Public Document Pack

Shropshire Council

Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: Thursday, 17 June 2021

Committee:
Pensions Committee

Date: **Friday, 25 June 2021**
Time: **10.00 am**
Venue: **Shrewsbury/Oswestry Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND**

You are requested to attend the above meeting. The Agenda is attached.

Members of the public will be able to access the live stream of the meeting by clicking on this link:

http://www.shropshire.gov.uk/PensionsCommitteeMeeting25June21

There will be some access to the meeting room for members of the press and public but this will be very limited in order to comply with Covid-19 regulations. If you wish to attend the meeting, please e-mail democracy@shropshire.gov.uk to check that a seat will be available for you.

Tim Collard
Interim Assistant Director – Legal and Democratic Services

Members of the Committee:
Thomas Biggins
Roger Evans
Simon Harris
Brian Williams

Co-opted Members (Voting):
Rae Evans
Malcolm Smith

Co-opted Members (Non-Voting):
Jean Smith (Pensioner Representative)
Laura Hoskison (Employee Representative Shropshire Council)
Byron Cooke (Employee Representative Telford & Wrekin Council)

Substitute Members of the Committee:
Mary Davies (SC)
Chris Schofield (SC)
Adrian Lawrence (T&W)
Leon Murray (T&W)
Vacancy (Pensioner Rep)
Vacancy (Employee Rep)

Your Committee Officer is:

Sarah Townsend Committee Officer
Tel: 01743 257721
Email: sarah.townsend@shropshire.gov.uk

AGENDA

1 Election of Chairman

To elect a Chairman for the forthcoming year.

2 Apologies and Substitutions

To receive apologies for absence and notification of any substitutions.

3 Appointment of Vice-Chairman

To appoint a Vice-Chairman for the forthcoming year.

4 Disclosable Pecuniary Interests

Members are reminded that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

5 Minutes of the Previous Meeting (Pages 1 - 4)

The Minutes of the meeting held on 05 March 2021 are attached for confirmation.

Contact: Tim Ward (01743 257713)

6 Public Questions

To receive any questions or petitions from members of the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 10.00 a.m. on Wednesday, 23 June 2021.

7 Shropshire Pension Fund Audit Plan (Pages 5 - 22)

The report of Grant Thornton for the year ending 31 March 2021 is attached.

Contact: Terry Tobin (0121 232 5276)

8 Recap on Investment Strategy Decisions and Implementation Update

Mr Louis-Paul Hill, Aon, will be in attendance to present this item.

9 **Pension Fund Treasury Strategy 2021/22** (Pages 23 - 32)

The report of the Head of Treasury and Pensions is attached.

Contact: Justin Bridges (01743 252072)

10 **Corporate Governance Monitoring** (Pages 33 - 96)

The report of the Investment Officer is attached.

Contact: Ben Driscoll (01743 252079)

11 **Pensions Administration Monitoring** (Pages 97 - 174)

The report of the Pensions Administration Manager is attached.

Contact: Debbie Sharp (01743 252192)

12 **Exclusion of Press and Public**

To consider a resolution under paragraph 10.2 of the Council's Access to Information Procedure Rules that the proceedings of the Committee in relation to the following agenda items shall not be conducted in public on the grounds that they involve the likely disclosure of exempt information as defined by the categories specified against them.

13 **Exempt Minutes of the Previous Meeting (Exempted by Category 3)** (Pages 175 - 178)

The exempt Minutes of the meeting held on 05 March 2021 are attached for confirmation.

Contact: Tim Ward (01743 257713)

14 **Equity Protection (Exempted by Category 3)**

Mr Louis-Paul Hill, Aon, will be in attendance to present this item.

15 **Introduction to Responsible Investment and Climate Risk Investment Options and Considerations (Exempted by Category 3)**

Mr Louis-Paul Hill, Aon, will be in attendance to present this item.

16 **Investment Monitoring - Quarter to 31 March 2021 (Exempted by Category 3)** (Pages 179 - 222)

The exempt report of the Head of Treasury and Pensions is attached.

Contact: Justin Bridges (01743 252072)

17 **Governance (Exempted by Category 3)** (Pages 223 - 234)

The exempt report of the Pensions Administration Manager is attached.

Contact: Debbie Sharp (01743 252192)

18 **New Employers (Exempted by Category 3)** (Pages 235 - 240)

The exempt report of the Pensions Administration Manager is attached.

Contact: Debbie Sharp (01743 252192)

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Pensions Committee

25 June 2021

10.00 a.m.

MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 5 MARCH 2021 10.00 AM - 3.07 PM

Responsible Officer: Sarah Townsend
Email: sarah.townsend@shropshire.gov.uk Tel: 01743 257721

Present:

Members of the Committee:

Councillors Thomas Biggins, Chris Mellings, Brian Williams and Michael Wood

Co-Opted Members (Voting):

Councillors Rae Evans

Co-Opted Members (Non-Voting):

Laura Hoskison and Byron Cooke(from 12.30pm)

105 **Apologies and Substitutions**

105.1 Apologies for absence were received from Malcolm Smith and Jean Smith

106 **Disclosable Pecuniary Interests**

106.1 There were no declarations made

107 **Minutes of the Previous Meeting**

107.1 The minutes of the meeting held on 4th December 2020 had been circulated.

107.2 **RESOLVED:**

That the minutes of the meeting of the Pensions Committee held on 4th December 2020 be approved as a true record and be signed by the Chairman

108 **Public Questions**

108.1 6 questions had been received from members of the public. The questions and responses were read out.

109 **Informing the Audit Risk Assessment for Shropshire County Pension Fund 2020 - 21**

109.1 Members received the report of Grant Thornton which set out areas of the auditor's risk assessment and the responses received from the Council.

109.2 Members commented on the comprehensiveness of the report.

109.3 **RESOLVED:**

That the contents of the report be noted.

110 Pensions Administration Monitoring

110.1 Members received the report of the Pensions Administration Manager which provided them with monitoring information on the performance of and issues affecting the pensions administration team.

110.2 The Pensions Administration Manager confirmed that the benchmarking exercise had shown that administration costs for members in Shropshire was below the national average.

110.3 The Pensions Administration Manager advised the Committee that the Fund was currently looking at its responsibility for cyber security in line with the Pensions Regulator guidance. And that work would continue to assess and update policies where necessary

110.4 The Pensions Administration Manager advised Members that the exit payment cap had now been revoked and work was ongoing to remove the processes the introduction of the cap had introduced.

110.5 Members welcomed the fact that more scheme members were using the online facility.

110.6 **RESOLVED:**

That Members accept the position as set out in the report.

111 Corporate Governance Monitoring

111.1 Members received the report of the Investment Officer which o informed them of corporate governance and socially responsible investment issues arising in the quarter 1st October 2020 to 31st December 2020.

111.2 The Head of Treasury & Pensions drew members attention to the work being carried out in response to the motion which had been passed by Shropshire Council and the timetable for future work in relation to this.

111.3 A Member asked whether it would be possible to bring forward a decision on divestment as part of the Investment Strategy. The Interim Director of Resources commented that the Investment Strategy covered the broad picture of how much to invest in different asset classes in order to manage the overall risk of the Fund. The high level decisions made on the Investment Strategy is a separate issue to the Fund divesting from fossil fuels which is being addressed separately as outlined in the timetable within the report.

111.4 **RESOLVED:**

That Members accept the position as set out in the report, Manager Voting Reports at appendix A (A1, A2 & A3) and BMO Global Asset Management Responsible Engagement Overlay Activity Report at Appendix B (B1 & B2).

112 **Investment Stewardship**

112.1 Members received a presentation from representatives of Legal and General which updated them on Investment Stewardship

113 **Investment Strategy Update**

113.1 Members received a presentation from Louis Paul Hill which updated them on the high level decisions to be made regarding the Investment Strategy review and the next steps to be undertaken following agreement to any changes made to the strategy.

114 **Exclusion of Press and Public**

114.1 **RESOLVED:**

That under paragraph 10.2 of the Council's Access to Information Procedure Rules the proceedings of the Committee in relation to the following agenda items shall not be conducted in public on the grounds that they involve the likely disclosure of exempt information as defined by the categories specified against them.

115 **Exempt Minutes of the Previous Meeting (Exempted by Category 3)**

115.1 The exempt minutes of the meeting held on 4th December 2020 had been circulated.

115.2 **RESOLVED:**

That the exempt minutes of the meeting of the Pensions Committee held on 4th December 2020 be approved as a true record and be signed by the Chairman

116 **Governance (Exempted by Category 3)**

116.1 Members received the exempt report of the Pensions Administration Manager which informed them of all governance issues affecting the Administration Team, including regulatory breaches arising in the quarter 1 October 2020 to 31 December 2020, that have been recorded in the breaches log

116.2 **RESOLVED:**

That the recommendations as set out in the report be approved

117 **New Employers (Exempted by Category 3)**

117.1 Members received the exempt report of the Pensions Administration Manager which provided Members with details of two new employer admissions to the fund under Schedule 2 Part 3 Regulation 1(d) (i) of the Local Government Pension Scheme Regulations 2013

117.2 **RESOLVED:**

That the recommendations contained in the report be approved.

118 **Funding Briefing (Exempted by Category 3)**

118.1 Members received a presentation from Ms Michelle Doman and Mr Mark Wilson from Mercer

119 **Investment Strategy (Exempted by Category 3)**

119.1 Members received a presentation from Louis Paul Hill

120 **Investment Monitoring - Quarter to 31 December 2020 (Exempted by Category 3)**

120.1 The Committee received the exempt report of the Head of Treasury and Pensions which provided Members with monitoring information on investment performance and managers for the quarter period to 31 December 2020 and reported on the technical meetings held with managers since the quarter end.

120.2 **RESOLVED:**

That the recommendations set out in the report be approved

Signed .... (Chairman)

Date: ....

Grant Thornton

Shropshire Pension Fund audit plan

Year ending 31 March 2021

Shropshire Pension Fund

Contents

Your key Grant Thornton team members are:

Grant Patterson
Key Audit Partner
T 0121 232 5296
E grant.b.patterson@uk.gt.com

Terry Tobin
Senior Audit Manager
T 0121 232 5276
E terry.p.tobin@uk.gt.com

Elliot Baker
In-Charge Auditor
T 0121 232 5171
E elliot.a.baker@uk.gt.com

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Key matters

Factors

Pension Fund developments

The latest financial data available indicates that the value of the Fund has rebounded significantly from a position of £1.8bn as at 31 March 2020 to an unaudited position of £2.1bn as at February 2021. This is reflective of a reduction in the overall uncertainty in relation to the pandemic, a muted impact of the end of the end of the Brexit transition period and increased stability in international energy markets (with a particular focus on resolution of the disputes between oil producing countries seen in the previous year).

However, there remain specific challenges and uncertainties in relation to the wider economic and political environment which will draw our attention as auditors and which management must work to mitigate.

Guaranteed Minimum Pension (GMP) equalisation and indexation

On 23 March 2021, the Government published the outcome to its GMP Indexation consultation, concluding that all public service pension schemes, including the LGPS, would be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. HM Treasury has updated their direction under section 59A of the Social Security Pensions Act 1975, implementing the decision. The updated direction commenced on 6 April 2021 and applies in England, Scotland and Wales. The outcome is consistent with the assumptions applied by your pension fund actuary in previous years.

Exit cap legislation

On 12 February 2021 the Government announced that they would disapply the £95k exit cap legislation with immediate effect. Whilst this will have some actuarial impact on the pension fund liability, the key issue for the Fund is the administrative burden this has, and will, continue to have on the Pensions admin team.

McCloud

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. The final remedy is not expected to be published prior to the close of the 2020-21 statement of accounts.

Adoption of new auditing standards - Estimates

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures which includes significant enhancements in respect of the audit risk assessment process for accounting estimates. As we explain in more detail on p.7 this will require greater disclosure by the Fund as well as additional work by the auditor.

Impact of Covid 19 pandemic

From an operational perspective the Fund continues to manage the pandemic well, ensuring a continuation of the day to day financial management of the organisation and production of key financial information in line with agreed timetables. However, from our perspective as external auditors, remote working continues to present an operational challenge, in particular in relation to the time taken to obtain and process information in a remote setting.

An area that was significantly effected last year was the valuation of the investment assets. When the pandemic hit back in March 2020, valuations fell dramatically. Since then, it appears that on the whole, valuations have recovered and continued to rise, in line with our expectations. Further information on our approach is set out later in the report.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, is outlined further in this report.
- We have identified a significant risk in regards to management override of control. This is further detailed in this report.
- We have determined that due to the nature of the governance arrangements that the administrative authority has put in place that formally the Audit Committee of Shropshire Council are those charged with governance. However, as this acts upon recommendations from the Pensions Committee and our reports are shared with it we have determined that the Pensions Committee is the sub-group with whom we are required to communicate with. We will continue to provide you with sector updates via our Sector Updates and Progress Reports.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Shropshire Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed *in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Shropshire Pension Fund* *We draw* your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee) assisted by the Pensions Committee.

The audit of the financial statements does not relieve management or the Audit Committee (as TCWG) of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- The revenue recognition cycle (including those related to expenditure) contains fraudulent transactions (rebutted)
- Management override of controls
- The valuation of Level 3 Investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £20m (PY £18m) for the Pension Fund, which equates to approximately to 1% of your net assets as at February 2021. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1m (PY £0.9m).

Audit logistics

Our interim visit took place in April and our final visit will take place in July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our proposed fee for the audit will be £30,289 (PY: £22,289) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. As external auditors in the public sector, we are also required to give regard to Practise Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.	Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted, because: - there is little incentive to manipulate revenue and expenditure recognition - opportunities to manipulate revenue and expenditure recognition are very limited; and - the culture and ethical frameworks of local authorities, including the administering authority for the Fund, Shropshire Council, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for Shropshire Pension Fund.
Management over-ride of controls	Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of assets and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We will: - evaluate the design effectiveness of management controls over journals; - analyse the journals listing and determine the criteria for selecting high risk unusual journals; - test high risk unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; - gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and - evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified (continued)

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 Investments (Annual Revaluation)	The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature required significant degree of judgement to reach an appropriate valuation at year end Management utilise the services of investment managers as valuation experts to estimate the fair value of these assets We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter	We will: • Evaluate management's processes for valuing Level 3 investments • Review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investment to ensure that the requirements of the Code are met; • Independently request year-end confirmations from investment managers, with an additional focus on ensuring use of appropriate International Private Equity and Venture Capital Valuation (or equivalent) methodology in their valuation books, updated for most recent available guidance in relation to Covid-19; • For a sample of investments, test the valuation by comparing the valuation per the General Ledger (typically based on an investor statement as at the reporting date or, in the case of harder to value assets, the latest capital statement available adjustment for known cash movements in the final quarter of the year) to direct confirmation of capital balances from Investment Managers and, where available, latest audited financial statements; • Analyse the Fund's holdings by sector, applying an additional layer of professional scepticism and challenge in relation to any assets with potential exposure to the pandemic or economic impact of Brexit.

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Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

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Introduction

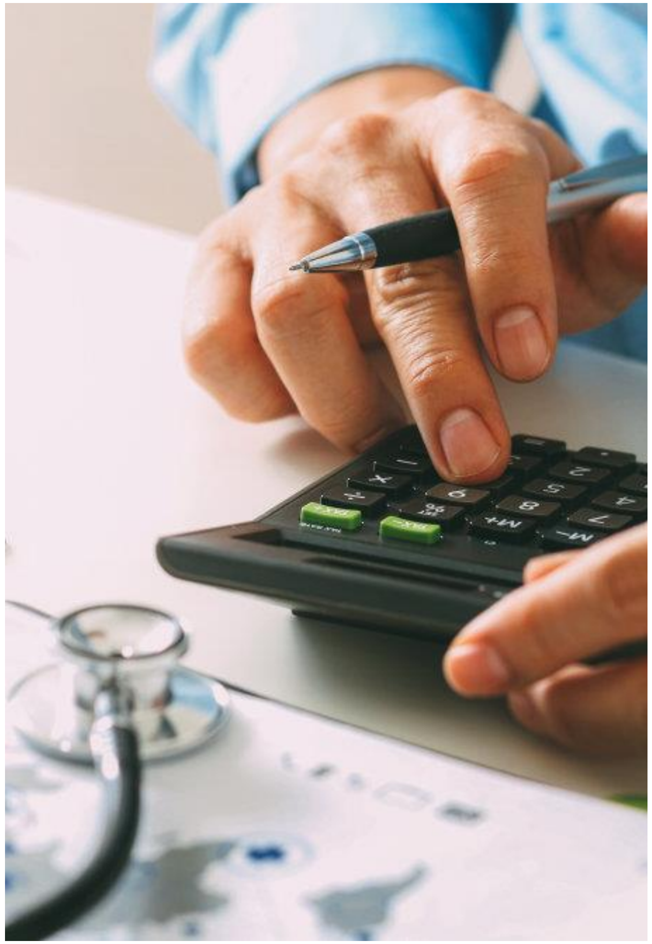
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Pensions Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

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Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Pension Fund we have identified the following material accounting estimates for which this is likely to apply:

- Valuation of level 2 and level 3 investments

The Pension Fund's Information systems

In respect of the Pension Fund's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Pension Fund uses management experts in deriving some of its more complex estimates, e.g. asset and investment. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Pension Fund (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainly is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures we have engaged with management and obtained an understanding of the control environment around estimates via the Informing the Audit Risk Assessment document, which has been presented at the March Pensions Committee.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf

Other matters

Other work

The Pension Fund is administered by Shropshire Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Administering Authority's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
    - Giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
    - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
    - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
    - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience and ensure that our work on going concern is proportionate for public sector bodies.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

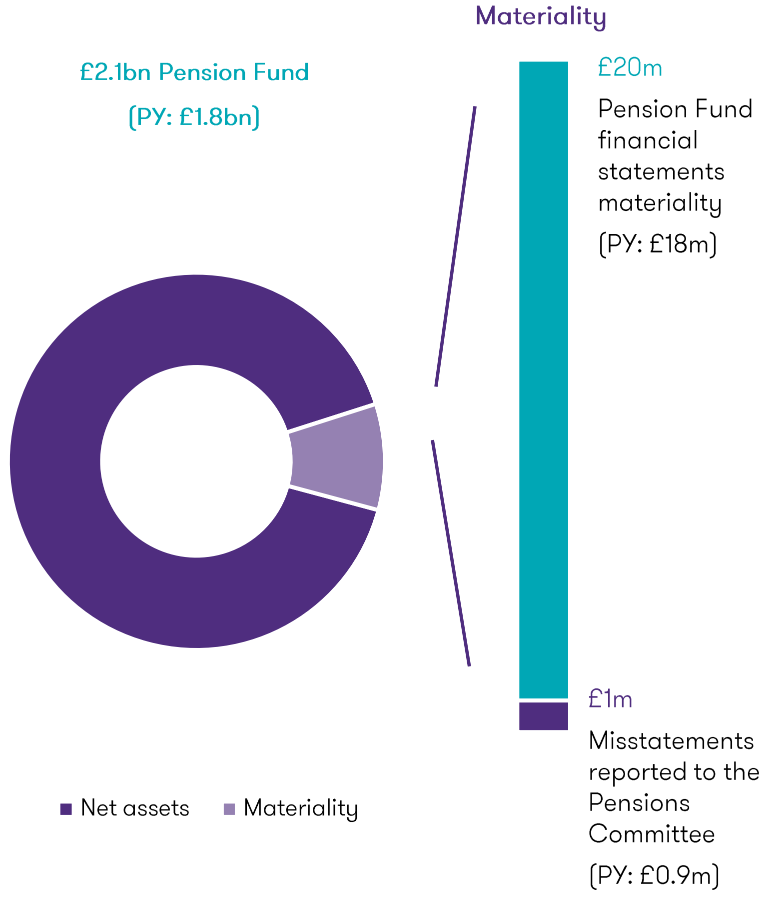
We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £20m (PY £18m), which equates to roughly 1% of your net assets at February 2021. We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Pensions Committee and the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1m (PY £0.9m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Pensions Committee to assist it in fulfilling its governance responsibilities.

Net assets February 2021



Audit logistics and team

Planning and risk assessment

Pensions Committee
March 2021
ITARA

Interim audit
April 2021

Pensions Committee and Audit Committee
25 June 2021 Pension Committee
Audit Plan

Year end audit
July 2021

Pensions Committee and Audit Committee
Estimated 17 September 2021 Pension Committee
Audit Findings Report/Audit Opinion

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Grant Patterson, Key Audit Partner

As your engagement lead, Grant will have the ultimate responsibility for the delivery of your audit service. He will lead our relationship with the Pension Fund and take overall responsibility for delivering high quality audits, which meet the highest professional standards while adding value.

Terry Tobin, Senior Audit Manager

As the engagement manager, Terry is responsible for overseeing the delivery of our service and managing the audit process in respect of the Shropshire Pension Fund. He will be on hand to answer any queries, whilst ensuring an efficient audit process.

Elliot Baker, Audit In charge

Elliot will work with relevant officers and our on site team to ensure the smooth planning and delivery of the audit. He will oversee our operational team and discuss any issues with you during the audit process as well as any questions you may have throughout the year.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

In 2018, PSAA awarded a contract of audit for Shropshire Pension Fund to begin with effect from 2018/19. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21 is set out below.

