	The Officers have an independent performance measurer in place. They also receive regular updates from Aon Hewitt regarding managers and the Officers meet regularly with their managers and advisors to review their performance. The Fund has recently assessed its effectiveness as a decision-making body and aims to spend more time on strategic level and asset allocation decisions compared to meeting managers going forwards.	
5. Responsible ownership <ul style="list-style-type: none"> Administrating authorities should 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 SIP 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 <ul style="list-style-type: none"> Administrating authorities should Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives Provide regular communication to scheme members in the form they consider most appropriate 	Comply	<p>A range of documents are published relating to the Fund's investment management and governance including the Governance Compliance Statement, Funding Strategy Statement, Statement of Investment Principles, Communication Policy Statement and Annual report and accounts. These documents are available in full on the Fund's website and any amendments are published.</p> <p>Stakeholders are also invited to attend the annual meeting of the scheme.</p>	

05: COMMUNICATIONS POLICY STATEMENT



AGREED BY PENSIONS COMMITTEE ON 26 JUNE 2015

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TRAINING POLICY STATEMENT

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

Shropshire Council, in its capacity as an Administering Authority deals with over 120 employers and approximately 15,000 scheme members, 13,000 deferred members and 10,000 pensioners in relation to the Local Government Pension Scheme (LGPS). The delivery of benefits involves communication with the membership and a whole range of other interested parties. This statement provides an overview of how we communicate and how we intend to measure whether our communications are successful.

This statement is effective as of 26 June 2015 and the membership details were correct as of that date.

Any enquiries in relation to this Communications Policy Statement should be made to:

Debbie Sharp

Pensions Administration Manager

Shropshire Council, Shirehall, Abbey Foregate
Shrewsbury, SY2 6ND

1. INTRODUCTION

1.1 The principal aim of the Shropshire County Pension Fund is to provide secure pensions, effectively and efficiently, administered at the lowest cost to the contributing employers.

1.2 The Fund is committed to providing comprehensive information to all stakeholders, through the most appropriate communication methods. Effective communication cannot be left to chance and this document outlines the ways in which the Fund aims to meet this objective.

1.3 The Shropshire County Pension fund has experience of using innovative communication techniques and intends to continue using a wide variety of communication tools in the future.

1.4 The Fund is now part of a Joint Communications Group with neighbouring Local Government Pension Fund Authorities.

Thus the funding and resourcing of elements of our communication service is shared, such as the development and production of newsletters and Annual Benefit Statements. This has already, and will continue to, provide Fund efficiency savings.

1.5 The Fund Officers will endeavour to ensure that value for money and quality of service is obtained from sourcing both imaginative, cost effective designers and reliable printing departments.

2. PRINCIPLES OF COMMUNICATION

2.1 The Fund has adopted five key principles that support all of its communication. The Fund is committed to ensuring that:

- Communication is factual and presented in plain language
- Communication is designed in a manner appropriate to its audience
- Communication is looked upon as involving a dialogue with others
- Communication takes on the developments and improvements in new technology and different channels.
- Communication is planned, Co-ordinated and evaluated

2.2 The Fund will make every effort to make communication materials available in large print, Braille, audio tape and different languages if requested.

2.3 The local Government Pension Scheme is a useful tool in attracting employees to work in local government. For Employers it is a key part of their recruitment and retention package. Pension Services are also the last, and often the only, link between former staff members and their employers. The Fund therefore has an important role in ensuring that it communicates effectively with all its stakeholders.

2.4 Pension Services work to maintain a thorough knowledge of the regulations in order to retain the confidence of its members. Pension

Services should always be the first place staff members turn for pension information during their working life and in retirement.

2.5 Pension Services are committed to responding promptly to members' requests for information, whether it's by face to face communication, email or by letter. Information is provided within set timescales. Our turnaround time for dealing with requests is normally ten days.

3. HOW DOES THE FUND COMMUNICATE WITH STAKEHOLDERS?

3.1 Printed /Electronic Literature

Any paper or electronic based communications is produced using the Fund branding, be that newsletters, guides or individual letters.