		Actual Fee 2019/20	**Proposed fee 2020/21**
Shropshire Pension Fund Audit PSAA Scale Fee		£18,039	£18,039
Raising the Bar/Regulatory Factors	£2,800		
Valuation of Level 3 Investments	£1,450		
On-going 2019/20 Fee Variation		£4,250	£4,250
Impact of ISA 540 on PSAA Scale Fee			£6,000
Impact of ISA 240/700 on PSAA Scale Fee			£2,000
Revised Audit Fee		**£22,289**	**£30,289**
Estimated other fees – Non audit for IAS 19 Assurances to Other Auditors (Page 14)		£3,000	£5,000
Total audit fees (excluding VAT)		**£25,289**	**£35,289**

Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2019) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies. We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
IAS19 Assurance letters for Admitted Bodies	3,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work was £3,000 (in 2019/20) in comparison to the total fee for the audit of £30,289 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related		None identified.	
Total	3,000		

Appendix 1: Revised Auditor Standards and application guidance

FRC revisions to Auditor Standards and associated application guidance

The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	✓
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	✓
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	✓
ISA (UK) 230 – Audit Documentation	January 2020	✓
ISA (UK) 240 – The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	✓
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	✓
ISA (UK) 250 Section B – The Auditor's Statutory Right and Duty to Report to Regulators od Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	✓

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	✓
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	✓
ISA (UK) 500 – Audit Evidence	January 2020	✓
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	✓
ISA (UK) 570 – Going Concern	September 2019	✓
ISA (UK) 580 – Written Representations	January 2020	✓
ISA (UK) 600 - Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	✓
ISA (UK) 620 – Using the Work of an Auditor's Expert	November 2019	✓
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	✓

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor's Report	January 2020	✔
ISA (UK) 720 – The Auditor's Responsibilities Relating to Other Information	November 2019	✔
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	✔

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Committee and Date	Item
Pensions Committee	
25 June 2021	Public
10am	

PENSION FUND TREASURY STRATEGY 2021/22

Responsible Officer Justin Bridges
e-mail: Justin.bridges@shropshire.gov.uk Tel: (01743) 252072

1. Summary

1.1 This report proposes the Pension Fund Treasury Strategy for 2021/22 for the small cash balances that the Administrating Authority maintains to manage the day to day transactions of the Fund. These transactions include the payment of pensions and transfers out together with the receipt of contributions from employers and transfers into the Fund. From the 1 April 2010 these balances have been invested separately in accordance with the Pension Fund Treasury Strategy.

2. Recommendations

2.1 Members are asked to delegate authority to the Scheme Administrator (Section 151 Officer) to manage the Pension Funds day to day cash balances.

2.2 Members are asked to approve, with any comments, the Pension Fund Treasury Strategy.

2.3 Members are asked to authorise the Scheme Administrator (Section 151 Officer) to place deposits in accordance with the Pension Fund's Treasury Strategy.

2.4 Members are also asked to delegate authority to the Scheme Administrator (Section 151 Officer) to add or remove institutions from the approved lending list and amend cash and period limits as necessary in line with the Administering Authority's creditworthiness policy.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Risk Management is part of the Pension Fund's structured decision-making process by ensuring that investment decisions are taken by those best qualified to take them.

3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.

3.3 Compliance with the CIPFA Code of Practice on Treasury Management, adhering to the Council's Treasury Policy Statement and Treasury Management Practices together with the rigorous internal controls will enable the Fund to manage the risk associated with Treasury Management activities and the potential for financial loss

3.4 There are no direct environmental, equalities or climate change consequences arising from this report.

4. Financial Implications

4.1 There are no direct financial implications arising from this report.

5. Climate Change Appraisal

5.1 The Fund takes Responsible Investment very seriously; it is a key process the investment managers go through before investing where thorough due diligence is undertaken considering all risks including climate change. The investment managers vote on the Fund's behalf, BMO engage with companies on the Fund's behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and a signatory to the UK Stewardship Code.

6. Background

6.1 The Fund has assets of over £2.1 billion which are managed by the Funds Global Custodian, Northern Trust. Shropshire Council as the Administering Authority maintains a small working cash balance (currently around £4 million). This Treasury Strategy relates solely to the Pension Fund cash managed by Shropshire Council as the Administering Authority.

6.2 The Administering Authority aims to keep the Pension Fund cash held for day-to-day transactions to a minimum level. Fund cash is currently managed separately and invested on the money markets in accordance with Shropshire Council's Treasury Strategy. A separate Pension Fund account is credited with investment income.

6.3 Investment regulations issued by the DCLG in December 2009 no longer permit pension fund cash to be pooled with the cash balances of Shropshire Council from 1st April 2010. In view of these changes a separate Pension Fund Treasury Strategy must be approved each year.

7. Investment Policy

7.1 The Fund's investment policy is based on the Treasury Strategy adopted by Shropshire Council. The investment policy will have regard to the Ministry of Housing Communities for Local Government (MHCLG) Guidance on Local Government Investments, and the CIPFA Treasury Management Code of Practice.

7.2 The investment priorities for the management of Pension Fund cash balances are the security of capital and the liquidity of its investments. The Fund will also aim to achieve the optimum return on its cash investments commensurate with proper levels of security and liquidity.

7.3 The MHCLG guidance requires Shropshire Council to categorise their investments as either “specified” or “non specified” investments. Shropshire Council as Administering Authority for the Pension Fund will adopt these same categorisations for the investment of Pension Fund cash. Specified investments are deemed as “safer” investments and must meet the following conditions:-

- be denominated in Sterling
- have less than 12 months duration
- not constitute the acquisition of share or loan capital
- be invested in the government or a local authority or a body or investment scheme with a “high” credit quality.

7.4 The Fund is required to specify its creditworthiness policy and how frequently credit ratings should be monitored. It must also specify the minimum level of such investments.

7.5 The Fund is required to look at non specified investments in more detail. It must set out:

- Procedures for determining which categories of non-specified investments should be used
- The categories deemed to be prudent
- The maximum amount deemed to be held in each category
- The maximum period for committing funds

7.6 As all of the Funds’ investments will be placed in sterling for periods up to 12 months with highly credit rated institutions all investments will be classified as specified investments. It is recommended that the maximum limit of £4 million is set for other Local Authorities and institutions which are part nationalised and £2 million for institutions which meet the minimum credit ratings but are not supported by the Government. Any changes to the minimum credit ratings or maximum limits must be approved by the Scheme Administrator (Section 151 Officer).

7.7 The Fund may use for the prudent management of its cash balances any of the specified investments detailed on Appendix A.

7.8 In order not to reply solely on institutions credit ratings there have also been a number of other developments since the credit crunch crisis which require separate consideration and approval. Part Nationalised Banks in the UK effectively take on the creditworthiness of the Government itself i.e. deposits made with them are effectively being made to the Government. This is because the Government owns significant stakes in the banks and this ownership is set to continue. Link Asset Services are still supportive of the Fund using these institutions with a maximum 12 month duration. For this reason National Westminster Bank which are part of the RBS group are included on the approved counterparty list.

7.9 Local Authorities are not credit rated but where the investment is a straightforward cash loan, statute suggests that the credit risk attached to English and Welsh local authorities is an acceptable one (Local Government Act 2003 s13). Local authorities are therefore included on the approved list.

8. Creditworthiness Policy

8.1 It is proposed that the Fund will adopt the same methodology as Shropshire Council when determining the minimum credit ratings to be used. The Creditworthiness policy has been adopted from Shropshire Council's Treasury Strategy who use information provided by their treasury advisor, Link Asset Services. This service has been progressively enhanced following the problems with Icelandic Banks in 2008. Link use a sophisticated modelling approach with credit ratings from all three rating agencies Fitch, Moody's and Standard and Poor's. In accordance with the revised Treasury Management Code of Practice they do not rely solely on the current credit ratings of counterparties but also use the following as overlays:-

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give an early warning of likely changes in credit ratings
- Soveriegn ratings to select counterparties from only the most creditworthy countries

8.2 This modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used to determine the duration of investments and are therefore referred to as durational bands. The Fund is satisfied that this service now gives a much improved level of security for its investments. It is also a service which would not be able to replicate using in-house resources.

8.3 The selection of counterparties with a high level of creditworthiness will be achieved by a selection of institutions down to a minimum durational band with Link's weekly list of worldwide potential counterparties. The Fund will therefore use counterparties within the following durational colour bands:-

- Yellow – 5yrs e.g. AAA rated Government debt, UK Gilts, Collateralised Deposits
- Dark Pink – 5 years for Enhanced Money Market Funds with a credit score of 1.25 (Not currently used)
- Light Pink - 5 years for Enhanced Money Market Funds with a credit score of 1.5 (Not currently used)
- Purple - 2yrs (Council & Pension Fund currently has maximum of 1 year)
- Blue - 1 year (only applies to nationalised or part nationalised UK Banks)
- Orange - 1 year
- Red - 6 months
- Green – 100 days
- No colour – not to be used

8.4 Although the maximum period limit is currently 5 years the Fund will take a more prudent approach and not invest for any longer than 12 months.

8.5 All credit ratings are monitored continuously and formally updated as and when changes are required by the Administering Authority. The Administering Authority is alerted to changes to ratings of all three agencies through its use of the Link's creditworthiness service. The Fund will use the same policy when constructing its approved lending list. If a counterparty's or investment scheme's rating is downgraded with the result that it no longer meets the Funds minimum criteria, the further use of that counterparty will be withdrawn immediately.

8.6 Sole reliance will not be placed on the use of this external service. Officers also use market data and information and regularly monitor the financial press.

9. Country Limits

9.1 It is recommended that the Fund will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies). It is recommended that UK institutions continue to be used unless the sovereign credit rating falls below A. Lending is currently restricted to the UK which currently has a sovereign credit rating of AA and Sweden which has the highest possible sovereign rating of AAA. The S151 Officer has delegated authority to revert back to placing investments in countries with a minimum sovereign credit rating of AA- in line with Link's revised creditworthiness policy if required.

10. Investment Strategy

10.1 The Monetary Policy Committee (MPC) delivered two decreases in Bank rate to 0.10% in March 2020 due to the global pandemic. It is felt that the bank rate will remain at its current level of 0.10% until March 2023. This view is based on the latest forecasts obtained by the Authority's treasury advisor, Link Asset Services.

10.2 It is anticipated that balances available for investment will be between £1 - 8 million which will be invested short term in accordance with the approved lending list. Separate lending and period limits have been approved for investment of Pension Fund cash.

10.3 Short term cash flow requirements limit the scope for longer term investments. For cash flow generated balances we will seek to utilise the business reserve account with Svenska Hadelsbanken and short dated deposits (overnight - 3 months) in order to benefit from the compounding of interest.

10.4 All investments will be made in accordance with the Funds treasury strategy and in accordance with the MHCLG investment regulations.

11. Short Term Borrowing

11.1 The current banking and investment arrangements mean the Fund has not needed to borrow on the money markets to fund day to day transactions. The investment regulations give the Administering Authority an explicit power to borrow for up to 90 days, for the purpose of the pension fund. This will enable borrowing for cash flow purposes such as to ensure that scheme benefits can be made on time. Any borrowing needs to have an identifiable income from which repayment of the borrowed amount and related interest can be funded.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Pension Fund Treasury Strategy 2020/21, Pensions Committee 19 March 2020
Cabinet Member N/A
Local Member N/A
Appendices A. Specified Investment Schedule

Appendix A

SPECIFIED INVESTMENTS

All investments listed below must be sterling-denominated.

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum Credit Rating	Capital Expenditure?	Circumstance of use	Maximum period
Term deposits with the UK government (e.g. DMO Account) or with English local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to 1 year	No	Yes	High security although LAs not credit rated.	NO	In-house	1 year
Term deposits with credit-rated deposit takers (banks and building societies), including callable deposits, with maturities up to 1 year	No	Yes	Yes – Minimum colour band Green	NO	In-house	1 year
Certificates of Deposit issued by credit-rated deposit takers (banks and building societies) up to 1 year. *Custodial arrangement required prior to purchase*	No	Yes	Yes – Minimum colour band Green	NO	In house buy and hold	1 year
Banks nationalised by high credit rated (sovereign rating) countries	No	Yes	Minimum Sovereign Rating AA-	No	In house	1 year
UK Nationalised & Part Nationalised banks	No	Yes	Yes – Minimum colour band green	No	In house	1 Year

Contact: Justin Bridges on (01743) 252072

Investment	**Share/ Loan Capital?**	**Repayable/ Redeemable within 12 months?**	**Security / ‘High’ Credit Rating criteria**	**Capital Expenditure?**	**Circumstance of use**	**Maximum period**
Government guarantee on all deposits by high credit rated (sovereign rating) countries	No	Yes	Yes – Minimum Sovereign Rating AA-	No	In house	1 year
Bonds issued by multilateral development banks (Euro Sterling Bonds as defined in SI 2004 No 534) or issued by a financial institution guaranteed by UK government with maturities under 12 months. *Custodial arrangement required prior to purchase* Gilt Funds and Bond Funds (including Ultra-Short Dated Bond Funds)	No No	Yes Yes	AAA AAA	NO NO	In-House on a buy and hold basis after consultation/advice from Capita& In House	1 year 1 year
Gilts : up to 1 year *Custodial arrangement required prior to purchase*	No	Yes	Govt-backed UK Sovereign Rating	NO	In House on a buy and hold basis	1 year

Contact: Justin Bridges on (01743) 252072

Money Market Funds (CNAV) & Government Liquidity Funds (including CCLA Fund) & Enhanced Money Market Funds (LVNAV & VNAV)	No	Yes	Yes AAA rated & UK sovereign rating. Enhanced MMFs minimum colour Dark Pink/Light Pink & AAA rated	NO	In-house	the period of investment may not be determined at the outset but would be subject to cash flow and liquidity requirements. Deposits are repayable at call.
Treasury bills [*Government debt security with a maturity less than one year and issued through a competitive bidding process at a discount to par value*] *Custodial arrangement required prior to purchase*	No	Yes	Govt-backed UK Sovereign Rating	NO	In House	1 year

Monitoring of credit ratings:

All credit ratings will be monitored continuously. If a counterparty or investment scheme is downgraded with the result that it no longer meets the Pension Fund's minimum credit criteria, the use of that counterparty / investment scheme will be withdrawn.

Any intra-month credit rating downgrade which the Pension Fund has identified that affects the Pension Fund pre-set criteria will also be similarly dealt with.

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Committee and Date	Item
Pensions Committee 25 June 2021 10.00am	Public

CORPORATE GOVERNANCE MONITORING

Responsible Officer Ben Driscoll
e-mail: ben.driscoll@shropshire.gov.uk Tel: (01743) 252079

1. Summary

1.1 The report is to inform members of Corporate Governance and socially responsible investment issues arising in the quarter 1st January 2021 to 31st March 2021.

2. Recommendations

2.1 Members are asked to accept the position as set out in the report, Manager Voting Reports at Appendix A (A1, A2 & A3) and BMO Global Asset Management Responsible Engagement Overlay Activity Report at Appendix B (B1 & B2).

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Risk Management is part of the Pension Fund's structured decision-making process by ensuring that investment decisions are taken by those best qualified to take them.

3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.

3.3 The Fund's Corporate Governance Policy enables it to influence the environmental policies of the companies in which it invests.

3.4 There are no direct Equalities or Community consequences.

4. Financial Implications

4.1 There are no direct financial implications arising from this report.

5. Climate Change Appraisal

5.1 The Fund takes Responsible Investment very seriously; it is a key process the investment managers go through before investing where thorough due diligence is undertaken considering all risks including climate change. The investment managers vote on the Fund's behalf, BMO engage with companies on the Fund's behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and a signatory to the UK Stewardship Code.

5.2 Shropshire County Pension Fund has received a Climate Risk Report from LGPS Central.

6. Background

6.1 The Shropshire County Pension Fund has been actively voting for over fifteen years at the Annual General Meetings and Extraordinary General Meetings of the companies in which it invests. Voting is carried out by individual Fund Managers on all equity portfolios.

6.2 The Fund is also addressing its social responsibility through a strategy of responsible engagement with companies. BMO Global Asset Management provide this responsible engagement overlay on the Fund's UK & global equities portfolios.

7. Manager Voting Activity

7.1 Details of managers voting activity during the quarter relating to equity portfolios are attached (Appendix A; A1, A2 & A3).

8. Responsible Engagement Activity

8.1 During the last quarter BMO Global Asset Management have continued to actively engage with companies on the Fund's behalf. An update on the engagement activities for the quarter is attached at Appendix B (B1 & B2) in the REO Activity report.

9. Update following the Council Motion

9.1 During the last quarter and previous quarters LGPS Central, BMO Global Asset Management, Legal & General and Majedie have presented to Committee as part of the extensive review currently being undertaken by the Pension Committee on Responsible Investment & Climate Change following the Council's motion in July 2020. The table below is a reminder of the significant progress the Committee have made to date following the Council's motion to divest from fossil fuels, plus a timeline for future presentations and updates on when the public TCFD report recommendations will be implemented. Live streams of all the below meetings, Chair statements following the Council motion, public questions submitted and the responses provided and detailed presentations can be found on the Council's website by following the below link:

http://shropshire.gov.uk/committee-services/ieListMeetings.aspx?CommitteeId=260

Date	Type of meeting	Agenda Item	Reports and Presentations	Key points for Cttee
24 July 2020	Pensions Cttee	Climate Stewardship Corporate Governance Monitoring	LGPS Central Climate Stewardship Report Update on manager voting & engagements activities	Training on Climate Stewardship and next steps Quarterly update on Corporate Governance Issues
18 Sept 2020	Pensions Cttee	LGPSC Climate Analysis Report Investment Strategy Review and Responsible Investment Timetable Corporate Governance Monitoring Report	Presentation from Michael Marshall, Director of Responsible Investment, LGPS Central Presentation from Aon, Investment Consultant Update on manager voting & engagements activities	SCPF carbon footprint measured and detailed climate risk analysis undertaken Responsible Investment timetable and recommendations agreed Quarterly update on Corporate Governance Issues
4 Dec 2020	Pensions Cttee	Public LGPSC TCFD Compliant Climate Report Responsible Engagement How Majedie integrate ESG into their Investment process Corporate Governance Monitoring Report	Presentation from LGPS Central Presentation from BMO Global Asset Management (Funds engagement manager) Presentation from Majedie (UK Equity Manager) Update on manager voting and engagement activities	Recommendations within report agreed. Media release agreed and scheme employers updated. Documents uploaded onto SCPF website for all Stakeholders. Pros/cons of engagement v divestment. Case studies on effectiveness. Discussions on why certain stocks highlighted in the TCFD report are held within the portfolio. Quarterly update on Corporate Governance Issues
5 March 2021	Pension Cttee	Investment Stewardship Corporate Governance Monitoring Report	Presentation from Legal & General (Global Equity manager) Update on manager voting and engagement activities	Pros/cons of engagement v divestment. Case studies on effectiveness. Quarterly update on Corporate Governance Issues

25 June 2021	Pension Cttee	Begin Implementation of revised Investment Strategy once agreed. Corporate Governance Monitoring Report	Presentation from Aon on Investment Strategy implementation Update on manager voting and engagement activities	Sustainable Equities, Climate Factor funds and low carbon equity funds being considered. Quarterly update on Corporate Governance Issues
17 Sept 2021	Pension Cttee	**SCPF Climate Strategy/Climate Stewardship Plan**		
03 December 2021	Pension Committee	**Review analysis, training undertaken, TCFD report recommendations implementation, Agree formal response to the Council motion.**		

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Corporate Governance Monitoring report, Pensions Committee 4 December 2020

Corporate Governance Monitoring report, Pensions Committee 5 March 2021

Cabinet Member

N/A

Local Member

N/A

Appendices

A. Manager Voting Activity Reports (A1-A3).

B. BMO Global Asset Management Responsible Engagement Overlay Reports (B1-B2).

VOTING AND ENGAGEMENT ACTIVITY

Welcome to your Quarterly Report's Engagement Activity section. We engaged with several companies over the quarter, examples of which we give below.

The summaries below are based on our internal research and analysis through engaging with each company on what we consider to be their material issues. The information has been included to evidence our ESG integration process. In each case, it is our view being presented and the information should not be relied upon.

The resiliency scores of "high", "average" or "low" provide a simplified indication of the more detailed scoring system we apply as part of our investment process.

The conviction scores provide a general indication of any changes in the absolute conviction levels we have in a particular holding. We use a sliding absolute scale in our investment process and scores of "higher" or "lower" in this report do not necessarily translate to "high" or "low" absolute conviction scores. The changes noted in this report reflect a change in conviction based on the recent quarter, which might not result in a change in weighting, especially if we expect further progress on engagement issues.

A.P. Moller – Maersk

We met twice with Maersk, the Danish integrated shipping company in Q1 2021. In February, we spoke with the group's CEO and CFO and in March, we met with the group's sustainability team.

Investment rationale

As the world's largest shipping company, Maersk owns ports and other logistics businesses. The container shipping industry has consolidated materially over the past few years, leading to more rational behaviour with very low supply growth. There is growth potential in terms of scale and margin expansion for the remaining larger players, especially post Covid-19 due to increased economic activity, large amounts of monetary and fiscal stimulus, and a lower oil price. Maersk could also capitalise on its superior technology and administrative services for shipping.

Areas of engagement	Potential impacts
Operational (shipping demand, pricing, bundling services)	Financial and social
Carbon reduction	Financial and environmental
Transparency on key, material issues and management of these exposures	Financial, social, environmental, and governance

Objectives

- To encourage the group to press ahead with finding ways to reduce its carbon emissions
- To get a sense from management on the opportunities for Maersk to become more of a logistics provider
- To understand how Maersk is managing the current, volatile demand environment

Key issues and discussion

1. **Risk that the demand for shipping doesn't return post Covid-19**
   Maersk saw extraordinary demand growth in Q4 2020 after many large leisure/lifestyle customers reduced their orders in mid-2020. Many Maersk customers found themselves without products on shelves and had to restock at the same time as underlying demand increased in Q4. Maersk has a good view of shipping demand 2-3 months ahead and has undertaken scenario modelling on demand levels for the rest of the year. The group forecasts healthy demand for goods and services as the world opens up after lockdown.
2. **Risk (reputational) and opportunity (financial) with spike in shipping rates**

   Shipping rates have spiked over the last year due to shipping container shortages on the back of the global pandemic (and due to Brexit in the UK). Maersk is uncertain as to how quickly shipping rates will reduce but believes they will eventually return to a more normal level. Maersk added that governments generally understand that the current environment of high rates is due to a confluence of pandemic-related issues, rather than any attempt at price gouging by the shippers.

3. **Risk that Maersk Flow and other supply chain management products don't boost growth**

   Maersk reports that, counter-intuitively, the pandemic has been helpful for its transformation as a full-service provider. The market downturn has shown customers the benefit of dealing with carriers that own the assets, rather than an intermediary. Maersk is working to integrate all of its services, including warehousing space, shipping, and inland transportation onto the same platform/group website to enhance the customer experience. Maersk is making good progress with this.

4. **Risk that the group is hindered by technical advances to reduce its carbon emissions**

   Ocean based shipping is a carbon intensive business. Maersk is taking a number of steps to reduce its carbon footprint. While zero-carbon ship orders are still several years away, Maersk is investing R&D into finding greener shipping fuels and is helping to fund a research facility for this purpose. The group also plans to begin purchasing ships that can switch between fuels to help transition their fleet to using more sustainable energy, such as ammonia. Maersk also aims to retrofit existing ships with this capability.

Our requests

- In December 2020, we asked Maersk to improve its disclosure on its key, material issues and how the group is managing these areas.

Outcomes

- Maersk has provided better disclosure in its sustainability report, including improved coverage of its carbon emissions and energy transition plans, which is a positive step.

Escalated issue(s): None

Any impacts on proxy voting: No

Resiliency score: Above average

In a commoditised industry, many risks and opportunities lie outside Maersk's immediate control. However, we believe Maersk is the best company in its sector and has the skilled management team and issue management ability in place to perform well, going forward.

Conviction score: Unchanged (during the quarter)

The group retains a strong balance sheet, proactive management approach and its shares trade on an attractive valuation.

St James's Place (SJP)

We engaged with the CFO of SJP, the largest UK wealth management financial advisory in February 2021.

Investment rationale

SJP currently has around 15% market share and benefits from the structural demographic drivers towards financial advisors. These drivers include greater personal responsibility in managing investments, the shift from DB to DC pension schemes, inter-generational transfer of assets, and greater pension freedoms. SJP is also the largest trainer of financial advisors. The group targets 10% growth in net flows per annum and £200bn in funds under management (FUM) by 2025.

Areas of engagement	Potential impacts
Operational, capex, asset gathering	Financial

Key issues and discussion

1. **Risk that the group's capex on tech and back office doesn't positively impact sales**

   We've engaged SJP consistently on how we would like to see the benefits of the group's technology and back-office investments translate back to increased operational leverage, which in turn, will translate into cash flow growth. SJP committed in its recent full year results to reduce cost growth from 9% to 5% and to reach breakeven levels by 2025 for its investments in Asia and Discretionary Fund Management (DFM).

2. **Risk that executive compensation is not aligned with shareholders' interests**

   Management are incentivised against embedded value key performance indicators while the market and investors are focused on cash generation. We suggested greater alignment might be achieved by a combination of incentives linked to embedded value and cash generation.

Our requests

- We previously asked in meetings that management show a disciplined approach and moderate operating expense growth to allow gestation FUM income to flow through to shareholders with greater operating leverage. This might seem like an odd request, but financial advice is a people-intensive business and management always planned for higher growth than was realised – partly due to the headwinds of the political and economic (Brexit/Covid-19) backdrop. In essence, we took the view that the costs associated with the assets in gestation (i.e. waiting to start paying fees) have already been incurred by shareholders, so it's important to show some discipline/operating leverage to reward shareholders for funding that growth six years ago.
- We asked that SJP demonstrate the benefits of sustained, below the line investment in back-office systems.
- We also requested that management share their planning assumptions for return on their investments in Asia and DFM.

Management have listened to and acknowledged our requests.

Escalated issue(s): None

Any impacts on proxy voting: No

Resiliency score: Above average

SJP has the unusual feature of around 40% of FUM not currently generating fees. However, this FUM will generate fees over the next six years. This gives unique visibility of income growth which, combined with tight cost management, gives management control over the cash generation of the business.

Conviction score: Unchanged (during the quarter)

Our conviction in SJP stems from the long-term structural drivers which underpin growth and the scale and competitive positioning of the partnership/franchise model. We take some incremental confidence from the commitment to deliver the operating leverage we anticipated in the coming years.

VOTING RECORD SUMMARY

Please see below a breakdown of the meetings and resolutions which pertain to your portfolio. Majedie's Proxy Voting Principles document can be found on the Responsible Capitalism section of our website.

SUMMARY	VOTES	PERCENT
Number of meetings voted at this period	16	
Number of resolutions	206	
Where we voted in line with Management	191	92.7
Where we have not voted in line with Management	15	7.3

Source: Majedie, ISS (Institutional Shareholder Services)

The table below is a breakdown of the number of resolutions where we have either voted against Management or abstained.

CATEGORY	AGAINST MANAGEMENT	ABSTAIN
Antitakeover Related	0	0
Capitalization	0	0
Directors Related	3	0
Non-Salary Comp.	2	1
Preferred/Bondholder	6	0
Routine/Business	4	0
Total	15	1

Sources: Majedie, ISS (Institutional Shareholder Services)

VOTING RECORD DETAILS

SECURITY NAME	MEETING DATE	MEETING TYPE	MAJEDIE VOTE
A J BELL	27 Jan 2021	AGM	Voted for all
AMINEX	18 Feb 2021	EGM	Voted for all
AVON RUBBER	29 Jan 2021	AGM	Against Resolutions 2, 13
BREWIN DOLPHIN HOLDINGS	05 Feb 2021	AGM	Against Resolution 14
CAIRN ENERGY	08 Jan 2021	EGM	Voted for all
CARETECH	09 Mar 2021	AGM	Voted for all
COMPASS GROUP	04 Feb 2021	AGM	Against Resolution 17
DIPLOMA	20 Jan 2021	AGM	Abstain on Resolution 11
HOLLYWOOD BOWL	29 Jan 2021	AGM	Voted for all
SHANTA GOLD	24 Mar 2021	AGM	Against Resolutions 4, 9, 10
SPEYMILL DEUTSCHE	05 Jan 2021	AGM	Voted for all
STOCK SPIRITS	04 Feb 2021	AGM	Voted for all
TESCO	11 Feb 2021	EGM	Voted for all
TULLA RESOURCES	09 Mar 2021	EGM	Withhold on Resolutions 1, 2, 3, 4, 5, 6
WATKIN JONES	19 Feb 2021	AGM	Voted for all
WH SMITH	20 Jan 2021	AGM	Against Resolution 13

Source: Majedie

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Engagement Report, Q1 2021

LGPS Central - ACS

EOS at Federated Hermes

Engagement by region

Over the last quarter we engaged with **432** companies held in the LGPS Central - ACS portfolios on a range of **1,459** environmental, social and governance issues and objectives.

Global

We engaged with **432** companies over the last quarter.

- Environmental **28.6%**
- Social and Ethical **20.9%**
- Governance **35.6%**
- Strategy, Risk and Communication **14.9%**

Australia & New Zealand

We engaged with **eight** companies over the last quarter.

- Environmental **83.3%**
- Governance **8.3%**
- Strategy, Risk and Communication **8.3%**

Developed Asia

We engaged with **45** companies over the last quarter.

- Environmental **37.1%**
- Social and Ethical **25.8%**
- Governance **28.2%**
- Strategy, Risk and Communication **8.9%**

Emerging & Developing Markets

We engaged with **56** companies over the last quarter.

- Environmental **32.9%**
- Social and Ethical **13.3%**
- Governance **33.5%**
- Strategy, Risk and Communication **20.2%**

Europe

We engaged with **121** companies over the last quarter.

- Environmental **28.7%**
- Social and Ethical **19.4%**
- Governance **39.7%**
- Strategy, Risk and Communication **12.3%**

North America

We engaged with **161** companies over the last quarter.

- Environmental **22.8%**
- Social and Ethical **23.0%**
- Governance **36.9%**
- Strategy, Risk and Communication **17.3%**

United Kingdom

We engaged with **41** companies over the last quarter.

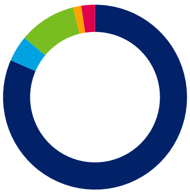
- Environmental **37.1%**
- Social and Ethical **23.4%**
- Governance **29.0%**
- Strategy, Risk and Communication **10.5%**

Engagement by theme

Over the last quarter we engaged with **432** companies held in the LGPS Central - ACS portfolios on a range of **1,459** environmental, social and governance issues and objectives.

Environmental

Environmental topics featured in **28.6%** of our engagements over the last quarter.



- Climate Change **81.5%**
- Forestry and Land Use **4.6%**
- Pollution and Waste Management **10.1%**
- Supply Chain Management **1.4%**
- Water **2.4%**

Social and Ethical

Social and Ethical topics featured in **20.9%** of our engagements over the last quarter.

- Bribery and Corruption **1.3%**
- Conduct and Culture **12.8%**
- Diversity **24.3%**
- Human Capital Management **21.3%**
- Human Rights **31.5%**
- Labour Rights **6.6%**
- Tax **2.3%**

Governance

Governance topics featured in **35.6%** of our engagements over the last quarter.

- Board Diversity, Skills and Experience **22.7%**
- Board Independence **17.1%**
- Executive Remuneration **42.3%**
- Shareholder Protection and Rights **13.5%**
- Succession Planning **4.4%**

Strategy, Risk and Communication

Strategy, Risk and Communication topics featured in **14.9%** of our engagements over the last quarter.

- Audit and Accounting **7.4%**
- Business Strategy **39.2%**
- Cyber Security **1.4%**
- Integrated Reporting and Other Disclosure **27.6%**
- Risk Management **24.4%**

LGPS Central Limited

Federated Hermes EOS

Voting Report, Q1 2021

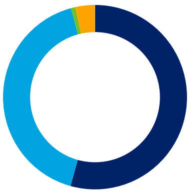
LGPS Central - ACS

EOS at Federated Hermes

Over the last quarter we made voting recommendations at 523 meetings (5,376 resolutions). At 217 meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at 18 meetings and abstaining at four meetings. We supported management on all resolutions at the remaining 284 meetings.

Global

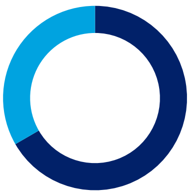
We made voting recommendations at 523 meetings (5,376 resolutions) over the last quarter.



- Total meetings in favour 54.3%
- Meetings against (or against AND abstain) 41.5%
- Meetings abstained 0.8%
- Meetings with management by exception 3.4%

Australia and New Zealand

We made voting recommendations at three meetings (eight resolutions) over the last quarter.



- Total meetings in favour 66.7%
- Meetings against (or against AND abstain) 33.3%

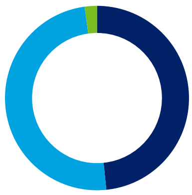
Developed Asia

We made voting recommendations at 213 meetings (1,682 resolutions) over the last quarter.

- Total meetings in favour 62.0%
- Meetings against (or against AND abstain) 37.6%
- Meetings with management by exception 0.5%

Emerging and Frontier Markets

We made voting recommendations at 93 meetings (822 resolutions) over the last quarter.



- Total meetings in favour 48.4%
- Meetings against (or against AND abstain) 49.5%
- Meetings with management by exception 2.2%

Europe

We made voting recommendations at 101 meetings (1,715 resolutions) over the last quarter.

- Total meetings in favour 41.6%
- Meetings against (or against AND abstain) 49.5%
- Meetings abstained 4.0%
- Meetings with management by exception 5.0%

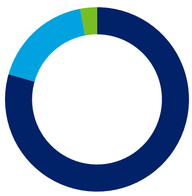
North America

We made voting recommendations at 45 meetings (487 resolutions) over the last quarter.

- Total meetings in favour 20%
- Meetings against (or against AND abstain) 62.2%
- Meetings with management by exception 17.8%

United Kingdom

We made voting recommendations at 68 meetings (662 resolutions) over the last quarter.



- Total meetings in favour 79.4%
- Meetings against (or against AND abstain) 17.6%
- Meetings with management by exception 2.9%

The issues on which we recommended voting against management or abstaining on resolutions are shown below.

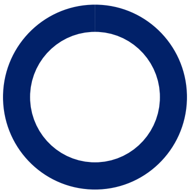
Global

We recommended voting against or abstaining on 562 resolutions over the last quarter.

- Board structure 50.4%
- Remuneration 27.8%
- Shareholder resolution 4.8%
- Capital structure and dividends 2.7%
- Amend articles 3.9%
- Audit and accounts 6.2%
- Other 4.3%

Australia and New Zealand

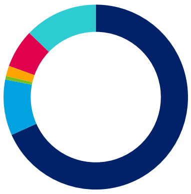
We recommended voting against or abstaining on one resolution over the last quarter.



- Remuneration 100%

Developed Asia

We recommended voting against or abstaining on 164 resolutions over the last quarter.



- Board structure 68.3%
- Remuneration 9.8%
- Shareholder resolution 0.6%
- Capital structure and dividends 1.8%
- Amend articles 6.7%
- Audit and accounts 12.8%

Emerging and Frontier Markets

We recommended voting against or abstaining on 129 resolutions over the last quarter.

- Board structure 41.9%
- Remuneration 24.8%
- Shareholder resolution 3.9%
- Capital structure and dividends 3.1%
- Amend articles 7.0%
- Audit and accounts 8.5%
- Other 10.9%

Europe

We recommended voting against or abstaining on 171 resolutions over the last quarter.

- Board structure 47.4%
- Remuneration 32.7%
- Shareholder resolution 6.4%
- Capital structure and dividends 4.7%
- Amend articles 1.2%
- Audit and accounts 1.8%
- Other 5.8%

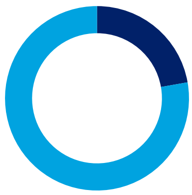
North America

We recommended voting against or abstaining on 70 resolutions over the last quarter.

- Board structure 42.9%
- Remuneration 42.9%
- Shareholder resolution 14.3%

United Kingdom

We recommended voting against or abstaining on 27 resolutions over the last quarter.



- Board structure 22.2%
- Remuneration 77.8%

Notices:
LGPS Central Limited is committed to disclosing its voting record on a vote-by-vote basis, including where practicable the provision of a rationale for votes cast against management.
The data presented here relate to voting decisions for securities held in portfolios held within the company's Authorised Contractual Scheme (ACS).

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
20/01/2021	Guotai Junan International Holdings Limited	Special	All For		
04/02/2021	Lenovo Group Limited	Special	All For		
04/03/2021	MMG Ltd.	Special	Against	1	Apparent failure to link pay and appropriate performance
05/03/2021	CSPC Pharmaceutical Group Ltd.	Special	Against	11.1 12	Concerns related to board gender diversity Concerns related to shareholder rights
29/03/2021	China Resources Beer (Holdings) Co. Ltd.	Special	Against	2	Concerns related to board gender diversity
28/01/2021	Kobe Bussan Co., Ltd.	Annual	All For		
28/01/2021	Park24 Co., Ltd.	Annual	Against	1.6,1.7	Concerns about overall board structure
19/02/2021	Kansai Mirai Financial Group, Inc.	Special	All For		
20/02/2021	OSG Corp. (6136)	Annual	Against	2.1	Concerns related to approach to board diversity
25/02/2021	Kewpie Corp.	Annual	All For		
26/02/2021	Hitachi Capital Corp.	Special	Against	1	Concerns to protect shareholder value
26/02/2021	Mitsubishi HC Capital, Inc.	Special	All For		
09/03/2021	Nippon Building Fund, Inc.	Special	All For		
18/03/2021	Toshiba Corp.	Special	Against	1	SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes transparency
19/03/2021	Kubota Corp.	Annual	All For		
20/03/2021	GMO Internet, Inc.	Annual	Against	1.1	Lack of independence on boardPoison pill/anti-takeover measure not in investors interests
20/03/2021	THK CO., LTD.	Annual	Against	2.8 2.1	Concerns about overall board structure Concerns related to approach to board diversity
23/03/2021	Chugai Pharmaceutical Co., Ltd.	Annual	All For		
23/03/2021	Hulic Co., Ltd.	Annual	Against	2	Concerns to protect shareholder value
23/03/2021	Nabtesco Corp.	Annual	All For		
24/03/2021	Ezaki Glico Co., Ltd.	Annual	Against	1.1,1.5,1.6,1.8	Lack of independence on board
24/03/2021	Japan Tobacco Inc.	Annual	All For		
24/03/2021	Kyowa Kirin Co., Ltd.	Annual	All For		
24/03/2021	Yamaha Motor Co., Ltd.	Annual	Against	2.1,2.7	Lack of independence on board
25/03/2021	Asahi Group Holdings Ltd.	Annual	All For		
25/03/2021	Coca-Cola Bottlers Japan Holdings, Inc.	Annual	All For		
25/03/2021	HOSHIZAKI Corp.	Annual	All For		
25/03/2021	INPEX Corp.	Annual	Against	3.9,3.10,3.12,3.13	Lack of independence on board
25/03/2021	Kuraray Co., Ltd.	Annual	All For		
25/03/2021	NEXON Co., Ltd.	Annual	Against	3,4 1.1	Apparent failure to link pay & appropriate performance Concerns related to approach to board gender diversity
25/03/2021	Peptidream Inc.	Annual	All For		
25/03/2021	Pola Orbis Holdings Inc.	Annual	All For		
25/03/2021	Shiseido Co., Ltd.	Annual	All For		
25/03/2021	SUMCO Corp.	Annual	All For		
25/03/2021	Tokyo Tatemono Co., Ltd.	Annual	Against	2.11	Concerns about overall board structure
25/03/2021	Trend Micro, Inc.	Annual	Against	3.1,3.5,4.2,4.3,4.4 2	Concerns about overall board structure Concerns related to shareholder rights