3.2 Drop in Service

For those members who prefer 'face to face' communication the Fund's office is situated at the Shirehall and is easily accessible by public transport from all areas of Shropshire.

Appointments can be made to discuss specific pension options or problems, but generally this is not necessary as members of the team are available during office hours. If members do drop in, appointments held are confidential and private.

3.3 Telephone

All Fund communications have a published telephone number. The number may be the general helpdesk number (01743) 252130 or the direct telephone number of the staff member responsible for carrying out the individual request.

3.4 Website

The Fund has a website (www.shropshirecounty-pensionfund.co.uk) that is extremely popular amongst members and other stakeholders as a source of information. Electronic copies of Fund Literature, policies and reports are available for download: such as this Communications Policy Statement.

The Fund provides a secure area on the site which allows Scheme members to access their own records, calculate benefit estimates, projections

and to update home address information. This is called Member Self Service or MSS.

3.5 Contacting the Fund by post or email

For general communications, the Fund has an email account and postal address. These details can be found on the back cover of this statement.

3.6 Email alerts

The Fund asks all new members for an email address and has made efforts to capture the email addresses of deferred and pensioner members. This is so all members can be sent out email notifications when there has been a significant update to the website or an upcoming event.

3.7 Presentations and courses

The Fund delivers standard or tailored presentations on a wide range of subjects for both employers and their staff. These presentations are provided at the request of employers at geographically convenient locations by Fund staff and other specialists.

Presentations are held around the county to keep members informed of any changes that may alter their benefits.

3.8 Roadshows and Member Consultations

The Fund organises events on a consultation/surgery basis with time slots for members and prospective members. This is particularly useful for employers with small numbers of staff.

Fund membership is dispersed over a large rural area and therefore these consultations are an ideal way to reach members. These consultations are generally held after Annual Benefit Statements have been sent.

3.9 Newsletters

'Pension update' is the Fund's in-house newsletter and is sometimes produced in conjunction with our Joint Communications Group. This in-house newsletter is issued periodically. With an audience of Scheme and eligible non-members the newsletter aims to provide topical news, articles and the latest information about the Scheme and pensions in general.

InTOUCH is the Funds in-house newsletter for retired members. Published twice a year, the newsletter proves to be a useful way of providing updates on relevant changes in legislation, topical news, competitions and member's articles.

Deferred members also receive a newsletter, normally sent with their Annual Benefit Statements. These newsletters are sent when information needs to be communicated to them, again providing updates on relevant changes in legislation, topical news and reminding the member to keep the Fund notified of any future changes in address.

Newsletters or email bulletins are also issued to Scheme Employers frequently. These provide legislation, operational items and technical updates and support. They also advertise upcoming training and events.

Annual Report, Accounts & Meeting

The Annual report is a financial reporting document showing the Funds accounts over the previous twelve months, along with details on both investments and administration performance.

The report and accounts are the main focus of the Annual Meeting held in November.

All retired, active and deferred members are invited to attend the Annual Meeting. The meeting gives members the opportunity to meet the Pension Committee and the members of staff who administer the Scheme on a one to one basis. Also, the Funds management team provide updates on the latest Fund news. The Fund is committed to making the meeting widely accessible to the membership and ensuring its content is of both interest and relevance. The Annual Meeting regularly covers scheme benefit changes, valuation position and investments in an interesting and informative manner.

4. WHO ARE THE STAKEHOLDERS OF THE FUND AND WHAT IS PROVIDED TO THEM?

4.1 Active & Deferred Scheme Members Certificate of Membership

Within thirteen weeks of joining the Fund, each member receives a Statutory Notification

detailing the information recorded on the Pension Administration System about them, such as date they joined the Scheme and whether or not they have transferred service into the Fund from elsewhere. A new notification is issued every time a member's record is amended.