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
26/03/2021	ASICS Corp.	Annual	All For		
26/03/2021	Bridgestone Corp.	Annual	Against	3.3,3.5,3.9	Concerns about overall board structure
26/03/2021	Canon Marketing Japan Inc.	Annual	Against	2.1	Concerns related to approach to board diversity
26/03/2021	Dentsu Group, Inc.	Annual	All For		
26/03/2021	Ebara Corp.	Annual	All For		
26/03/2021	Kagome Co., Ltd.	Annual	All For		
26/03/2021	Kao Corp.	Annual	Against	2.8	Concerns about overall board structure
26/03/2021	Kobayashi Pharmaceutical Co., Ltd.	Annual	Against	2.5	Lack of independence on board
26/03/2021	MonotaRO Co., Ltd.	Annual	Against	2.6 2.3	Concerns related to attendance at board or committee meetings Lack of independence on boardConcerns related to attendance at board or committee meetings
26/03/2021	Nippon Paint Holdings Co., Ltd.	Annual	Against	2.5,2.7	Lack of independence on board
26/03/2021	OTSUKA CORP.	Annual	Against	4,5 2.8	Insufficient/poor disclosure Lack of independence on board
26/03/2021	Sumitomo Rubber Industries, Ltd.	Annual	Against	2.9	Lack of independence on board
26/03/2021	Suntory Beverage & Food Ltd.	Annual	All For		
26/03/2021	Unicharm Corp.	Annual	All For		
27/03/2021	Horiba, Ltd.	Annual	All For		
29/03/2021	DMG MORI CO., LTD.	Annual	All For		
30/03/2021	AGC, Inc. (Japan)	Annual	All For		
30/03/2021	Canon, Inc.	Annual	Against	3 2.1	Concerns about overall board structure Concerns related to approach to board gender diversity and lack of independence on board
30/03/2021	DIC Corp.	Annual	All For		
30/03/2021	GungHo Online Entertainment, Inc.	Annual	Against	2.2,2.3 1.1 1.9	Concerns about overall board structure Concerns related to approach to board gender diversity Lack of independence on board
30/03/2021	Kirin Holdings Co., Ltd.	Annual	All For		
30/03/2021	KOKUYO CO., LTD.	Annual	All For		
30/03/2021	Lion Corp.	Annual	All For		
30/03/2021	Mabuchi Motor Co., Ltd.	Annual	All For		
30/03/2021	Nippon Electric Glass Co., Ltd.	Annual	Against	2.1,2.7	Lack of independence on board
30/03/2021	Nisshinbo Holdings Inc.	Annual	All For		
30/03/2021	Otsuka Holdings Co., Ltd.	Annual	Against	1.1,1.11,1.12	Lack of independence on board
30/03/2021	Pigeon Corp.	Annual	All For		
30/03/2021	Pilot Corp.	Annual	All For		
30/03/2021	Rakuten Group, Inc.	Annual	Against	2.5	Lack of independence on board
30/03/2021	Sapporo Holdings Ltd.	Annual	Against	2.1,2.5	Lack of independence on board
30/03/2021	Shimano, Inc.	Annual	Against	2.4	Lack of independence on board
30/03/2021	Showa Denko K.K.	Annual	All For		
30/03/2021	Skylark Holdings Co., Ltd.	Annual	All For		
30/03/2021	Sumitomo Forestry Co., Ltd.	Annual	All For		
30/03/2021	The Yokohama Rubber Co., Ltd.	Annual	Against	2.1	Concerns related to approach to board gender diversity
30/03/2021	Tokai Carbon Co., Ltd.	Annual	All For		
30/03/2021	TOKYO OHKA KOGYO CO., LTD.	Annual	Against	3.1,3.2	Concerns about overall board structure
30/03/2021	Toyo Tire Corp.	Annual	Against	2.1 2.9	Concerns related to approach to board gender diversity Lack of independence on board
30/03/2021	Yamazaki Baking Co., Ltd.	Annual	All For		
31/03/2021	Renesas Electronics Corp.	Annual	Against	3 2.1	Apparent failure to link pay & appropriate performance Lack of independence on board
20/01/2021	Frasers Logistics & Commercial Trust	Annual	Against	3	Issue of equity raises concerns about excessive dilution of existing shareholders
21/01/2021	Frasers Centrepoint Trust	Annual	Against	3	Issue of equity raises concerns about excessive dilution of existing shareholders
22/01/2021	Frasers Property Ltd.	Annual	Against	7 6	Apparent failure to link pay and appropriate performance Issue of equity raises concerns about excessive dilution of existing shareholders
24/02/2021	Keppel REIT	Special	All For		
30/03/2021	DBS Group Holdings Ltd.	Annual	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
06/01/2021	Korean Air Lines Co., Ltd.	Special	Against	1	Issue of equity raises concerns about excessive dilution of existing shareholders
29/01/2021	Kangwon Land, Inc.	Special	Against	1.1	Cumulative/slate voting in favour of individual candidates/slates
09/02/2021	Korea Gas Corp.	Special	All For		
12/03/2021	POSCO	Annual	All For		
15/03/2021	Hanwha Life Insurance Co., Ltd.	Annual	All For		
15/03/2021	POSCO Chemical Co., Ltd.	Annual	All For		
15/03/2021	POSCO INTERNATIONAL Corp.	Annual	All For		
17/03/2021	Samsung Electro-Mechanics Co., Ltd.	Annual	All For		
17/03/2021	Samsung Electronics Co., Ltd.	Annual	All For		
17/03/2021	Samsung Electronics Co., Ltd.	Annual	All For		
17/03/2021	Samsung SDI Co., Ltd.	Annual	All For		
17/03/2021	Samsung SDS Co., Ltd.	Annual	All For		
18/03/2021	Cheil Worldwide, Inc.	Annual	All For		
18/03/2021	Hotel Shilla Co., Ltd.	Annual	All For		
18/03/2021	LG Innotek Co., Ltd.	Annual	All For		
18/03/2021	ORION Corp. (Korea)	Annual	All For		
18/03/2021	S-1 Corp. (Korea)	Annual	All For		
18/03/2021	Samsung Card Co., Ltd.	Annual	All For		
18/03/2021	Samsung Engineering Co., Ltd.	Annual	All For		
18/03/2021	Samsung Life Insurance Co., Ltd.	Annual	All For		
19/03/2021	Amorepacific Corp.	Annual	All For		
19/03/2021	AmorePacific Group, Inc.	Annual	All For		
19/03/2021	Hanssem Co., Ltd.	Annual	Against	3,6	Inappropriate bundling of election of directors on a single vote
19/03/2021	KT&G Corp.	Annual	All For		
19/03/2021	LG Household & Health Care Ltd.	Annual	Against	3.1,3.2	
19/03/2021	LG Uplus Corp.	Annual	Against	3.2	Concerns related to approach to board gender diversity
19/03/2021	LOTTE Fine Chemical Co., Ltd.	Annual	All For		
19/03/2021	Mando Corp.	Annual	All For		
19/03/2021	Samsung BioLogics Co., Ltd.	Annual	Against	2	Apparent failure to link pay and appropriate performance
19/03/2021	Samsung C&T Corp.	Annual	Against	2.1.1	Concerns about overall performance
19/03/2021	Samsung Fire & Marine Insurance Co., Ltd.	Annual	All For		
19/03/2021	Samsung Heavy Industries Co., Ltd.	Annual	All For		
19/03/2021	Samsung Securities Co., Ltd.	Annual	All For		
19/03/2021	Yuhan Corp.	Annual	All For		
22/03/2021	Hyundai Mipo Dockyard Co., Ltd.	Annual	All For		
22/03/2021	Kia Corp.	Annual	All For		
23/03/2021	Hyundai Steel Co.	Annual	All For		
23/03/2021	LG Display Co., Ltd.	Annual	All For		
23/03/2021	Lotte Chemical Corp.	Annual	Against	3	
23/03/2021	Lotte Chilsung Beverage Co., Ltd.	Annual	Against	5	Concerns related to attendance at board or committee meetings
23/03/2021	Lotte Shopping Co., Ltd.	Annual	All For		
23/03/2021	NHN Corp.	Annual	All For		
24/03/2021	Doosan Bobcat, Inc.	Annual	All For		
24/03/2021	E-Mart, Inc.	Annual	Against	3.1,3.4	Lack of independence on board
24/03/2021	HANWHA SOLUTIONS CORP.	Annual	Against	3.2,4	Lack of independence on board
24/03/2021	Hyundai Department Store Co., Ltd.	Annual	All For		
24/03/2021	Hyundai Development Co.	Annual	Against	2.3,4	Lack of independence on board
24/03/2021	Hyundai GLOVIS Co., Ltd.	Annual	Against	3.2,3.3	Lack of independence on board
24/03/2021	Hyundai Mobis Co., Ltd.	Annual	All For		
24/03/2021	Hyundai Motor Co., Ltd.	Annual	All For		
24/03/2021	Hyundai WIA Corp.	Annual	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
24/03/2021	Korea Shipbuilding & Offshore Engineering Co., Ltd.	Annual	Against	3	Concerns related to approach to board gender diversity
24/03/2021	Korea Zinc Co., Ltd.	Annual	All For		
24/03/2021	LG Electronics, Inc.	Annual	All For		
24/03/2021	LG Electronics, Inc.	Special	All For		
24/03/2021	Mirae Asset Securities Co., Ltd.	Annual	All For		
24/03/2021	NAVER Corp.	Annual	All For		
24/03/2021	OCI Co., Ltd.	Annual	All For		
24/03/2021	Shinsegae Co., Ltd.	Annual	Against	3.1,3.2 5	Lack of independence on board Lack of independent representation at board committees
24/03/2021	SK Biopharmaceuticals Co., Ltd.	Annual	Against	4	Apparent failure to link pay and appropriate performance
25/03/2021	BGF Retail Co., Ltd.	Annual	All For		
25/03/2021	DAEWOO SHIPBUILDING & MARINE ENGINEERI	Annual	Against	3.2	Lack of independence on board
25/03/2021	Doosan Infracore Co., Ltd.	Annual	Against	4	Apparent failure to link pay and appropriate performance
25/03/2021	GS Retail Co., Ltd.	Annual	All For		
25/03/2021	HYUNDAI ENGINEERING & CONSTRUCTION CO	Annual	All For		
25/03/2021	Hyundai Heavy Industries Holdings Co., Ltd.	Annual	All For		
25/03/2021	Industrial Bank of Korea	Annual	Against	2,3	Apparent failure to link pay and appropriate performance
25/03/2021	Korea Aerospace Industries Ltd.	Annual	All For		
25/03/2021	Korea Electric Power Corp.	Annual	All For		
25/03/2021	LG Chem Ltd.	Annual	Against	3	
25/03/2021	NCsoft Corp.	Annual	All For		
25/03/2021	NH Investment & Securities Co., Ltd.	Annual	Against	4	Apparent failure to link pay and appropriate performance
25/03/2021	Nongshim Co., Ltd.	Annual	Against	2,3	Inappropriate bundling of election of directors on a single vote
25/03/2021	Shinhan Financial Group Co., Ltd.	Annual	Against	3.2,3.4,3.5,3.7,3.8,3.10,5.1,5 .2 3.1	Concerns about overall performance Concerns about overall performance
25/03/2021	SK Telecom Co., Ltd.	Annual	All For		
25/03/2021	SSANGYONGC&E.Co., Ltd.	Annual	Against	4,6	Inappropriate bundling of election of directors on a single vote
26/03/2021	BNK Financial Group, Inc.	Annual	All For		
26/03/2021	Celltrion Healthcare Co., Ltd.	Annual	Against	4	Apparent failure to link pay & appropriate performance
26/03/2021	Celltrion Pharm Inc.	Annual	Against	2	Concerns related to shareholder rights
26/03/2021	Celltrion, Inc.	Annual	All For		
26/03/2021	CJ CheilJedang Corp.	Annual	All For		
26/03/2021	Daewoo Engineering & Construction Co. Ltd.	Annual	All For		
26/03/2021	DB Insurance Co., Ltd.	Annual	Against	3.2,5.2	Concerns about overall performance
26/03/2021	DGB Financial Group Co., Ltd.	Annual	All For		
26/03/2021	DL Holdings Co., Ltd.	Annual	All For		
26/03/2021	DONGSUH Cos., Inc.	Annual	All For		
26/03/2021	GS Engineering & Construction Corp.	Annual	All For		
26/03/2021	Hana Financial Group, Inc.	Annual	All For		
26/03/2021	HANJIN KAL Corp.	Annual	All For		
26/03/2021	Hanmi Pharmaceutical Co., Ltd.	Annual	Against	2	Issue of equity raises concerns about excessive dilution of existing shareholdersPoison pill/anti-takeover measure not in investors interests
26/03/2021	Hanmi Science Co., Ltd.	Annual	Against	2	Issue of equity raises concerns about excessive dilution of existing shareholders
26/03/2021	HITEJINRO Co., Ltd.	Annual	All For		
26/03/2021	HYUNDAI MARINE & FIRE INSURANCE Co., Ltd.	Annual	All For		
26/03/2021	KB Financial Group, Inc.	Annual	All For		
26/03/2021	Korea Investment Holdings Co., Ltd.	Annual	All For		
26/03/2021	Korean Air Lines Co., Ltd.	Annual	All For		
26/03/2021	Kumho Petrochemical Co., Ltd.	Annual	Against	3.2,4.2,5.4,5.5,6.2 3.1,5.1,5.2,6.1	Concerns related to minority shareholder interest Lack of independence on board
26/03/2021	LG Corp.	Annual	Against	1	
26/03/2021	Lotte Corp.	Annual	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
26/03/2021	Netmarble Corp.	Annual	All For		
26/03/2021	OTTOGI Corp.	Annual	Against	3.1,3.2	Lack of independence on board
26/03/2021	Paradise Co., Ltd.	Annual	Against	3	Apparent failure to link pay and appropriate performance
26/03/2021	SK Innovation Co., Ltd.	Annual	All For		
26/03/2021	Solus Advanced Materials Co., Ltd.	Annual	All For		
26/03/2021	Woori Financial Group, Inc.	Annual	Against	4.1,4.2,4.3,4.4,5,6.1,6.2 4.5	Concerns about overall performance Concerns related to approach to board gender diversityConcerns about overall performance
29/03/2021	Alteogen, Inc.	Annual	All For		
29/03/2021	CJ Logistics Corp.	Annual	All For		
29/03/2021	GS Holdings Corp.	Annual	All For		
29/03/2021	Hanon Systems	Annual	Against	2	Inappropriate bundling of election of directors on a single vote
29/03/2021	Hanwha Aerospace Co., Ltd.	Annual	All For		
29/03/2021	Kakao Corp.	Annual	All For		
29/03/2021	KCC Corp.	Annual	All For		
29/03/2021	KEPCO Plant Service & Engineering Co., Ltd.	Annual	Against	3,4	Apparent failure to link pay and appropriate performance
29/03/2021	LS Corp.	Annual	Against	2	Concerns about overall performance
29/03/2021	SK Holdings Co., Ltd.	Annual	Against	3.1,3.2	Lack of independence on board
29/03/2021	SK Networks Co., Ltd.	Annual	Against	3.2 3.1	Concerns about overall performance Lack of independence on board
30/03/2021	CJ ENM Co., Ltd.	Annual	All For		
30/03/2021	Doosan Heavy Industries & Construction Co., Ltd.	Annual	All For		
30/03/2021	FILA Holdings Corp.	Annual	All For		
30/03/2021	Hankook Tire & Technology Co., Ltd.	Annual	Against	3.2,4	Inappropriate bundling of election of directors on a single vote
30/03/2021	HLB Co., Ltd.	Annual	All For		
30/03/2021	Kangwon Land, Inc.	Annual	All For		
30/03/2021	Korea Gas Corp.	Annual	Against	2	Apparent failure to link pay and appropriate performance
30/03/2021	S-Oil Corp.	Annual	Against	2 3.2,3.3,3.4,3.5,3.6,3.7,3.9,5.1	Concerns related to shareholder rightsConcerns related to succession planning Lack of independence on board
30/03/2021	SillaJen, Inc.	Annual	All For		
30/03/2021	SK hynix, Inc.	Annual	All For		
30/03/2021	SKC Co., Ltd.	Annual	All For		
31/03/2021	CJ Corp.	Annual	All For		
31/03/2021	Coway Co., Ltd.	Annual	All For		
31/03/2021	Helixmith Co., Ltd.	Annual	All For		
31/03/2021	Medy-Tox, Inc.	Annual	Against	3	Concerns to protect shareholder value
15/01/2021	Saracen Mineral Holdings Limited	Court	All For		
23/02/2021	Technology One Limited	Annual	All For		
26/02/2021	Aristocrat Leisure Limited	Annual	Against	2	Apparent failure to link pay and appropriate performance
02/03/2021	First Pacific Co. Ltd.	Special	All For		
11/03/2021	IHS Markit Ltd.	Special	Against	2	Apparent failure to link pay & appropriate performance
12/03/2021	Kunlun Energy Co. Ltd.	Special	All For		
31/03/2021	Credicorp Ltd.	Annual	All For		
10/03/2021	Banco Bradesco SA	Annual	Against	1	
10/03/2021	Banco Bradesco SA	Annual	Against	3	
10/03/2021	Banco Bradesco SA	Annual	Abstain Against	3 5	Cumulative/slate voting in favour of individual candidates/slates
10/03/2021	Banco Bradesco SA	Special	All For		
10/03/2021	Banco Bradesco SA	Special	All For		
12/03/2021	Vale SA	Special	Against	8	Concerns about reducing shareholder rights

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
29/03/2021	Sul America SA	Annual	Abstain Against	4,7,8.1,8.2,8.3,8.4,8.5,8.6,8. 7,8.8,8.9,8.10,8.11 5 6 15	Insufficient/poor disclosure Concerns related to approach to board gender diversity Insufficient/poor disclosure Insufficient/poor disclosureApparent failure to link pay and appropriate performance
29/03/2021	Sul America SA	Special	All For		
30/03/2021	CESP - Companhia Energetica de Sao Paulo	Annual	Against	2,4	
30/03/2021	TIM SA (Brazil)	Annual	Abstain Against	7,8.1,8.2,8.3,8.4,8.5,8.6,8.7, 8.8,8.9,8.10 12 6	Insufficient/poor disclosure Apparent failure to link pay and appropriate performance Insufficient/poor disclosure
30/03/2021	TIM SA (Brazil)	Special	Against	2	Apparent failure to link pay and appropriate performance
26/02/2021	NagaCorp Ltd.	Special	Against	1,2,3,4,5,6	Apparent failure to link pay and appropriate performance
01/03/2021	Baidu, Inc.	Special	All For		
08/03/2021	New Oriental Education & Technology Group, Inc.	Special	All For		
08/01/2021	Hangzhou Tigermed Consulting Co., Ltd.	Special	All For		
25/01/2021	Dian Diagnostics Group Co. Ltd.	Special	All For		
25/01/2021	Midea Group Co. Ltd.	Special	All For		
28/01/2021	Agricultural Bank of China Limited	Special	All For		
28/01/2021	Huaxin Cement Co., Ltd.	Special	All For		
29/01/2021	Weichai Power Co., Ltd.	Special	Against	1	
03/02/2021	Anhui Conch Cement Company Limited	Special	All For		
05/03/2021	Haier Smart Home Co., Ltd.	Special	All For		
05/03/2021	Haier Smart Home Co., Ltd.	Special	Against	4.2	
10/03/2021	People's Insurance Co. (Group) of China Ltd.	Special	All For		
12/03/2021	China Railway Group Limited	Special	Against	2.2	Overboarded/Too many other time commitments
23/03/2021	China National Building Material Co., Ltd.	Special	All For		
24/03/2021	Bank of Communications Co., Ltd.	Special	All For		
25/03/2021	Ping An Insurance (Group) Company of China, Ltd.	Annual	Against	8.11 11	Concerns related to board gender diversity Issue of capital raises concerns about excessive dilution of existing shareholders
26/03/2021	By-Health Co., Ltd.	Annual	All For		
26/03/2021	China Construction Bank Corporation	Special	All For		
26/03/2021	Hangzhou Tigermed Consulting Co., Ltd.	Special	Against	1	Apparent failure to link pay & appropriate performance
26/03/2021	Grupo de Inversiones Suramericana SA	Annual	All For		
26/03/2021	Interconexion Electrica SA ESP	Annual	All For		
16/03/2021	Maruti Suzuki India Limited	Special	All For		
16/03/2021	Sun Pharmaceutical Industries Limited	Court	All For		
25/03/2021	Cipla Limited	Special	All For		
31/03/2021	Reliance Industries Ltd.	Court	All For		
21/01/2021	PT Bank Rakyat Indonesia (Persero) Tbk	Special	Against	5 1	Insufficient/poor disclosure Insufficient/poor disclosure
28/01/2021	PT Unilever Indonesia Tbk	Special	All For		
15/03/2021	PT Bank Mandiri (Persero) Tbk	Annual	Against	9 6	Insufficient/poor disclosure Insufficient/poor disclosure
25/03/2021	PT Bank Rakyat Indonesia (Persero) Tbk	Annual	All For		
29/03/2021	PT Bank Central Asia Tbk	Annual	All For		
16/03/2021	Plus500 Ltd.	Special	Against	A	
12/01/2021	Public Bank Bhd.	Special	All For		
18/02/2021	Kuala Lumpur Kepong Bhd.	Annual	Against	2	Lack of independence on board
19/03/2021	Grupo Elektra SAB de CV	Annual	Against	6,8 5	Insufficient/poor disclosure Issue of equity raises concerns about excessive dilution of existing shareholders
23/03/2021	Wal-Mart de Mexico SAB de CV	Annual	All For		
24/03/2021	Fomento Economico Mexicano SAB de CV	Annual	Against	4,5	Concerns about overall board structure 2- Concerns related to succession planning 3- Lack of independence on board 4- Overboarded/Too many other time commitments

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
25/03/2021	CEMEX SAB de CV	Annual	Against	6	Concerns about overall board structure 2- Concerns related to board gender diversity 3- Overboarded/Too many other time commitments
25/03/2021	CEMEX SAB de CV	Annual/Special	Against	6	Concerns about overall board structure 2- Concerns related to board gender diversity 3- Overboarded/Too many other time commitments
25/03/2021	CEMEX SAB de CV	Special	All For		
25/03/2021	Concentradora Fibra Danhos SA de CV	Annual	Against	3	Lack of independence on board
30/03/2021	Orbia Advance Corp. SAB de CV	Annual	Against	5.2f,6,9	
30/03/2021	Compania de Minas Buenaventura SAA	Annual	All For		
22/03/2021	Santander Bank Polska SA	Annual	Against	10 13,15 14	Apparent failure to link pay and appropriate performance Insufficient/poor disclosure Insufficient/poor disclosure
15/02/2021	Mobile TeleSystems PJSC	Special	All For		
15/02/2021	Mobile TeleSystems PJSC	Special	All For		
29/03/2021	Al Rajhi Bank	Annual	All For		
27/01/2021	Clicks Group Ltd.	Annual	All For		
03/02/2021	Sappi Ltd.	Annual	All For		
05/02/2021	Netcare Ltd.	Annual	All For		
17/02/2021	Tiger Brands Ltd.	Annual	All For		
29/03/2021	Advanced Info Service Public Co., Ltd.	Annual	Against	7	Insufficient/poor disclosure
31/03/2021	IRPC Public Co., Ltd.	Annual	Against	7	Insufficient/poor disclosure
31/03/2021	The Siam Cement Public Co. Ltd.	Annual	All For		
06/01/2021	BIM Birlesik Magazalar AS	Special	All For		
17/02/2021	Coca-Cola Icecek AS	Special	All For		
16/03/2021	Iskenderun Demir ve Celik AS	Annual	Against	10,12,14	Insufficient/poor disclosure
16/03/2021	Tofas Turk Otomobil Fabrikasi AS	Annual	Against	13 11 8 5,9	Insufficient/poor disclosure Insufficient/poor disclosure Issue of capital raises concerns about excessive dilution of existing shareholders Lack of independence on board
17/03/2021	Eregli Demir ve Celik Fabrikalari TAS	Annual	Against	10,12,14	Insufficient/poor disclosure
17/03/2021	Ford Otomotiv Sanayi AS	Annual	Against	8 11,13 5,9	Concerns about reducing shareholder rights Insufficient/poor disclosure Lack of independence on board
19/03/2021	Turk Telekomunikasyon AS	Annual	Against	7	Insufficient/poor disclosure
22/03/2021	TAV Havalimanlari Holding AS	Annual	All For		
23/03/2021	Arcelik AS	Annual	Against	7 11,13	Concerns about reducing shareholder rights Insufficient/poor disclosure
24/03/2021	Akbank TAS	Annual	Against	7,8	Insufficient/poor disclosure
25/03/2021	Sasa Polyester Sanayi AS	Annual	Against	7,11	Insufficient/poor disclosure
25/03/2021	Tekfen Holding AS	Annual	All For		
25/03/2021	Yapi ve Kredi Bankasi AS	Annual	Against	7 5	Insufficient/poor disclosure Lack of independence on boardLack of independent representation at board committees
26/03/2021	Turk Hava Yollari AO	Annual	Against	7,10,12 9	Insufficient/poor disclosure Lack of independence on board
26/03/2021	Turkiye Vakiflar Bankasi TAO	Annual	Against	3,4 6,7,8,10	Concerns to protect shareholder value Insufficient/poor disclosure
30/03/2021	Enka Insaat ve Sanayi AS	Annual	Against	11	Concerns about reducing shareholder rights
30/03/2021	Haci Omer Sabanci Holding AS	Annual	Against	7,8,12	Insufficient/poor disclosure
30/03/2021	Turkiye Sise ve Cam Fabrikalari AS	Annual	Against	5,6,12	Insufficient/poor disclosure
31/03/2021	Turkiye Garanti Bankasi AS	Annual	Against	4,5 10 7	Concerns to protect shareholder value Insufficient/poor disclosure Lack of independence on board
31/03/2021	Turkiye Is Bankasi AS	Annual	Against	2,3 6	Concerns to protect shareholder value Insufficient/poor disclosure
31/03/2021	Turkiye Petrol Rafinerileri AS	Annual	Against	7 10,12	Concerns about reducing shareholder rights Insufficient/poor disclosure
24/02/2021	Emirates NBD Bank (P.J.S.C)	Annual	Against	12	Insufficient/poor disclosure

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
17/03/2021	Emirates Telecommunications Group Co. PJSC	Annual	Against	9,1	Insufficient/poor disclosure
11/02/2021	Xinyi Energy Holdings Ltd.	Special	All For		
24/03/2021	Andritz AG	Annual	Against	7.2	Lack of independence on boardConcerns related to approach to board gender diversityConcerns related to below-board gender diversity
01/03/2021	Orsted A/S	Annual	Against	3,7.2 6	Apparent failure to link pay & appropriate performance Issue of capital raises concerns about excessive dilution of existing shareholders
05/03/2021	Demant A/S	Annual	Abstain Against	6a,6b 8f 4	 Apparent failure to link pay & appropriate performance
11/03/2021	Novozymes A/S	Annual	Abstain	8a	Concerns related to inappropriate membership of committees
11/03/2021	Pandora AS	Annual	All For		
15/03/2021	Carlsberg A/S	Annual	All For		
15/03/2021	DSV Panalpina A/S	Annual	Abstain	6.2	Concerns related to inappropriate membership of committees
16/03/2021	Danske Bank A/S	Annual	All For		
17/03/2021	GN Store Nord A/S	Annual	Abstain	7.2	
23/03/2021	A.P. Moller-Maersk A/S	Annual	Against	6	Issue of capital raises concerns about excessive dilution of existing shareholders
23/03/2021	H. Lundbeck A/S	Annual	Abstain Against	6.1 6.3,6.5 4,9.2	Concerns related to approach to board gender diversity Overboarded/Too many other time commitments Apparent failure to link pay and appropriate performance
25/03/2021	Novo Nordisk A/S	Annual	All For		
26/03/2021	Tryg A/S	Annual	Abstain	7.1	Overboarded/Too many other time commitments
02/03/2021	Kone Oyj	Annual	Against	10,11 13	Apparent failure to link pay and appropriate performance Lack of independence on boardLack of independent representation at board committeesConcerns related to inappropriate membership of committees
04/03/2021	Wartsila Oyj Abp	Annual	Against	11 14	Apparent failure to link pay and appropriate performance Lack of independent representation at board committeesOverboarded/Too many other time commitments
17/03/2021	Kojamo Oyj	Annual	All For		
19/03/2021	Stora Enso Oyj	Annual	Against	13	Inappropriate bundling of election of directors on a single vote
24/03/2021	Nordea Bank Abp	Annual	Against	13	
25/03/2021	Orion Oyj	Annual	Against	10	Apparent failure to link pay and appropriate performance
26/03/2021	Neles Oyj	Annual	Against	10 13	Apparent failure to link pay & appropriate performance Concerns related to inappropriate membership of committees
30/03/2021	Neste Corp.	Annual	Against	11	
30/03/2021	Nokian Renkaat Oyj	Annual	Against	13	Concerns related to board gender diversity
30/03/2021	UPM-Kymmene Oyj	Annual	All For		
12/01/2021	Sodexo SA	Annual	All For		
24/03/2021	Sartorius Stedim Biotech SA	Annual/Special	Against	7,8 4	Apparent failure to link pay and appropriate performance. Insufficient justification for related party transaction
29/03/2021	Vivendi SE	Special	All For		
05/01/2021	TUI AG	Special	All For		
13/01/2021	CTS Eventim AG & Co. KGaA	Special	All For		
03/02/2021	Siemens AG	Annual	All For		
05/02/2021	ThyssenKrupp AG	Annual	Against	7	Apparent failure to link pay and appropriate performance
10/02/2021	Siemens Energy AG	Annual	All For		
12/02/2021	Siemens Healthineers AG	Annual	Against	8 13 11	Concerns about overall board structure Concerns about reducing shareholder rights Concerns about reducing shareholder rights
19/02/2021	METRO AG	Annual	Against	7	Apparent failure to link pay and appropriate performance
23/02/2021	OSRAM Licht AG	Annual	Against	6 5.1,5.2	Apparent failure to link pay and appropriate performance Lack of independence on board
25/02/2021	Infineon Technologies AG	Annual	Against	6	Apparent failure to link pay and appropriate performance
25/03/2021	TUI AG	Annual	Against	9,11 6 8.1 8.4	Apparent failure to link pay and appropriate performance Concerns about reducing shareholder rights Lack of independence on board Lack of independence on board
31/03/2021	Daimler AG	Annual	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
22/03/2021	Folli Follie SA	Special	All For		
14/01/2021	C&C Group Plc	Special	All For		
19/01/2021	Flutter Entertainment Plc	Special	All For		
21/01/2021	Grafton Group Plc	Special	All For		
26/01/2021	Greencore Group Plc	Annual	All For		
26/01/2021	Greencore Group Plc	Special	All For		
26/01/2021	UDG Healthcare Plc	Annual	All For		
26/01/2021	UDG Healthcare Plc	Special	All For		
28/01/2021	Kerry Group Plc	Special	All For		
03/02/2021	Accenture Plc	Annual	All For		
04/02/2021	DCC Plc	Special	All For		
05/02/2021	AIB Group Plc	Special	All For		
05/02/2021	Smurfit Kappa Group Plc	Special	All For		
09/02/2021	CRH Plc	Special	All For		
11/02/2021	Glanbia Plc	Special	All For		
12/02/2021	Kingspan Group Plc	Special	All For		
10/03/2021	Johnson Controls International Plc	Annual	Against	5 1c	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
15/01/2021	Atlantia SpA	Special	All For		
02/02/2021	SNAM SpA	Special	All For		
03/03/2021	Nexi SpA	Special	Against	1.1,1.2,1.3,1.4	Lack of independence on board
24/03/2021	Pirelli & C. SpA	Special	All For		
25/03/2021	Moncler SpA	Special	All For		
29/03/2021	Atlantia SpA	Special	All For		
31/03/2021	Telecom Italia SpA	Annual	Against	9.2,9-bis,10.b,10.c,11,A 3,4	 Apparent failure to link pay & appropriate performance
04/01/2021	Fiat Chrysler Automobiles NV	Special	All For		
04/01/2021	Stellantis NV	Special	All For		
07/01/2021	Altice Europe NV	Special	Against	3.c 3.b 2.c,2.d 2.b	Apparent failure to link pay & appropriate performance Apparent failure to link pay & appropriate performance Concerns about reducing shareholder rights Concerns about reducing shareholder rights
12/02/2021	Adyen NV	Special	All For		
08/03/2021	Stellantis NV	Special	All For		
23/03/2021	Randstad NV	Annual	Against	2b,4	Apparent failure to link pay and appropriate performance
24/03/2021	Gjensidige Forsikring ASA	Annual	All For		
19/01/2021	EDP-Energias de Portugal SA	Special	All For		
22/02/2021	EDP Renovaveis SA	Special	All For		
09/03/2021	Naturgy Energy Group SA	Annual	Against	7 6	Apparent failure to link pay & appropriate performance Apparent failure to link pay & appropriate performance
12/03/2021	Mapfre SA	Annual	Against	11	Apparent failure to link pay & appropriate performance
17/03/2021	Siemens Gamesa Renewable Energy SA	Annual	Against	11,13 10 8	Apparent failure to link pay & appropriate performance Apparent failure to link pay & appropriate performance Overboarded/Too many other time commitments
23/03/2021	Bankia SA	Annual	All For		
25/03/2021	Banco Santander SA	Annual	Against	8,11.B 11.A	Apparent failure to link pay & appropriate performance Apparent failure to link pay & appropriate performance
25/03/2021	Repsol SA	Annual	All For		
26/03/2021	Cellnex Telecom SA	Annual	Against	5.2,14	Apparent failure to link pay & appropriate performance
28/01/2021	Evolution Gaming Group AB	Special	All For		
15/02/2021	Swedbank AB	Special	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
24/03/2021	Svenska Handelsbanken AB	Annual	Against	19.6 19.1 19.4 20 19.7	Lack of independence on board 2- Lack of independent representation at board committees Lack of independence on board 2- Lack of independent representation at board committees Lack of independence on board 2- Lack of independent representation at board committees 3- Overboarded/Too many other time commitments Lack of independence on board 2- Overboarded/Too many other time commitments Lack of independence on board 2- Overboarded/Too many other time commitments
25/03/2021	Castellum AB	Annual	Against	10.B,10.2h,10.2i,10.2j,10.3a	
25/03/2021	Electrolux AB	Annual	Against	15	Apparent failure to link pay and appropriate performance
25/03/2021	Essity AB	Annual	Against	11.b,12,14,15	
25/03/2021	SKF AB	Annual	Against	20 13.6	Apparent failure to link pay and appropriate performance Concerns related to inappropriate membership of committees
25/03/2021	Swedbank AB	Annual	Against	23.a2,23.b 23.a1	SH: For shareholder resolution, no management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks SH: For shareholder resolution, no management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks
30/03/2021	Lundin Energy AB	Annual	Against	12,21 16.c,16.g 16.d,16.f,16.j 16.b 24.b	Apparent failure to link pay & appropriate performance Lack of independence on board Lack of independence on board 2- Overboarded/Too many other time commitments Lack of independence on board 2- Overboarded/Too many other time commitments SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes transparency
30/03/2021	Skandinaviska Enskilda Banken AB	Annual	Against	14.6,14.7,14.9,14.10	Lack of independent representation at board committees
30/03/2021	Skanska AB	Annual	Against	12.b 12.d	Concerns related to inappropriate membership of committees 2- Overboarded/Too many other time commitments Overboarded/Too many other time commitments
30/03/2021	Telefonaktiebolaget LM Ericsson	Annual	Against	16.1,16.2 16.3 10.2	Apparent failure to link pay and appropriate performance Concerns to protect shareholder value Overboarded/Too many other time commitments
31/03/2021	Volvo AB	Annual	Against	12.8,15,16	Overboarded/Too many other time commitments
02/03/2021	Novartis AG	Annual	Against	12	
10/03/2021	TE Connectivity Ltd.	Annual	All For		
16/03/2021	Roche Holding AG	Annual	Against	2.1,2.2,6,7 5.1 5.2,5.7,5.10,5.15 10 5.3	Apparent failure to link pay & appropriate performance Concerns related to board gender diversity Concerns related to inappropriate membership of committees Insufficient/poor disclosure Lack of independent representation at board committees
18/03/2021	DKSH Holding AG	Annual	Against	8 5.3.1,5.3.2	Insufficient/poor disclosure Lack of independent representation at board committees
23/03/2021	Schindler Holding AG	Annual	Against	4.1,4.2 6 5.3,5.4.3,5.4.7,5.4.8 5.1,5.2,5.4.1,5.4.2,5.4.4,5.4.9,5.5,5.6.1	Apparent failure to link pay and appropriate performance Insufficient/poor disclosure Lack of independence on board Lack of independent representation at board committees
23/03/2021	SGS SA	Annual	Against	4.1a,4.2 8 4.1d 4.1e,4.3.1,4.3.2	Concerns related to approach to board gender diversity Insufficient/poor disclosure Lack of independent representation at board Lack of independent representation at board committees
23/03/2021	Swiss Prime Site AG	Annual	Against	7.5 8	Concerns regarding Auditor tenure Insufficient/poor disclosure
25/03/2021	ABB Ltd.	Annual	Against	2 8.9 12 6	Apparent failure to link pay & appropriate performance Concerns related to board gender diversity Insufficient/poor disclosure Issue of capital raises concerns about excessive dilution of existing shareholders
25/03/2021	Givaudan SA	Annual	Against	7	Insufficient/poor disclosure
31/03/2021	PSP Swiss Property AG	Annual	Against	2 5.6 12	Apparent failure to link pay and appropriate performance Concerns related to approach to board diversity Insufficient/poor disclosure
31/03/2021	Swisscom AG	Annual	Against	4.6 9	Concerns related to inappropriate membership of committees Insufficient/poor disclosure
26/01/2021	Metro Inc.	Annual	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
27/01/2021	CGI Inc.	Annual	All For		
06/01/2021	Zscaler, Inc.	Annual	Against	3 1.2	Apparent failure to link pay and appropriate performance Concerns to protect shareholder value
12/01/2021	Pioneer Natural Resources Company	Special	All For		
13/01/2021	Veeva Systems, Inc.	Special	All For		
14/01/2021	Micron Technology, Inc.	Annual	Against	2	Apparent failure to link pay & appropriate performance
15/01/2021	Concho Resources Inc.	Special	Against	2	Apparent failure to link pay & appropriate performance
15/01/2021	ConocoPhillips	Special	All For		
20/01/2021	D.R. Horton, Inc.	Annual	Against	2 1b	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
21/01/2021	Costco Wholesale Corporation	Annual	All For		
21/01/2021	Intuit Inc.	Annual	Against	2 1g	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
26/01/2021	Becton, Dickinson and Company	Annual	Against	3 1g 4	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Shareholder proposal promotes appropriate accountability or incentivisation
26/01/2021	Hormel Foods Corporation	Annual	Against	3 1d	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
26/01/2021	Jacobs Engineering Group Inc.	Annual	Against	2 1k	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
26/01/2021	Visa Inc.	Annual	All For		
28/01/2021	Air Products and Chemicals, Inc.	Annual	Against	2 1c	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
28/01/2021	Walgreens Boots Alliance, Inc.	Annual	Against	3 1j 5 6	Apparent failure to link pay & appropriate performance Concerns about remuneration committee performance SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes appropriate accountability or incentivisation SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks
29/01/2021	WestRock Company	Annual	Against	2 1b	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
02/02/2021	Aramark	Annual	Against	3 1a	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
02/02/2021	Emerson Electric Co.	Annual	Against	3	Apparent failure to link pay and appropriate performance
02/02/2021	Rockwell Automation, Inc.	Annual	Against	B A5	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
03/02/2021	Atmos Energy Corporation	Annual	Against	4 1i 1h	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Concerns related to approach to board diversity
09/02/2021	Franklin Resources, Inc.	Annual	Against	3	Apparent failure to link pay and appropriate performance
10/02/2021	PTC Inc.	Annual	Against	2	Apparent failure to link pay & appropriate performance
11/02/2021	Tyson Foods, Inc.	Annual	Against	1c 1m 4 5 6	Concerns about remuneration committee performance Concerns to protect shareholder value SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes enhanced shareholder rights SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes transparency
18/02/2021	Raymond James Financial, Inc.	Annual	Against	2 1i	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
23/02/2021	Apple Inc.	Annual	Against	4	SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes enhanced shareholder rights
24/02/2021	Deere & Company	Annual	Against	2	Apparent failure to link pay & appropriate performance
02/03/2021	Slack Technologies, Inc.	Special	All For		
03/03/2021	Fair Isaac Corporation	Annual	Against	3 1g	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
09/03/2021	The Walt Disney Company	Annual	Against	3 1h 4	Apparent failure to link pay & appropriate performance Concerns about remuneration committee performance SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes transparency
10/03/2021	Analog Devices, Inc.	Annual	Against	1f,2	
10/03/2021	QUALCOMM Incorporated	Annual	All For		
11/03/2021	AmerisourceBergen Corporation	Annual	Against	4 3 1h	Combined CEO/Chair Concerns about overall performance Concerns about remuneration committee performance
11/03/2021	Applied Materials, Inc.	Annual	Against	2 1f 6	Apparent failure to link pay & appropriate performance Concerns about remuneration committee performance SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes enhanced shareholder rights
11/03/2021	F5 Networks, Inc.	Annual	Against	4 1a 1c	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance Concerns related to attendance at board or committee meetings
11/03/2021	Hologic, Inc.	Annual	Against	2 1d	Apparent failure to link pay and appropriate performance Concerns about remuneration committee performance
11/03/2021	S&P Global, Inc.	Special	All For		
17/03/2021	Agilent Technologies, Inc.	Annual	Against	1.1	Concerns about remuneration committee performance
17/03/2021	Starbucks Corporation	Annual	Against	2 1d	Apparent failure to link pay & appropriate performance Concerns about remuneration committee performance
17/03/2021	The Cooper Companies, Inc.	Annual	Against	3	Apparent failure to link pay & appropriate performance
18/03/2021	Keysight Technologies, Inc.	Annual	Against	3	Apparent failure to link pay & appropriate performance
18/03/2021	TransDigm Group Incorporated	Annual	Against	1.3,1.4,1.9,2 1.2	Apparent failure to link pay & appropriate performance 2- Concerns about remuneration committee performance Apparent failure to link pay & appropriate performance 2- Concerns about remuneration committee performance 3- Concerns related to below-board gender diversity
19/03/2021	HEICO Corporation	Annual	All For		
25/03/2021	Huntington Bancshares Incorporated	Special	All For		
04/01/2021	Primary Health Properties Plc	Special	All For		
08/01/2021	Cairn Energy Plc	Special	All For		
11/01/2021	Premier Foods Plc	Special	All For		
12/01/2021	Impax Environmental Markets Plc	Special	All For		
14/01/2021	Baillie Gifford Shin Nippon Plc	Special	All For		
14/01/2021	Capita Plc	Special	All For		
14/01/2021	Future Plc	Special	All For		
14/01/2021	JPMorgan Japanese Investment Trust Plc	Annual	All For		
18/01/2021	RSA Insurance Group Plc	Court	All For		
18/01/2021	RSA Insurance Group Plc	Special	All For		
20/01/2021	Diploma Plc	Annual	Against	11	Apparent failure to link pay and appropriate performance
20/01/2021	Edinburgh Worldwide Investment Trust Plc	Annual	All For		
20/01/2021	WH Smith Plc	Annual	Against	2 12	Apparent failure to link pay and appropriate performance Concerns related to Non-audit fees
21/01/2021	Melrose Industries Plc	Special	Against	2 1	Apparent failure to link pay & appropriate performance Apparent failure to link pay & appropriate performance
25/01/2021	Cineworld Group Plc	Special	Against	2 1	Apparent failure to link pay & appropriate performance Apparent failure to link pay & appropriate performance
27/01/2021	AJ Bell Plc	Annual	All For		
28/01/2021	Britvic Plc	Annual	Against	3 12	Apparent failure to link pay & appropriate performance Overboarded/Too many other time commitments
28/01/2021	OSB Group Plc	Special	All For		
29/01/2021	Amdocs Limited	Annual	Against	1.3	Concerns related to approach to board diversity
29/01/2021	Avon Rubber Plc	Annual	Against	2	Apparent failure to link pay and appropriate performance
01/02/2021	TP ICAP Group Plc	Court	All For		
01/02/2021	TP ICAP Group Plc	Special	All For		
01/02/2021	TP ICAP Group Plc	Special	All For		

Meeting	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
03/02/2021	Imperial Brands Plc	Annual	Against	2,3 10	Apparent failure to link pay and appropriate performance Concerns related to approach to board diversity
03/02/2021	Schroder AsiaPacific Fund Plc	Annual	All For		
04/02/2021	Compass Group Plc	Annual	All For		
04/02/2021	The Sage Group Plc	Annual	All For		
05/02/2021	Brewin Dolphin Holdings Plc	Annual	All For		
05/02/2021	Countryside Properties Plc	Annual	Against	2	Apparent failure to link pay & appropriate performance
05/02/2021	Hipgnosis Songs Fund Ltd.	Special	All For		
10/02/2021	Future Plc	Annual	Against	3,4,18 14	Apparent failure to link pay and appropriate performance Concerns related to Non-audit fees
10/02/2021	GCP Infrastructure Investments Ltd.	Annual	All For		
10/02/2021	Grainger Plc	Annual	All For		
11/02/2021	Calisen Group (Holdings) Ltd.	Court	All For		
11/02/2021	Calisen Group (Holdings) Ltd.	Special	All For		
11/02/2021	Euromoney Institutional Investor Plc	Annual	Against	2,15	Apparent failure to link pay and appropriate performance
11/02/2021	Law Debenture Corp. Plc	Special	All For		
11/02/2021	Nielsen Holdings Plc	Special	All For		
11/02/2021	Tesco Plc	Special	All For		
12/02/2021	Victrex Plc	Annual	All For		
12/02/2021	Worldwide Healthcare Trust Plc	Special	All For		
15/02/2021	Foresight Solar Fund Ltd.	Special	All For		
17/02/2021	Finsbury Growth & Income Trust Plc	Annual	All For		
19/02/2021	Energean Plc	Special	All For		
24/02/2021	Paragon Banking Group Plc	Annual	All For		
24/02/2021	The Bankers Investment Trust Plc	Annual	All For		
25/02/2021	Shaftesbury Plc	Annual	All For		
25/02/2021	Virgin Money UK Plc	Annual	All For		
01/03/2021	TalkTalk Telecom Group Plc	Court	All For		
01/03/2021	TalkTalk Telecom Group Plc	Special	All For		
02/03/2021	Aberforth Smaller Cos. Trust Plc	Annual	All For		
04/03/2021	Chemring Group Plc	Annual	All For		
08/03/2021	Integrafin Holdings Plc	Annual	Against	11 13 7	Apparent failure to link pay and appropriate performance Concerns related to Non-audit fees Concerns related to attendance at board or committee meetings
08/03/2021	JLEN Environmental Assets Group Ltd.	Special	All For		
10/03/2021	LXI REIT Plc	Special	All For		
10/03/2021	Personal Assets Trust Plc	Special	All For		
11/03/2021	Mitchells & Butlers Plc	Special	All For		
17/03/2021	Safestore Holdings Plc	Annual	All For		
18/03/2021	Signature Aviation Plc	Court	All For		
18/03/2021	Signature Aviation Plc	Special	All For		
18/03/2021	Tullow Oil Plc	Special	All For		
23/03/2021	Crest Nicholson Holdings Plc	Annual	All For		
24/03/2021	Mitchells & Butlers Plc	Annual	Against	2 7,13	Apparent failure to link pay & appropriate performance Concerns related to inappropriate membership of committees
25/03/2021	Micro Focus International Plc	Annual	All For		
25/03/2021	SSP Group Plc	Annual	All For		
25/03/2021	The Renewables Infrastructure Group Ltd.	Special	All For		
26/03/2021	Beazley Plc	Annual	All For		
31/03/2021	Drax Group Plc	Special	All For		

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Not to be distributed to retail clients.