Annual Benefit Statement

An Annual Benefit Statement is provided to all active and deferred members. The statements include various pension details such as the current value of benefits, how they are calculated, and when they become payable. The format of the statements is continually being developed to provide members with the information they require in a clear and concise manner.

Scheme Literature

A large range of literature, including scheme guidance and frequently asked questions, is produced by the Fund and is made available to both Employers and Scheme members.

A different guide is available for councillors to whom different rules apply. Councillor members of the scheme also have a different section of the Funds website.

Retirement Booklet

All active members on reaching retirement receive a comprehensive booklet providing information on the Scheme and the retirement process.

4.2 Prospective Scheme Members Scheme Booklet

The Fund produces a Brief Scheme Guide on the Local Government Pension Scheme. This should be provided by Scheme Employers to all new employees as part of their letter of employment, terms and conditions – some employers choose to email this to new employees.

Scheme Website

The Fund's website contains specific information on joining the Scheme and the benefits of membership.

Promotional Campaigns

Periodically the Fund produces dedicated marketing literature that is sent to those who

choose not to join or opt to leave the Scheme. This literature promotes the benefits of having an occupational pension and gives an option to join the Scheme to members who have opted out.

Corporate Induction Courses

Officers of the fund are invited to attend or to contribute to Corporate Inductions (including e-learning) for prospective members.

Other Employer Communications

The increasing role of communication within all organisations means that more employers have staff newsletters, intranets and other communication facilities. The Fund actively works to provide their employees with the best information and opportunities in regard to the Scheme and often provides information to be made available on intranets and websites.

4.3 Retired Members

Pay Advices

The Fund issues a pay advice slip to scheme pensioners only when net pension payments vary by £5 or more from the previous month.

Online access to Payslips and P60s

Members can view P60's and payslips by logging onto a secure area on the Fund website.

Combined P60 Payslip and P.I.

Every retired member and/or their dependents will receive a P60, Payslip and P.I. notification normally at the end of April.

The pension increase notification informs them of the inflation increase on their pension, if any.

Retired Members Meeting

Every summer a dedicated meeting is held for retired members. These include a presentation from an outside speaker on a non-pension related subject and an update on the latest pensions news.

Cards & Flowers

The Fund sends Birthday Cards and Flowers to all our retired members' age 100 years and over.

Validation - Retired Members Living Abroad

The Fund undertakes a regular exercise

conducted through correspondence in order to establish the continued existence of pensioners living abroad.

4.4. Employing Authorities Employer Meetings & Training Sessions

Meetings and training sessions are arranged for employers on a regular basis. They are used to communicate issues with employers, specifically benefit regulation changes, any administration changes, employer contribution rates and the funding level of the Shropshire Fund.

Employers' Guide

An Employers' Guide is available to all employers, detailing the processes, procedures and forms required to effectively discharge their pension administration responsibilities. The employers guide is held on the employers area of the website www.shropshirecountypensionfund.co.uk

Employers Bulletins

Regular email bulletins are periodically sent out to all employers. These aim to inform employers on latest news, issues, events and regulatory changes. The bulletin is also used to communicate any consultations in regard to policy and regulations.

Monthly returns and end of year procedure

There is data that employers must submit to the Pensions Team in respect of Scheme members on a monthly basis to ensure their pension record is accurate. The monthly return template can be found in the employers pages of the pension's website and the notes on completion are contained within the spreadsheet. The spreadsheet should be securely sent to the Pensions Team to update member records each month.

Each year employers are required to submit a year end return. Employers are emailed towards the end of the financial year with the year-end template and instructions for completion.

Some employers in the Fund are using a "middleware" facility called I-Connect that assists the fund and employers by improving the flow of member data between the two parties. It is equipped for the 2014 CARE scheme requires

and addresses automatic enrolment obligations together with minimizing the risk of fines from the Pension Regulator. The main cost of this system falls on the Pension Fund with a small cost to the employer.

4.5 Pension Committee & Fund Staff Pensions Committee

The Committee is comprised of 9 members representing the principal employing authorities, trade union representatives representing the Fund employees and a retired member representative. The Fund has an ongoing training programme for Members and Officers to ensure that decision making is on an informed basis.