ESG Impact Report

Q1 2021

Active ownership means using our scale and influence to bring about real, positive change to create sustainable investor value

LGIM

Our mission

To use our influence to ensure that:

1. Companies integrate environmental, social and governance (ESG) factors into their culture and everyday thinking

2. Markets and regulators create an environment in which good management of ESG factors is valued and supported

In doing so, we seek to fulfil LGIM's purpose: to create a better future through responsible investing.

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Our focus

Holding boards to account

To be successful, companies need to have people at the helm who are well-equipped to create resilient long-term growth. By voting and engaging directly with companies, we encourage management to control risks while seeking to benefit from emerging opportunities. We aim to safeguard and enhance our clients' assets by engaging with companies and holding management to account for their decisions. Voting is an important tool in this process, and one which we use extensively.

Creating sustainable value

We believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. We work to ensure companies are well-positioned for sustainable growth, and to prevent market behaviour that destroys long-term value. Our investment process includes an assessment of how well companies incorporate relevant ESG factors into their everyday thinking. We engage directly and collaboratively with companies to highlight key challenges and opportunities, and support strategies that can deliver long-term success.

Promoting market resilience

As a long-term investor for our clients, it is essential that markets are able to generate sustainable value. In doing so, we believe companies should become more resilient to change and therefore seek to benefit the whole market. We use our influence and scale to ensure that issues impacting the value of our clients' investments are recognised and appropriately managed. This includes working with key policymakers, such as governments and regulators, and collaborating with asset owners to bring about positive change.

Q1 2021 | ESG Impact Report

Action and impact

In the first quarter of 2021, we continued to focus our engagements with companies on the issues of executive pay and climate change, while also highlighting that the pandemic and growing global awareness of racial injustice have brought other societal inequalities to the fore.

First lead independent director (LID) on a German board

Following on our experience of engaging with companies, regulators and other stakeholders globally, we believe the presence of a LID is indispensable to a well-run board as they play a key role in supporting the supervisory board chair and are also an independent counter-power. In 2018, LGIM initiated an engagement campaign with the supervisory board chairs of 18 DAX 30 companies to formally request that they appoint a LID on their supervisory boards. In addition, LGIM made the same request directly to the German Commission in charge of the review of the code of governance (Regierungskommission Deutscher Corporate Governance Kodex) during its last consultation in 2019, to ask for the recommendation to appoint a LID on supervisory boards to be introduced.

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At its 2021 Annual General Meeting (AGM), Siemens Energy submitted to shareholders the appointment of Mr Hans Hubert Lienhard to the innovative new position of special independent director on its supervisory board, in a role with responsibilities which correspond to those of a LID.

LGIM pre-declared our voting intention to publicly support the decision taken by Siemens Energy* and also encourage this practice among other German companies.

Holding caterer company Compass* to account on income inequality-related issues

Following the negative media coverage in the UK in January in relation to the content of free school meals distributed by Chartwells, a Compass Group subsidiary, LGIM joined an investor collaboration to hold the food and support services company to account. In a letter signed by investors representing a total of £3 trillion of assets under management, we publicly[1] wrote to Compass' CEO to demand an explanation and commitments from the company on the matter.

The CEO responded directly to us outlining the company's response, and we received some comfort about the various initiatives mentioned in the letter. We are monitoring the company's actions and will continue to engage with them.

UK board effectiveness reviews

In January, the Chartered Governance Institute (ICSA), released a report[2] on board effectiveness reviews of listed companies, to which LGIM's Investment Stewardship team contributed, with our Director of Investment Stewardship sitting on the Steering Committee.

Many of our suggestions were taken into account and this document broadly aligns with LGIM's guide on board effectiveness reviews.[3] The report introduces:

- A code for board reviewers undertaking the review for FTSE 350 companies
- Principles of good practice for listed companies and other organisations using the services of external board reviewers
- Reporting on board performance reviews: Guidance for listed companies

We believe this development will further encourage and support the efficiency of board effectiveness reviews in the UK, a key mechanism of corporate-governance best practice.

Taskforce on Nature-related Financial Disclosures (TNFD)

LGIM joined the TNFD Observer Group as a member in the first quarter of 2021. The TNFD seeks to provide a framework for corporates and financial institutions to assess, manage and report on their dependencies and impacts on nature. It also seeks to aid in the appraisal of nature-related risk and the redirection of global financial flows away from nature-negative outcomes and towards nature-positive outcomes. As an observer member, our primary contribution is to provide feedback on the output of the working groups, so as to help support the preparatory phase of the TNFD.

*References to any securities are for illustrative purposes only
1. https://citywire.co.uk/funds-insider/news/esg-managers-raise-rashford-meal-concerns-with-compass/a1450007
2. https://www.icsa.org.uk/assets/files/pdfs/Publications/board-evaluation_full-report.pdf
3. https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/board-effectiveness-reviews.pdf

Collaborative engagement on sustainable aquaculture

LGIM signed on to support the FAIRR investor engagement on sustainable aquaculture: managing biodiversity and climate risks in feed supply chains. As part of this initiative, we will encourage the world's largest salmon companies to develop strategic, science-based approaches to diversify their feed ingredient sources to better manage ESG risks associated with sourcing wild forage fish and soy. Companies will also be asked to disclose their strategies to diversify their feed ingredients towards lower impact and more sustainable alternatives.

Aquaculture remains the fastest-growing food-production sector, and accounts for over half of all fish consumed by humans. It, however, relies on the products of wild forage fish, where there is currently a lack of consensus on the extent to which fisheries can be exploited, which presents risks. We have written letters to the companies with our expectations and will follow these up with engagements, which will be discussed in future.

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UK executive pay

Every year LGIM undertakes multiple engagements related to the structure and quantum of executive pay. Executive pay structures raise concerns over income inequality, considering that on average CEO pay was 144x the average UK worker in 2019.[4]

We have provided some specific named examples of engagements on executive pay in this report. However, many of our most successful engagements on pay-related issues remain behind closed doors, given the sensitivity of the discussions. We would like to highlight one of these engagements and the outcome during the quarter.

Over the last two quarters we have engaged with a FTSE 100 company whose remuneration committee thought it was essential to grant a one-off award to an executive director. We have concerns regarding the use of this type of pay structure at our investee holdings, where total pay is already significant and in particular when a single person is rewarded, rather than a whole team, for a achieving a set goal. We engaged with the company multiple times to dissuade the committee to make such an award, including escalating our discussions to the Chair of the Board and putting our concerns in writing. We were relieved when the company wrote to us and other shareholders to confirm that they would not be proceeding with the additional one-off award.

Voting policy changes

As part of an annual process, this year we updated our global policies to require company boards to comprise at least 30% female representation. Our UK and North American policies take this one step further requiring the board to include at least one person with an ethnic minority background.

Other important updates include a requirement to ensure that the Chair of the Audit Committee has relevant financial expertise, regular rotation of the external audit partner and for a regular auditor tender process to be carried out with auditor refreshment every 20 years.

We ask all companies to help reduce global poverty by paying at least the living wage to employees and by ensuring their Tier 1 suppliers do likewise. The living wage is usually higher than the minimum wage set by local regulation, to ensure that a sufficient wage is being earned to meet basic household needs.

COVID-19 has disrupted a company's ability to hold a physical AGM. We believe the physical AGM is an important shareholder right and platform for any shareholder to be able to be attend, be heard by the entire board and hold the board accountable for their actions. Historically, LGIM has been opposed to virtual-only AGMs but is supportive of a hybrid model. In light of the pandemic, LGIM has relaxed its views to support a virtual-only AGM, where regulations make it illegal to hold a physical meeting. However, in these circumstances, we would encourage companies to take every effort to give all shareholders an opportunity to pose questions via any electronic means and to have those answered at the AGM.

There are other changes to our policies, which can be found on our website.

4. CIPD in Association with the High Pay Centre "Executive Pay in the FTSE 100 – Is Everyone Getting a Fair Slice of the Cake".

Q1 2021 | ESG Impact Report

Significant votes

We have adapted our approach to provide detailed information to our clients on significant votes on a quarterly basis.

Company name: Walgreens Boots Alliance, Inc.*

Sector: Food and staples retailing | **market cap.** $46.1 billion (Source: Refinitiv, as at /04/2021)

Issue identified:	The company's compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance. This is an issue because investors expect pay and performance to be aligned. Exercising discretion in such a way during a year in which the company's earnings per share (EPS) declined by 88% caused a significant misalignment between pay and performance.
Summary of the resolution:	'Resolution 3 – Advisory vote to ratify named executive officer's compensation'. AGM date – 28 January 2021
How LGIM voted:	We voted against the resolution.
Rationale for the vote decision:	LGIM had a constructive engagement with the company in November 2020; however, it failed to mention the application of discretion during that call. We found this surprising given the significant impact it had on compensation, which was discussed, giving the company an opportunity to raise this. LGIM does not generally support the application of retrospective changes to performance conditions. Although the company was impacted by COVID-19, many of its shops remained open as they were considered an essential retailer. The company did not provide sufficient justification for the level of discretion applied which resulted in the payment of 94,539 shares or approximately $3.5m to the CEO in respect of the 2018-2020 award, which would otherwise have resulted in zero shares vesting.
Outcome:	The resolution failed to get a majority support as 52% of shareholders voted against.
Why is this vote significant?	It was high-profile and controversial.

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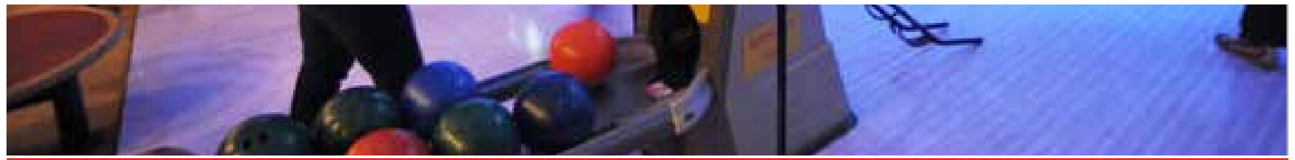
*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.



Company name: Hollywood Bowl Group*

Sector: Travel & Leisure | **market cap.** £389 million (Source: Refinitiv, as at 21/04/2021)

Issue identified:	The bowling alley operator has been financially impacted by the COVID-19 pandemic. This resulted in staff being furloughed and the company not paying dividends to shareholders. Despite this, the remuneration committee decided to exercise its discretion to allow for the performance period of the 2017 Long Term Incentive Plan (LTIP) award to be reduced from September 2020 to February 2020, to avoid having to factor in the financial consequences of the pandemic into the incentive plan. This resulted in the pro-rated LTIP vesting at 81% of salary.
Summary of the resolution:	Resolution 2 – approve remuneration report Resolution 3 – re-elect Nick Backhouse as director Resolution 7 – re-elect Ivan Schofield as director Resolution 8 – re-elect Claire Tiney as director AGM date - 27 January 2021.
How LGIM voted:	We voted against the remuneration report and escalated our concerns by a vote against all the members of the remuneration committee.
Rationale for the vote decision:	The remuneration committee did not consult with LGIM before taking the decision to retrospectively reduce the performance period of the LTIP. We applied our policy and sanctioned this practice by a vote against the remuneration report. Given the seriousness of our concerns and the precedent this could set, we decided to escalate our vote sanction by a rare vote against all members of the remuneration committee.
Outcome:	47.7% of shareholders opposed the remuneration report (resolution 2) and 15.8% the re-election of the chair of the remuneration committee (resolution 8).
Why is this vote significant?	We voted against the remuneration report and escalated our concerns by a vote against all the members of the remuneration committee.
	The remuneration committee did not consult with LGIM before taking the decision to retrospectively reduce the performance period of the LTIP. We applied our policy and sanctioned this practice by a vote against the remuneration report. Given the seriousness of our concerns and the precedent this could set, we decided to escalate our vote sanction by a rare vote against all members of the remuneration committee.
	47.7% of shareholders opposed the remuneration report (resolution 2) and 15.8% the re-election of the chair of the remuneration committee (resolution 8). The other members of the remuneration committee (resolution 3 and 7) were only opposed by 4.2% and 4.0% of shareholders respectively. LGIM will continue to monitor the company.
	We took the rare step of escalating our vote against all members of the remuneration committee given the seriousness of our concerns. This highlights the importance of ensuring that executive remuneration remains in line with stakeholder experience.

*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

Company name: AmerisourceBergen Corporation*	
Sector: Pharmaceuticals	**market cap.** $24.7 billion (Source: Refinitiv, as at 21/04/2021)

Issue identified:	During the same year the company recorded a $6.6 billion charge related to opioid lawsuits, its CEO's total compensation was approximately 25% higher than the previous year. By excluding the settlement costs, the Compensation Committee ensured executive pay was not impacted by an operating loss of $5.1 billion (on unadjusted basis). LGIM has in previous years voted against executives' pay packages due to concerns over the remuneration structure not comprising a sufficient proportion of awards assessed against the company's performance.
Summary of the resolution:	Resolution 3 - Advisory Vote to Ratify Named Executive Officers' Compensation AGM date - 11 March 2021
How LGIM voted:	We voted against the resolution.
Rationale for the vote decision:	We voted against the resolution to signal our concern over the overall increased compensation package during a year that the company recorded a $6.6bn charge related to opioid lawsuits and a total operating loss of $5.1 billion.
Outcome:	The resolution encountered a significant amount of opposing votes from shareholders, with 48.36% voting against the resolution and 51.63% supporting the proposal. LGIM continues to engage with US companies on their pay structures and has published specific pay principles for US companies.
Why is this vote significant?	LGIM considers it imperative that pay structures are aligned with company performance and that certain expenses over which directors have control and influence should not be allowed to be excluded in the calculation of their pay, in particular if these would be detrimental to the executive director(s) in question.

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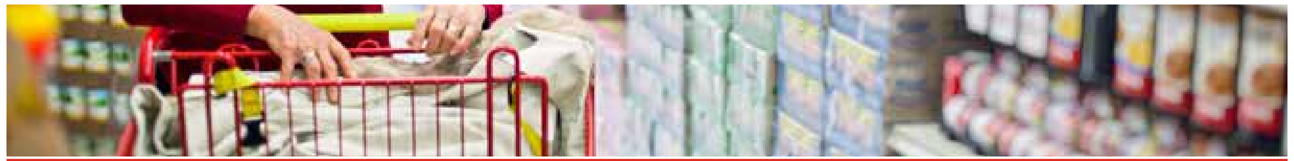

Company name: Imperial Brands plc*	
Sector: Consumer Goods	**market cap.** £13.9 billion (Source: Refinitiv, as at 01/04/2021)

Issue identified:	The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. A higher base salary has a consequential ripple effect on short- and long-term incentives, as well as pension contributions. Further, the company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both LGIM and the Investment Association.
Summary of the resolution:	Resolutions 2 and 3, respectively, Approve Remuneration Report and Approve Remuneration Policy AGM date - 3 February 2021
How LGIM voted:	We voted against both resolutions.
Rationale for the vote decision:	An incoming CEO with no previous experience in the specific sector, or CEO experience at a FTSE 100 company, should have to prove her or himself beforehand to be set a base salary at the level, or higher, of an outgoing CEO with multiple years of such experience. Further, we would expect companies to adopt general best practice standards. Prior to the AGM, we engaged with the company outlining what our concerns over the remuneration structure were. We also indicated that we publish specific remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with our thinking.
Outcome:	Resolution 2 (Approve Remuneration Report) received 40.26% votes against, and 59.73% votes of support. Resolution 3 (Approve Remuneration Policy) received 4.71% of votes against, and 95.28% support. LGIM continues to engage with companies on remuneration both directly and via IVIS, the corporate governance research arm of The Investment Association. LGIM annually publishes remuneration guidelines for UK listed companies.
Why is this vote significant?	We are concerned over the ratcheting up of executive pay; and we believe executive directors must take a long-term view of the company in their decision-making process, hence the request for executives' post-exit shareholding guidelines to be set.

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Company name: Toshiba Corp.*

Sector: Industrials Conglomerates | **market cap.** ¥1.91 trillion (Source: Refinitiv, as at 21/04/2021)

Issue identified:	Toshiba Corp's extraordinary general meeting (EGM) was precipitated by a significant decline in trust between its shareholders and management team following recent controversies, including allegations of abnormal practices and behaviour by the company surrounding its July 2020 AGM. As a result, the company faced two independent shareholder resolutions at the EGM calling for it to introduce remedies that would restore confidence and trust in the company's governance, management and strategy.
Summary of the resolution:	Resolution 1- Appoint Three Individuals to Investigate Status of Operations and Property of the Company Resolution 2 - Amend Articles to Mandate Shareholder Approval for Strategic Investment Policies including Capital Strategies EGM date - 18 March 2021
How LGIM voted:	We voted for the resolutions.
Rationale for the vote decision:	LGIM supported the resolution calling for the appointment of investigators to address doubts over the company's 2020 AGM conduct and vote tallying. We believe the enquiry, which is unlikely to be a burden on the company, will be an important step in rebuilding trust between shareholders and the company's executive team and board. We also supported the shareholder resolution mandating the company to present its strategic investment policy to a shareholder vote in order to send a clear message to the Toshiba Board and executive team: shareholders expect increased transparency and accountability.
Outcome:	Resolution 1 was passed with 57.9% of participating shareholders in support. The company promptly put investigators in place and set up a confidential hotline for any individuals who are willing to provide information. Resolution 2, in respect to the company's capital allocation and strategic investment policy received 39.3% support and did not pass. However, the vote serves to send a clear signal to the board and executive team that shareholders expect increased transparency and accountability.
Why is this vote significant?	The vote was high profile and controversial.

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Company name: Tyson Foods*

Sector: Food Producer | **market cap.** $28.6 billion (Source: Refinitiv as at 21/04/2021)

Issue identified:	A shareholder-led resolution requested that the company produce a report on Tyson's human rights due diligence process. The pandemic highlighted potential deficiencies in the application of its human rights policies. The following issues have been highlighted as giving grounds to this assessment: strict attendance policies, insufficient access to testing, insufficient social distancing, high line speeds and non-comprehensive COVID-19 reporting. Furthermore, according to the ISS AGM Benchmark report, there have been over 10,000 positive cases and 35 worker deaths. As such, the company is opening itself up to undue human rights and labour rights violation risks. Tyson is already subject to litigation for wrongful death of an employee filed by the family of the deceased. Additionally, there is a United States Department of Agriculture complaint for failure to protect employees of colour who are disproportionately affected by Covid-19, and two Federal Trade Commission (FTC) complaints for misleading representations about worker treatment, the nature of relationships with farmers, and conditions at poultry farms in its supply chain.
Summary of the resolution:	Resolution 4 – Report on Human Rights Due Diligence AGM date - 11 February 2021
How LGIM voted:	LGIM supported the resolution.
Rationale for the vote decision:	LGIM believes that companies in which we invest our clients' capital should uphold their duty to ensure the health and safety of employees over profits. While the company has health and safety, and code of conduct, policies in place and may have introduced additional policies to protect employees during the pandemic, there was clearly more it could have done. This is indicated by the reported complaints and rates of infection among its employee population. We believe that producing this report is a good opportunity for the board to re-examine the steps they have taken and assess any potential shortfalls in safety measures so that they can improve controls and be better prepared for any future pandemic or similar threat.
Outcome:	The resolution failed to get a majority support as only 17% of shareholders supported it.
Why is this vote significant?	Our clients were particularly interested in the outcome of this vote.