Knowledge building and training is provided via the Fund's Officers, advisors and external training courses. An annual training day is held for all Pension Committee Members and their substitutes.

Pension Committee reports are available on the council's website www.shropshire.gov.uk and by following the link for 'Committees, meetings and decisions' and on the 'Pension Committee' page or at: www.shropshirecountypensionfund.co.uk

Pensions Board

In accordance with the LGPS Governance Regulations 2015, a Pension Board has been introduced from 1 April 2015 to ensure effective governance and administration of the Scheme.

The Local Pension Board is be responsible for assisting Shropshire Council, the Scheme Manager, to:

Secure compliance with:

- The Local Government Pension Scheme Regulations;
- Any other legislation relating to the governance and administration of the Scheme, and;
- Requirements imposed by The Pensions Regulator in relation to the Scheme, and; to ensure the effective governance and administration of the Scheme.

From the date of its set up on the 1st April 2015

the Board will be an oversight body and not decision making. It does not replace existing governance arrangements in place in the Shropshire County Pension Fund in respect of the administration of the Local Government Pension Scheme.

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

- 2 employer representatives
- 2 scheme member representatives

Pension Board reports will be available on the council's website www.shropshire.gov.uk and by following the link for 'Committees, meetings and decisions' and on the 'Pension Board' page or at www.shropshirecountypensionfund.co.uk

Service Management Team

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

Team Meetings

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

Training

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

Intranet and E-Mail

Each member of staff has access to e-mail

and the storage drive which contains electronic copies of many of the Key documents, manuals, minutes and circulars.

Local Authority Pensions Web

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

4.6 Communication with Other Bodies Mercer (Pension Fund Actuary)

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

Legal Advice

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

DCLG

The Fund communicates with the Department of Communities and Local Government (DCLG) while in consultation on proposals for change to the scheme and with regard to providing information under disclosure regulations.

Trade Unions

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

Press & Media

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

Shrewsbury Regional Pension Officer's Group (SPOG)

The Shropshire County Pension Fund (SCPF) hosts the Shrewsbury Pension Officers Group

which meets on a quarterly basis. The group which comprises a number of local authority funds discuss technical queries and legislation matters of common interest.

Joint working with other pension funds

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

Investment Practitioner Group

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

Software Provider Group

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

4.7 Measure of Successful Communication Service Quality Questionnaire

A questionnaire is issued to members with various correspondences, including retirements and benefit quotes. This allows the fund to evaluate the service provided. Survey responses are collated and reviewed twice a year.

Employer Satisfaction Survey

A survey is issued to employers, periodically to allow the fund to evaluate the service and methods of communication provided to employers. The responses are collated and used to identify any employer requirements and possible areas for improvement.

Compliments, Complaints and Comments

Any compliments, complaints or comments made in letter, e-mail or verbal format are recorded on a monthly basis. The fund aims to always learn from the feedback received and continue to make improvements to the service provided.

5. CONFIDENTIALITY

To protect any personal information held on computer the Administering Authority is

registered under the data Protection Act 1988. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the party is carrying out an administrative function of the Fund.

Members who wish to apply to access their data on Data Protection Grounds should contact the Data Protection Officer on: (01743) 252774.

6. INFORMATION GOVERNANCE

Data Agreement

To protect any personal information held electronically the Administering Authority is registered under the Data Protection Act 1998. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund.

Members who wish to apply to access their data on data protection grounds should contact the Data Protection Officer on: (01743) 252774

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

Your information is processed for the sole purpose of administering your pension.

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

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

For details ring: 01743 252774 or 01743 252179
Email: information;governance@shropshire.gov.uk
Or visit the website at:
www.shropshire.gov.uk/access-to-information/

Protecting Information Staff Training

Information is vital to the work undertaken by the Pension Funds administrators and each member of staff is responsible for safeguarding information held by the Fund. Staff who come into contact with, or use, personal information about members of the public are required complete a formal data handling training on an annual basis. This training helps to ensure personal information is handled appropriately and every member of the pensions team completes this training once a year.

Freedom of Information Requests

The Freedom of Information Act (FOI) means that members of the public and organisations have new rights of access to information held by public bodies. Upon request we must tell individuals if we hold information and if so, provide it within 20 working days.

For requests of information under the Freedom of Information Act or similar legislation, please forward your request to:
information.request@shropshire.gov.uk

7. FURTHER INFORMATION

Further information can be obtained from:

Pensions Helpline: (01743) 252130

Email: pensions@shropshire.gov.uk

Web: www.shropshirecountypensionfund.co.uk

FUND PUBLICATIONS AND COMMUNICATIONS				
COMMUNICATION DOCUMENT	WHEN ISSUED	AVAILABLE TO	FORMAT	WHEN REVIEWED
Brief Scheme Guide	Upon commencing employment/ when requested	Prospective/Active/Deferred/ Retired Members/Dependents	Paper/ PDF on Website	As regulations change
Topical Booklets	When required	Active/Deferred/ Retired Members/ Dependents	Paper/ PDF on Website	As regulations change/ new leaflets introduced regularly
Benefit Statements	Annually by 31st August (rolling programme)	Active/Deferred Members/ Pension Credit	Paper /online via Member	Annually
Encouraging New Members Campaign	When Required	Prospective Members	Paper-Flyer	When required
Members Newsletter	As Required	Active/Deferred Members	Paper/PDF	As regulations change/as required
Pension Consultations	As Required	Active Members	Face to face	As required
Retirement Process Booklet	To Retiring Members	Prospective/Active/Deferred/ Retired Members on website	Paper/PDF on website	As regulations change/as required
Service Quality Survey	Continually	Active/Deferred/ Retired Members	Paper/email	As required
Presentations	As Required	Prospective/Active Members	Presentation/ Face to face	As required
Induction Presentations	When requested by employer	Prospective/Active Members	Face to face	As required
Statutory notification	When member record changed	Active Members	Paper	As regulations change/as required
Website	Continually	All Members/ Employers/Fund Managers/ Non Scheme Members	Website	Monthly
Annual Meeting	Annually (November)	All Members/ Employers/Fund Managers	Presentation/ Face to face/ film	Annually
Annual Report	Annually	All Members/ Employers/Fund Managers	Paper/ Website/ Intranet	Annually
Helpdesk	Continually (within Office Hours)	All Members/ Employers/Fund Managers	Face to face/ Telephone/ Paper/E-mail	As required
Correspondence	Continually (within Office Hours)	All Members/ Employers/Fund Managers	Face to face/ Telephone/ Paper/E-mail	As required
Payslip	Monthly	Pensioner Members/ Dependents	Paper/ MyView	Paper copy issued when £5 variation in net pay
P60	Annually (April)	Pensioner Members	Paper/ MyView	Annually
Pensions Increase Notification	Annually (April)	Pensioner Members	Paper	Annually
InTouch- Pensioner Newsletter	Biannually (April/ October)	Pensioner Members	Paper/ Website	Biannually
Retired Members Meeting	Annually (June)	Pensioner Members	Invites by Paper/Face to face/ Website	Annually
Age 100 Pensioners	As Required	Pensioner Members	Paper/Gift	As required
Pensioners Living Abroad	Annually	Pensioner Members	Paper	Annually
Employers Guide including PEN forms	As Required	Employers	Held on Pensions Website	As regulations change/as required
Employers Bulletin	As Required	Employing Authorities	Email alerts	As regulations change/as required
Employer Meetings and Training	As Required	Employing Authorities	Face to face/ Training videos on website	As regulations change/as required
Pension Administration Strategy	Annually and as required	Employing Authorities	PDF on website	Annually
Employer Satisfaction Survey	As Required	Employing Authorities	Paper/ Online survey	Annually