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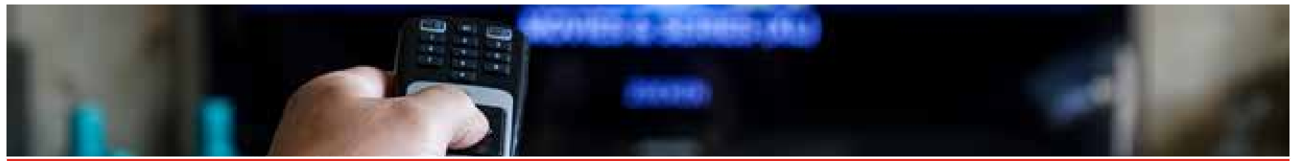

Company name: Future plc*	
Sector: Media & Entertainment	**market cap.** £2.8 billion (Source: Refinitiv, as at 21/04/2021)

Issue identified:	The company proposed a bonus scheme that could award its chief executive just over £40 million. The Value Creation Plan could pay out up to £95 million in stock-based awards annually over three years to employees, based on total shareholder return and dividends. We had concerns around the potential increase in total quantum, as the proposed plan does not comply with LGIM's pay policy.
Summary of the resolution:	Resolution 3 – Approve Remuneration Report Resolution 4 – Approve Remuneration Policy Resolution 10 – Re-elect Hugo Drayton Resolution 18 – Approve Value Creation Plan AGM date - 11 February 2021
How LGIM voted:	We voted against the resolutions.
Rationale for the vote decision:	We did not engage with the company as we have clearly set out our expectations on remuneration in our principles document. We voted against the remuneration report and policy as we did not consider there to be sufficient justification for the proposed increase to the LTIP, and the proposed plan does not comply with LGIM's published pay policy. We voted against the value creation plan due to the potential increase in total quantum of pay. We voted against the chair of the remuneration committee as we have current and previous concerns with the remuneration plans.
Outcome:	The resolutions received the below in votes against: Resolution 3 – 35% Resolution 4 – 27% Resolution 10 – 10% Resolution 18 – 35% Whilst all resolutions passed, the company did receive significant votes against a number of these resolutions.
Why is this vote significant?	This was a high-profile vote, which has such a degree of controversy that there is high client and/or public scrutiny.

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*Case study shown for illustrative purposes only. The above information does not constitute a recommendation to buy or sell any security.

Company name: Samsung Electronics*	
Sector: Technology	**market cap.** ₩564.1 trillion (Source: Refinitiv, as at 21/04/2021)

Issue identified:	In January 2021, Lee Jae-yong, the vice chairman of Samsung Electronics and only son of the former company chairman, was sentenced to two years and six months in prison for bribery, embezzlement and concealment of criminal proceeds worth about ₩8.6 billion. Lee Jae-yong was first sentenced to five years in prison in August 2017 for using the company's funds to bribe the impeached former President Park Geun-hye. While Lee was released from prison, he was not acquitted of the charges. Based on the court's verdict, Lee actively provided bribes and implicitly asked then president Park to use her power to help his smooth succession. The court further commented that the independent compliance committee established in January 2020 has yet to become fully effective.
Summary of the resolution:	Resolution 2.1.1 – Elect Park Byung-gook as Outside Director Resolution 2.1.2 – Elect Kim Jeong as Outside Director Resolution 3 – Elect Kim Sun-uk as Outside Director to Serve as an Audit Committee Member AGM date: 17 March 2021
How LGIM voted:	We voted against all three resolutions.
Rationale for the vote decision:	LGIM engaged with the company ahead of the vote. However, we were not satisfied with the company's response that ties have been severed. We are concerned that Lee Jae-yong continues to make strategic company decisions from prison. Additionally, we were not satisfied with the independence of the company board and that the independent directors are really able to challenge management. LGIM voted against the resolutions as the outside directors, who should provide independent oversight, have collectively failed to remove criminally convicted directors from the board. The inaction is indicative of a material failure of governance and oversight at the company.
Outcome:	The meeting results are not yet available.
Why is this vote significant?	This was a high-profile vote, which has such a degree of controversy that there is high client and/or public scrutiny and the sanction vote was a result of a direct or collaborative engagement.

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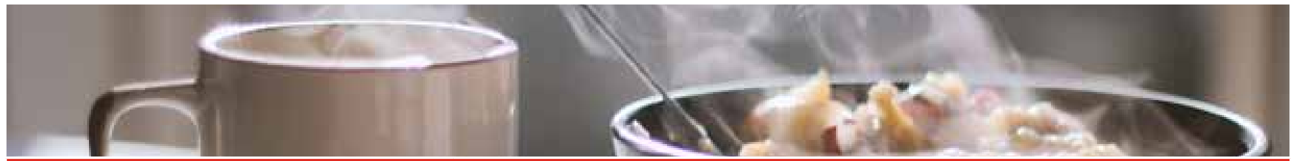

Company name: Mitchells & Butlers*

Sector: Travel and Leisure

market cap. £1.7 billion (Source: Refinitiv, as at 21/04/2021)

Issue identified:	Given the current COVID-19 restrictions and their impact on this pub & restaurant company's financials, the company sought shareholder approval for an equity raise through an underwritten Open Offer in March 2021. Three of the company's major shareholders came together and consolidated their holdings under a new holding company, Odyzean Limited. They together hold approximately 55% of the issued share capital of Mitchells & Butlers and therefore the majority of votes. As well as taking up their own share of the Open Offer, the concert party committed to underwrite any remaining offer shares not taken up by existing shareholders.
Summary of the resolution:	Resolution 1: Authorise Issue of Equity in Connection with the Open Offer Resolution 2: Authorise Issue of Shares Pursuant to the Open Offer at a Discount to Middle Market Price Resolution 3: Authorise Implementation of Open Offer These resolutions were presented at the company's special shareholder meeting held on 11 March 2021.
How LGIM voted:	We voted against all three resolutions.
Rationale for the vote decision:	We opposed Open Offer given our concerns about the influence of the newly incorporated holding company, Odyzean Limited, over our investee company's governance and the interests of minority investors. This concern was heightened by the announcement of expected changes to the structure and independence of the board as stated in the prospectus. LGIM would have expected a fair traditional rights issue to protect minority investors. We also noted that the concert party was able to buy deeply discounted shares without paying a control premium through their underwriting of the open offer.
Outcome:	Only 6.8% of shareholders opposed these resolutions. LGIM will continue to monitor the company closely.
Why is this vote significant?	We have taken the rare step of opposing a capital raise given our serious concerns for minority shareholders' rights.

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Company name: SSP Group plc*

Sector: Consumer Discretionary - Travel and Leisure

market cap. £2.5 billion (Source: Refinitiv, as at 21/04/2021)

Issue identified:	**Issue 1 – remuneration-based** Many companies, especially those operating in sectors particularly hard-hit by COVID-19, have in the last year sought to introduce alternative long-term share incentives. Where performance-based awards are replaced with time-vested shares (restricted shares), which exhibit a higher likelihood of vesting, we expect the award opportunity to be significantly reduced to take account of the increased value. Institutional guidelines note a minimum 50% discount as an appropriate starting point. However, best market practice has since evolved to take account of any substantial reduction in the share price year-on-year to ensure that potential windfall gains when the market recovers are avoided. At SSP Group, whilst the remuneration committee proposed a 50% discount, it did not further reduce the award size despite the share price not having sufficiently recovered, lingering below 50% of the pre-pandemic price. Thus, the proposed award size would actually be larger than the number of pre-COVID-19 shares previously offered under the LTIP, despite its likelihood of vesting having increased dramatically. **Issue 2 – share issuances without adequate shareholder protections** At a capital raising by SSP Group in June 2020 – in the height of the coronavirus pandemic – the company issued additional capital through a legal structure that bypassed shareholder pre-emption rights.
Summary of the resolution:	Resolutions 3 and 4 – Approve Remuneration Policy and Restricted Share Plan (RSP) Resolutions 15-17 – Approve general share issuance authorities AGM date - 25 March 2021
How LGIM voted:	LGIM voted against the introduction of the RSP (Item 4) and the Remuneration Policy (Item 3). We also voted against the share issuance authorities (Items 15-17) given that we considered that the company had misused similar authorities during the previous year.
Rationale for the vote decision:	The proposed RSP award size (in number of shares) represented a potential increase in time-vested shares offered compared to the pre-COVID-19 award of performance-based LTIPs, this is not in line with our policy and did not warrant support. We were involved in the pre-vote consultation and fed back our views accordingly. Additionally, we believe that the SSP Board took advantage of a loophole in the UK Companies Act that was possible within its general share issuance authority approved by shareholders at the 2020 AGM. A vote against the renewal of such authority was therefore warranted.
Outcome:	Resolution 3: 9.79% votes against, with a further substantial number of abstain votes. Resolution 4: 10.25% votes against. Resolution 15: 21.77% votes against.
Why is this vote significant?	Ahead of the AGM, there had been rumblings from investors regarding the proposed RSP award size. But more importantly, the move away from performance-based share incentive to time-based awards, which vest subject to no further performance targets, is concerning and can set a dangerous precedent if not appropriately discounted. The high vote against the standard share issuance authority (Item 15) demonstrates shareholders' concern with capital raises that may lead to shareholders suffering dilution.

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Case study: Amazon*

Sector: Communications.
Market cap: $1.68 trillion (source: Refinitiv, as at 21/04/2021)

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What was the issue?

It came to our attention through some of our asset-management peers that Amazon had been accused of interfering with efforts by its workers to unionise, ahead of a vote by workers in an Alabama facility on unionisation.

What did LGIM do?

We signed a letter to Amazon along with more than 70 other investors with collective assets under management (AUM) of $6.4 trillion, to emphasise the role that worker representation plays in supporting companies in identifying and managing operating risks. We highlighted that Amazon should meet the expectations set out in the UN Guiding Principles on Business and Human Rights, and that as an internationally recognised human right, workers should be free to exercise their freedom of association and right to collective bargaining.

We set out the expectation that Amazon should have in place policies and processes appropriate to its size and circumstances, including:

(a) A policy commitment to meet their responsibility to respect human rights

(b) A due diligence process to identify, prevent, mitigate and account for how the company addresses its potential impacts on human rights

(c) Processes to enable the remediation of any adverse human rights impacts Amazon causes or to which it contributes

Outcome

It is against this background and with these expectations, that we applaud the launch by Amazon of its Global Human Rights Principles. Through this policy, we have taken note of the company's commitment to The UN Guiding Principles on Business and Human Rights, which in turn recognise the fundamental right of workers to exercise their right to organise, should they choose to do so. We are also encouraged by the announcement that Amazon has commissioned a human rights impact assessment by an external consultant.

However, in spite of these initiatives that have been announced and following discussions with Amazon's Head of ESG Engagement, we remain concerned that the company has yet to demonstrate how it meets the commitments that it has set, not only with respect to human rights but also to transparency and stakeholder engagement. Our engagement with the company continues.

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LGIM's engagement campaign on ESG transparency

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As a long-term investor with an active ownership approach, LGIM is an advocate for greater ESG transparency. Given the growing consensus on the financial materiality of ESG factors, many investors like LGIM are increasingly seeking to integrate them within their investment processes. In order to accurately understand risks and opportunities, investors need access to relevant, comparable, consistent, and verifiable ESG data across markets regardless of size, geography or asset class; in other words, better transparency from companies on their ESG performance.

However, access to what is considered 'non-financial' and ESG information has been traditionally overlooked, mostly because such information was rarely included in the annual reports or seen by the auditors. We believe ESG transparency is a responsibility which belongs to the board of directors. They need to ensure their company's ESG credentials can be appropriately used by markets so they can efficiently price in this information.

Therefore, as previously announced, LGIM is stepping up its commitment to foster greater ESG transparency within markets. From 2022, LGIM will be voting against the chair of the board of all LGIM Transparency score laggards (LGIM ESG Score).

This means that we will sanction companies not providing an overall minimum level of disclosures on the following metrics:

- ESG reporting standards
- Verification of ESG reporting
- Scope of greenhouse gas (GHG) emissions
- Tax disclosure
- Director disclosure
- Remuneration disclosure

Performance on each of these metrics is assessed by third-party provider Sustainalytics. For further information on each of these key criteria, please refer to our public ESG score methodology document. Our investee company scores are publicly available on our website.

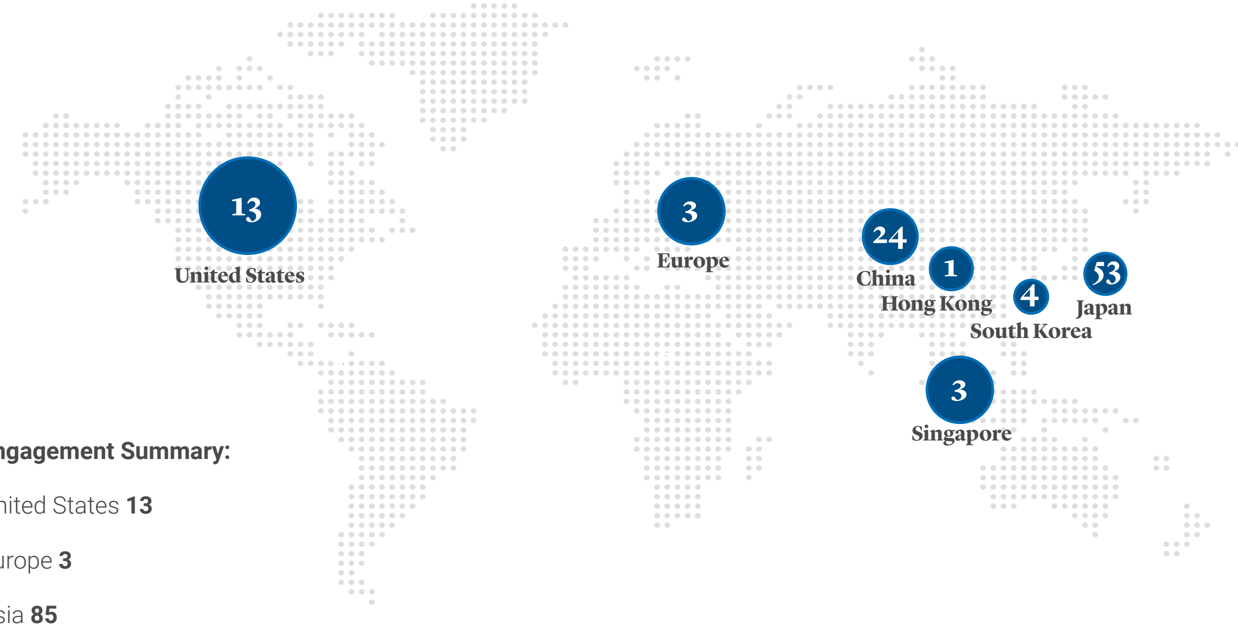
Engagement before sanction

Whilst the expected disclosures are very standard ESG requirements, we chose to give our investee companies one year following our sanction announcement so that they can improve their disclosures and/ or check the data held by our third-party provider. We have sent engagement letters to 101 investee companies, a target group of the biggest companies we hold which have a low Transparency score ('T score').

The financial community and various stakeholders increasingly rely on ESG data provided by third party providers. Inaccurate ESG information held by a third-party provider and used by the investment community might result in markets inaccurately pricing company shares or bonds. ESG laggards are likely to be penalised by the markets; it is therefore important that boards step up on this issue and make sure the information third-party providers have on their companies is accurate and that investors can use it.

Our engagement campaign aims at creating this awareness among boards and the sanction to incentivise them to improve the quality of their ESG disclosure, including both the company's own ESG reporting and ESG data held on them by data providers.

Engagement Universe



Engagement Summary:

United States **13**

Europe **3**

Asia **85**

Measuring the impact of our engagement

Using a similar approach as for our previous transparency campaign in 2019 and 2020, we aim to report on the result of our engagement to our clients.

Focus on corporate ESG disclosures in Asia

As part of this engagement campaign, LGIM sent engagement letters to 81 investee companies listed in five Asian markets – China, Hong Kong, Japan, Singapore and South Korea.

In the first of a series of blogs, we provide further details as to why our engagement with our investee companies in this region on the topic of ESG transparency matters:

A closer look at Asia
https://www.lgimblog.com/categories/esg-and-long-term-themes/lgim-s-engagement-on-esg-transparency-a-closer-look-at-asia/

Sustainability engagements

We continue to engage with companies, policymakers and other investors to promote sustainability.

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Zeroing in on net zero

We continue our engagement with high-carbon industries around their strategies for the energy transition.

BP*, with whom LGIM co-leads engagements under the multi-trillion-dollar Climate Action 100+ investor coalition, has made a series of new announcements detailing their expansion into clean energy. These include projects to develop solar energy in the US, partnerships with Volkswagen (on fast electric vehicle charging) and Qantas Airways (on reducing emissions in aviation), and winning bids to develop major offshore wind projects in the UK and US.

As a reminder, our recommendation for the oil and gas industry is to primarily focus on reducing its own emissions (and production) in line with global climate targets before considering any potential diversification into clean energy. BP had previously announced that it would be reducing its oil and gas output by 40% over the next decade, with a view to reaching net-zero emissions by 2050.

In an update on their net-zero strategies, **Royal Dutch Shell*** has also announced they expect their overall carbon emissions to have peaked in 2019, with oil production expected to decline every year from now on. Fellow oil major Total* has pledged that all future bond issuance from the company will be linked to externally audited climate targets, with the company paying higher interest rates if they are not met.

We will continue to engage with oil and gas companies around the strength of their targets and the credibility of their planning assumptions in this area.

We also recognise the importance of policy in creating the right incentives for companies. With methane emissions in 2020 seeing the highest increase in four decades, LGIM and other investors managing over £30 trillion in assets have called on the EU to set standards for this aggressive planet-warming gas.[5]

Investors renew push for EU methane emissions standard on gas: letter[5]

In a different part of the natural resources industry, we have ongoing engagements with mining companies not just on their environmental strategies, but also the 'S' and 'G' of ESG.

Embroiled in a scandal after the destruction of a 46,000-year old heritage site in Western Australia, LGIM and other investors have continued to press **Rio Tinto*** for more accountability, believing that the initial responses (and the board oversight) were inadequate. After the departure of three directors (including the CEO) were announced last year, the chairman has declared he will now step down. We were pleased to see the media comment favourably on our public stance, with the Australian Financial Review noting that, "To its enduring credit, Legal & General stood alone in challenging [the chairman] from the outset.[6] Other City investors urged [him] to act, but only once momentum had shifted and apathy had abruptly become unfashionable."

Legal & General investment arm demands votes on FTSE 100 firms' climate plans[7]

We have opposed the pay package at the 2021 AGM, and will continue to engage with the company on how it plans to reform its culture and renew its social licence to operate, as well as on other governance concerns. In particular, we remain concerned with the treatment of minority investors at its majority-owned subsidiary, **Turquoise Hill*.**

On a more positive note, however, we welcome the growing number of extractive companies – including Rio Tinto*, Glencore*, Woodside Petroleum*, Santos*, Total* and Royal Dutch Shell* – announcing they will be offering shareholders an advisory vote on their climate strategies. We believe this 'say on climate' is well-aligned with LGIM's existing engagement on climate, including and the use of voting to exercise clients' shareholders rights.

Throughout the 2021 AGM season, LGIM will support all 'say on climate' resolutions which it believes are crucial to the business and will pre-announce its votes, where such an announcement would send a strong message to key stakeholders.

Legal & General: Give the city a say on firms' climate change plans[8]

5 https://www.reuters.com/article/us-eu-methane-letter/investors-renew-push-for-eu-methane-emissions-standard-on-gas-letter-idUSKBN2BN3MN

*References to any securities are for illustrative purposes only

6 Financial Review, 9 March 2021, article available here

7 https://uk.finance.yahoo.com/news/legal-general-net-zero-votes-climate-change-environment-110650551.html; https://www.thetimes.co.uk/article/legal-amp-general-investment-arm-demands-votes-on-ftse-100-firms-climate-plans-zzncq0zbr

8 https://www.thetimes.co.uk/article/legal-amp-general-investment-arm-demands-votes-on-ftse-100-firms-climate-plans-zzncq0zbr

Public policy update

LGIM has a responsibility to ensure that global markets operate efficiently, to protect the integrity of the market, and to foster sustainable and resilient economic growth. In this regard, LGIM focuses its ESG policy engagements on issues that we believe are key to achieving this.

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United Kingdom

LGIM continues to engage with stakeholders on the UK Listing Review which has been led by Lord Hill. The review is part of a wider push from the government on ensuring the UK market remains attractive to both international investors and innovative growth companies looking to list. Areas of focus for Lord Hill have been on i) allowing dual class share structures in the premium listing segment; ii) reducing the free-float requirements; iii) rebranding the standard listing segment; iv) liberalising rules regarding special-purpose acquisition companies; and v) recommending review of the prospectus regime.

LGIM and the Investment Association have been actively engaging with Lord Hill's team. While supportive of many of Lord Hill's recommendations, there are some concerns about how far to go to ensure that the strong position on, and reputation for, good corporate governance currently held by the UK is maintained. For example, dual-class share structures in the Premium Indices will not sufficiently protect minority and end investors against potential poor management behaviour. This can potentially lead to value destruction and avoidable investor loss. As a result of our stance on this issue, LGIM did not participate in the IPO of Deliveroo* via either our active or index funds.

2021 has brought a step-change in focus on industry regulation as we see increasing signs of countries and governments reviewing the gig economy status. We take our role as a responsible steward of our clients' capital very seriously and engage with several companies in this sector on ESG concerns, like the rights of employees and proposed share-class structures. We believe in the active ownership of the companies in which we invest and think change from within can be the most impactful way to influence positive change in a company, for employees and shareholders alike. LGIM will now engage with the Financial Conduct Authority as they now consider Lord Hill's recommendations.

LGIM has also engaged with the Financial Reporting Council on various topics, including the future of corporate reporting, which is looking at ensuring that reporting continues to meet the needs of all stakeholders in the economy. There are several formal consultations on ESG issues (audit reform, social factors and climate-related disclosures) that have recently been released by the UK's Government that the LGIM team will be engaging with.

*References to any securities are for illustrative purposes only

European Union

As part of our focus on supporting governments to meet their Paris Agreement and net-zero commitments, LGIM has co-authored a paper with policy experts from Chatham House on the European Commission can align the reformed Common Agricultural Policy (CAP) with the Green Deal and EU Climate Law. We brought together an alliance of policy experts, business groups, and investors (representing €2 trillion of assets under management) who have publicly supported our recommendations to the EU. Our recommendations include:

1. Encourage use of enforceable performance-based targets that link support to member states and farmers, commensurate with the cost of delivering public good or environmental services;

2. Shift away from incentives that prioritise yields at the expense of the climate and environment, and balance this with new monetary incentives that put a value on sustainable agriculture;

3. Decouple support from production metrics for single commodity transfers with high associated greenhouse gas emissions (e.g. beef and dairy);

4. Apply the Just Transition Mechanism to support farmers' social and economic well-being, where impacted by CAP reforms.