FUND PUBLICATIONS AND COMMUNICATIONS				
COMMUNICATION DOCUMENT	WHEN ISSUED	AVAILABLE TO	FORMAT	WHEN REVIEWED
iconnect	As Required	Employing Authorities	Electronic	As required
Data Transmission	As Required	Employing Authorities	Electronic	As required
Annual Report and Accounts	Annually (October)	All Members	Paper/Website/Intranet/Email	Annually
Valuation Report	Every three years	Employing Authorities/ all Stakeholders	Paper/	Website (Overview)/ AGM Every three years
Statement of Investment Principles (SIP)	Annually	All Members/ Stakeholders	Website	As required
Governance & Compliance Statement	Quarterly	All Members	Website	Quarterly
Pension Committee Training Day	Annually	Committee Members/Fund Staff	Face to face	Annually
Other body Communications inc. SPOG, NIF, Media/ Press, Trade Unions, Joint Communication meeting	As Required	All Relevant Bodies	Paper/ Website/ Face to face	As required
Fund Staff Training and Meetings	Monthly/ as required	Fund Staff	Face to face/ Paper	As regulations change/as required
Email alerts	As required when there is a significant website update /event/ regulation change	All members	Email	As required

06: REPORTING BREACHES POLICY STATEMENT

AGREED BY PENSIONS COMMITTEE ON 27 NOVEMBER 2015

APPENDICES

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TRAINING POLICY STATEMENT

1. INTRODUCTION

1.1 This document sets out the procedures to be followed by certain persons involved with the Shropshire County Pension Fund, the Local Government Pension Scheme managed and administered by Shropshire Council, in relation to reporting breaches of the law to the Pensions Regulator.

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

1.3 This Procedure document applies, in the main, to:

- all members of the Shropshire Pension Board;
- all officers involved in the management of the Pension Fund including members of the Treasury Team and Pensions Administration Team, and the Head of Finance, 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:

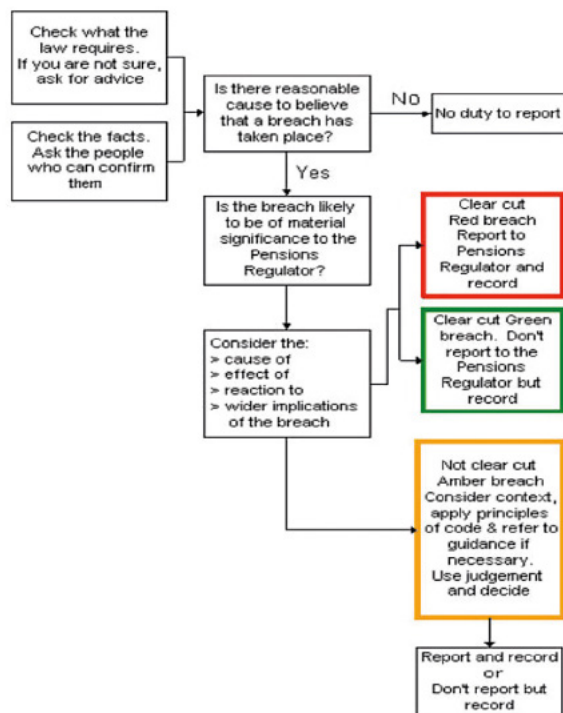
- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

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 below 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:

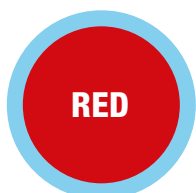
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; or
- fail to notify affected scheme members where it would have been appropriate to do so.

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.

APPENDIX B: TRAFFIC LIGHT FRAMEWORK FOR DECIDING WHETHER OR NOT TO REPORT

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 below:



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.



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. 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 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

[illegible]

07: TRAINING POLICY STATEMENT



AGREED BY PENSIONS COMMITTEE ON 18 MARCH 2016

APPENDICES

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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:

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SHROPSHIRE COUNTY PENSION FUND

ANNUAL REPORT 2015/16

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.

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