Agricultural subsidies constitute a third of the EU's total budget and are pivotal in determining how land across Europe is utilised and which commodities are produced. Reforming the CAP is therefore essential for climate mitigation, negative emissions, and long-term environmental resilience in terms of climate adaptation, biodiversity improvements, and food security. We believe these recommendations will be broadly supported by both markets and regulators.

LGIM also continues to engage with various aspects of the EU's Sustainable Finance Action Plan, including the implementation of Sustainable Finance Disclosure Regulation and the subsequent Regulatory Technical Standards.

Japan

LGIM has continued to work with the International Corporate Governance Network to provide input into the revision of the Japan Corporate Governance Code. We have expressed our views across several topics e.g. board independence and diversity, timing of the securities report and other issues related to the AGM, and disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD). LGIM will engage in the public consultation.

LGIM has engaged with the Japan Association of Corporate Executives on climate change and energy policy. We encouraged strengthening their position on climate and energy policies, and highlighted the increasing need for companies to align with the goals of the Paris Agreement.

LGIM was also invited to participate in two government studies on stewardship and ESG. The first was led by the Cabinet Office which looked into how investors were approaching gender diversity. The second, commissioned by the Ministry of Economy, Trade and Industry, aimed to explore the views of investors on corporate governance issues in Japan. Full reports of both projects will be published in the coming months.

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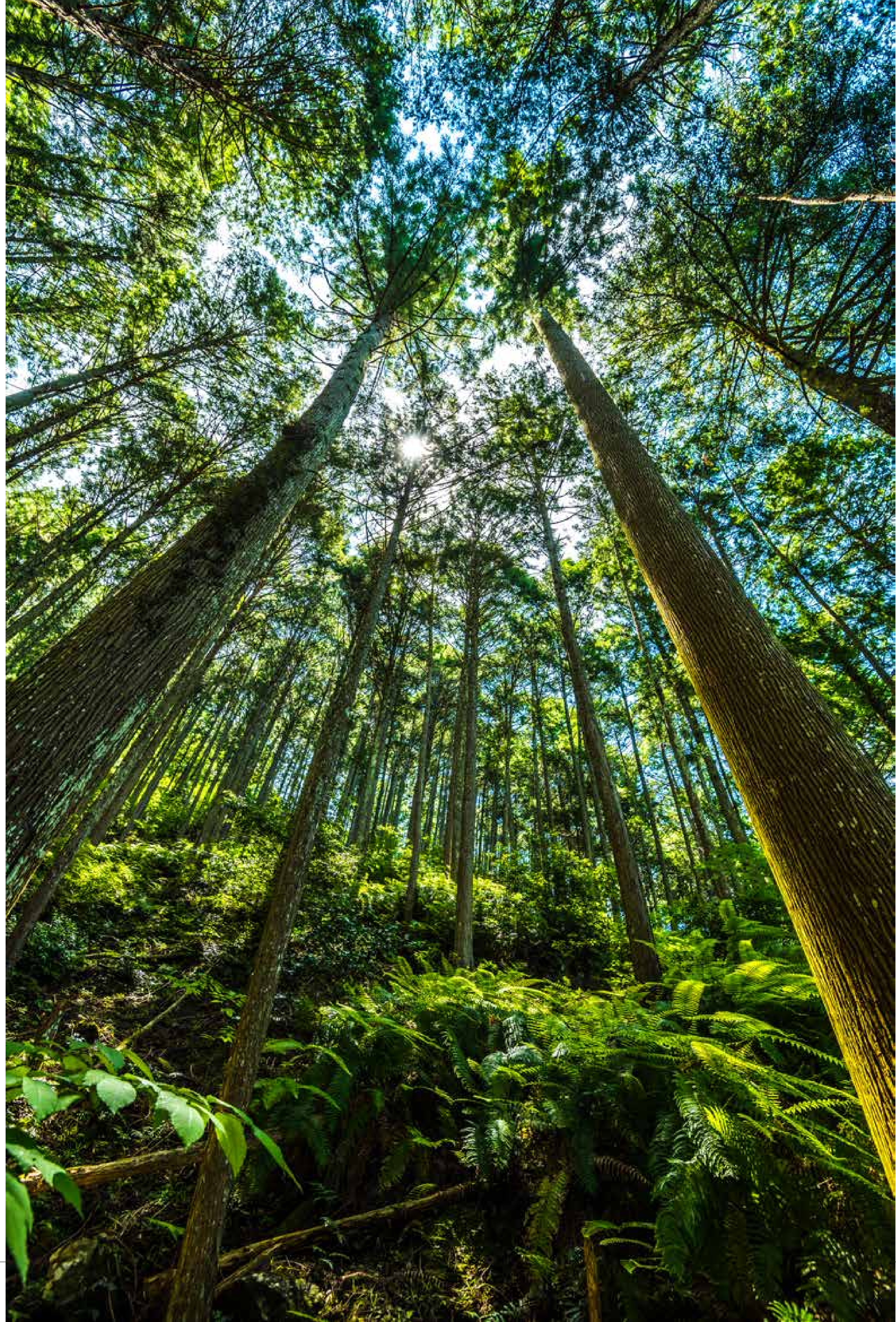

United States

The election of a new administration in the United States has – almost overnight – taken the ESG and climate change discussion from 'why' to 'how'. During the election, Joe Biden spoke on a podcast about climate change, saying it is the "number one issue facing humanity. And it's the number one issue for me". The US president is living up to his word. Almost within minutes of arriving in the oval office Biden started signing the executive orders, announcing non-enforcement on Department of Labor Rules that would have hampered ESG fund selection, and re-joined the Paris Agreement. It is a huge policy U-turn from the world's second largest emitter, and the positive implications will be felt not only across the US but also far beyond its borders. LGIM and LGIMA are already stepping up engagements and supporting with the new administration on several ESG topics.

Other markets

LGIM continues to closely follow and engage with the ESG disclosures landscape. Most recently, we have been pleased to see the IFRS have confirmed their intent to launch a Sustainability Standards Board by the end of the year. It will be important that an ESG disclosure standard is developed quickly and provides decision-useful information for investors. Harmonisation between markets will be important, particularly with regard to the EU's reform on the Non-Financial Reporting Directive.

Regional updates

UK - Q1 2021 voting summary

Proposal category	For	Against	Abstain
Antitakeover-related	50	0	0
Capitalisation	315	26	0
Director-related	468	38	0
Remuneration-related	89	28	0
Reorganisation and Mergers	24	4	0
Routine/Business	352	4	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Director-related	0	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	1	1	0
Shareholder Proposal - Routine/Business	0	0	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	1299	101	0
Total resolutions	1400		
No. AGMs	75		
No. EGMs	70		
No. of companies voted on	127		
No. of companies where voted against management on at least one resolution	44		
% of companies with at least one vote against	35%		

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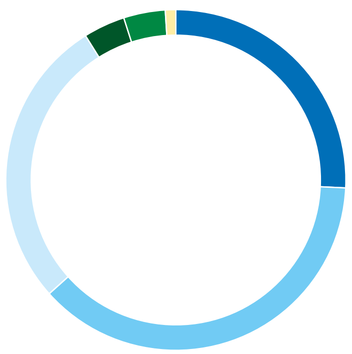
Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds

Votes against management



- Antitakeover-related - 0
- Capitalisation - 26
- Director-related - 38
- Remuneration-related - 28
- Reorganisation and Mergers - 4
- Routine/Business - 4
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Director-related - 0
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 1
- Shareholder Proposal - Routine/Business - 0
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against

- No. of companies where we supported management
- No. of companies where we voted against management

LGIM voted against at least one resolution at **35%** of UK companies over the quarter

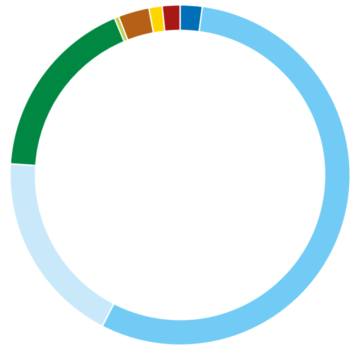
Q1 2021 | ESG Impact Report

Europe - Q1 2021 voting summary

Proposal category	For	Against	Abstain
Antitakeover-related	1	0	0
Capitalisation	97	5	0
Director-related	659	91	41
Remuneration-related	89	44	0
Reorganisation and Mergers	10	0	0
Routine/Business	422	37	5
Shareholder Proposal - Compensation	0	1	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Director-related	8	6	1
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	5	3	0
Shareholder Proposal - Other/Miscellaneous	2	0	0
Shareholder Proposal - Routine/Business	3	4	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	1296	191	47
Total resolutions	1534		
No. AGMs	63		
No. EGMs	21		
No. of companies voted on	83		
No. of companies where voted against management on at least one resolution	63		
% of companies with at least one vote against	76%		

Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds

Votes against management/ abstentions



- Antitakeover-related - 0
- Capitalisation - 5
- Director-related - 132
- Remuneration-related - 44
- Reorganisation and Mergers - 0
- Routine/Business - 42
- Shareholder Proposal - Compensation - 1
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors-related - 7
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 3
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 4
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against

- No. of companies where we supported management
- No. of companies where we voted against management (including abstentions)

LGIM voted against at least one resolution at **76%** of European companies over the quarter

North America - Q1 2021 voting summary

Proposal category	For	Against	Abstain
Antitakeover-related	3	0	0
Capitalisation	9	0	0
Director-related	324	98	0
Remuneration-related	37	26	0
Reorganisation and Mergers	9	0	0
Routine/Business	37	27	0
Shareholder Proposal - Compensation	3	0	0
Shareholder Proposal - Corporate Governance	0	1	0
Shareholder Proposal - Director-related	3	2	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	1	0
Shareholder Proposal - Other/Miscellaneous	0	2	0
Shareholder Proposal - Routine/Business	0	3	0
Shareholder Proposal - Social/Human Rights	0	1	0
Shareholder Proposal - Social	0	0	0
Total	425	161	0
Total resolutions	586		
No. AGMs	44		
No. EGMs	9		
No. of companies voted on	53		
No. of companies where voted against management on at least one resolution	44		
% of companies with at least one vote against	83%		

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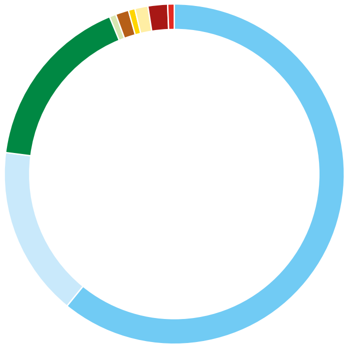
Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds

Votes against management



- Antitakeover-related - 0
- Capitalisation - 0
- Director-related - 98
- Remuneration-related - 26
- Reorganisation and Mergers - 0
- Routine/Business - 27
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 1
- Shareholder Proposal - Directors-related - 2
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 1
- Shareholder Proposal - Other/Miscellaneous - 2
- Shareholder Proposal - Routine/Business - 3
- Shareholder Proposal - Social/Human Rights - 1
- Shareholder Proposal - Social - 0

Number of companies voted for/against

- No. of companies where we supported management
- No. of companies where we voted against management

LGIM voted against at least one resolution at **83%** of North American companies over the quarter

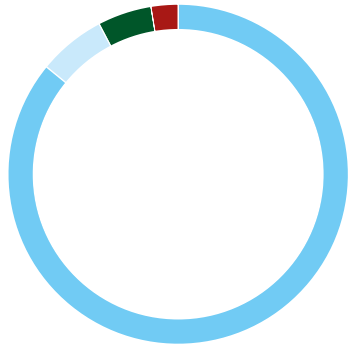
Q1 2021 | ESG Impact Report

Japan - Q1 2021 voting summary

Proposal category	For	Against	Abstain
Antitakeover-related	0	0	0
Capitalisation	1	0	0
Director-related	530	67	0
Remuneration-related	32	5	0
Reorganisation and Mergers	9	4	0
Routine/Business	48	0	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Director-related	0	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	0	2	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	620	78	0
Total resolutions	698		
No. AGMs	67		
No. EGMs	4		
No. of companies voted on	71		
No. of companies where voted against management on at least one resolution	45		
% of companies with at least one vote against	63%		

Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds

Votes against management



- Antitakeover-related - 0
- Capitalisation - 0
- Director-related - 67
- Remuneration-related - 5
- Reorganisation and Mergers - 4
- Routine/Business - 0
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors-related - 0
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 2
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against

- No. of companies where we supported management
- No. of companies where we voted against management

LGIM voted against at least one resolution at **63%** of Japanese companies over the quarter

Q1 2021 | ESG Impact Report

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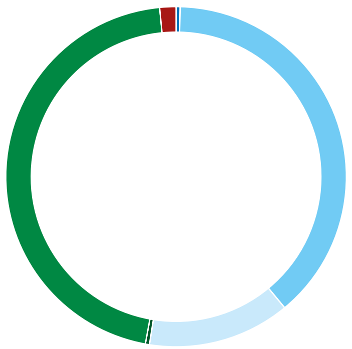
Asia Pacific - Q1 2021 voting summary

Proposal category	For	Against	Abstain
Antitakeover-related	0	0	0
Capitalisation	11	1	0
Director-related	348	100	0
Remuneration-related	135	35	0
Reorganisation and Mergers	9	1	0
Routine/Business	208	118	0
Shareholder Proposal - Compensation	0	0	0
Shareholder Proposal - Corporate Governance	0	0	0
Shareholder Proposal - Director-related	1	0	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	1	4	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	713	259	0
Total resolutions	972		
No. AGMs	131		
No. EGMs	11		
No. of companies voted on	138		
No. of companies where voted against management on at least one resolution	125		
% of companies with at least one vote against	91%		

Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds

Votes against management



- Antitakeover-related - 0
- Capitalisation - 1
- Director-related - 100
- Remuneration-related - 35
- Reorganisation and Mergers - 1
- Routine/Business - 118
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 0
- Shareholder Proposal - Directors-related - 0
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 4
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against

- No. of companies where we supported management
- No. of companies where we voted against management (including abstentions)

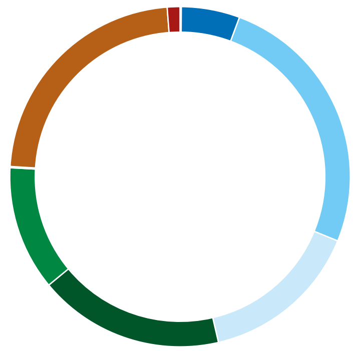
LGIM voted against at least one resolution at **91%** of Asia Pacific companies over the quarter

Emerging markets - Q1 2021 voting summary

Proposal category	For	Against	Abstain
Antitakeover-related	0	1	0
Capitalisation	771	46	0
Director-related	771	152	59
Remuneration-related	62	126	0
Reorganisation and Mergers	481	146	0
Routine/Business	795	98	0
Shareholder Proposal - Compensation	2	0	0
Shareholder Proposal - Corporate Governance	0	1	0
Shareholder Proposal - Director-related	19	189	0
Shareholder Proposal - General Economic Issues	0	0	0
Shareholder Proposal - Health/Environment	0	0	0
Shareholder Proposal - Other/Miscellaneous	0	0	0
Shareholder Proposal - Routine/Business	10	10	0
Shareholder Proposal - Social/Human Rights	0	0	0
Shareholder Proposal - Social	0	0	0
Total	2911	769	59
Total resolutions	3739		
No. AGMs	104		
No. EGMs	328		
No. of companies voted on	417		
No. of companies where voted against management on at least one resolution	190		
% of companies with at least one vote against	46%		

Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds. The abstentions were due to technical reasons which prevented us from voting. Where we have the option to vote, it is our policy to not abstain.

Votes against management / abstentions



- Antitakeover-related - 1
- Capitalisation - 46
- Director-related - 211
- Remuneration-related - 126
- Reorganisation and Mergers - 146
- Routine/Business - 98
- Shareholder Proposal - Compensation - 0
- Shareholder Proposal - Corporate Governance - 1
- Shareholder Proposal - Directors-related - 189
- Shareholder Proposal - General Economic Issues - 0
- Shareholder Proposal - Health/Environment - 0
- Shareholder Proposal - Other/Miscellaneous - 0
- Shareholder Proposal - Routine/Business - 10
- Shareholder Proposal - Social/Human Rights - 0
- Shareholder Proposal - Social - 0

Number of companies voted for/against abstentions

- No. of companies where we supported management
- No. of companies where we voted against management (including abstentions)

LGIM voted against at least one resolution at **46%** of emerging markets companies over the quarter

Global voting summary

Voting totals

Proposal category	For	Against	Abstain	Total
Antitakeover-related	54	1	0	55
Capitalisation	1204	78	0	1282
Director-related	3100	546	100	3746
Remuneration-related	444	264	0	708
Reorganisation and Mergers	542	155	0	697
Routine/Business	1862	284	5	2151
Shareholder Proposal - Compensation	5	1	0	6
Shareholder Proposal - Corporate Governance	0	2	0	2
Shareholder Proposal - Directors-related	31	197	1	229
Shareholder Proposal - General Economic Issues	0	0	0	0
Shareholder Proposal - Health/Environment	5	4	0	9
Shareholder Proposal - Other/Miscellaneous	3	3	0	6
Shareholder Proposal - Routine/Business	14	23	0	37
Shareholder Proposal - Social/Human Rights	0	1	0	1
Shareholder Proposal - Social	0	0	0	0
Total	7264	1559	106	8929
No. AGMs	484			
No. EGMs	443			
No. of companies voted on	889			
No. of companies where voted against management on at least one resolution	511			
% of companies with at least one vote against	57%			

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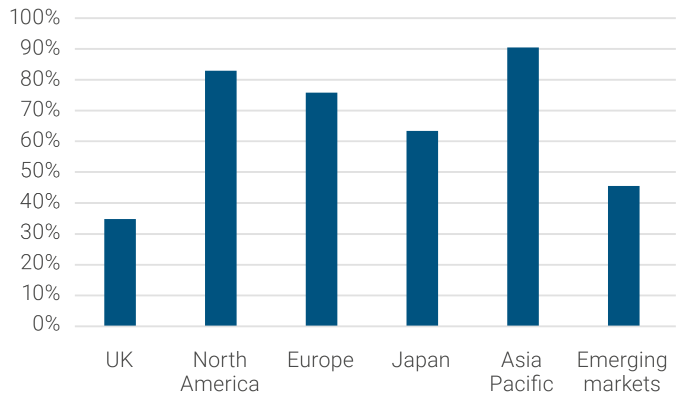
Number of companies voted for/against abstentions

- No. of companies where we supported management
- No. of companies where we voted against management (including abstentions)

% of companies with at least one vote against (includes abstentions)



Source for all data LGIM March 2021. The votes above represent voting instructions for our main FTSE pooled index funds

Global engagement summary

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Key engagement numbers

234
Total number of engagements during the quarter

216
Number of companies engaged with

Number of engagements on

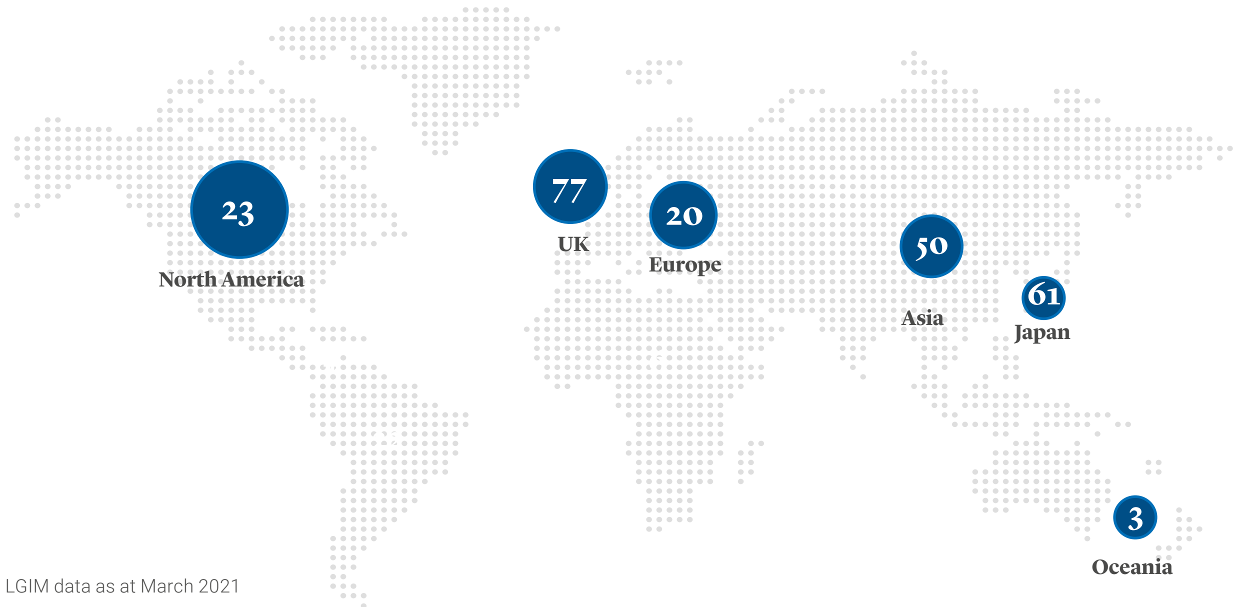
42
Environmental topics

139
Other topics (e.g. financial and strategy)

193
Governance topics

43
Social topics

Breakdown of our engagements by market

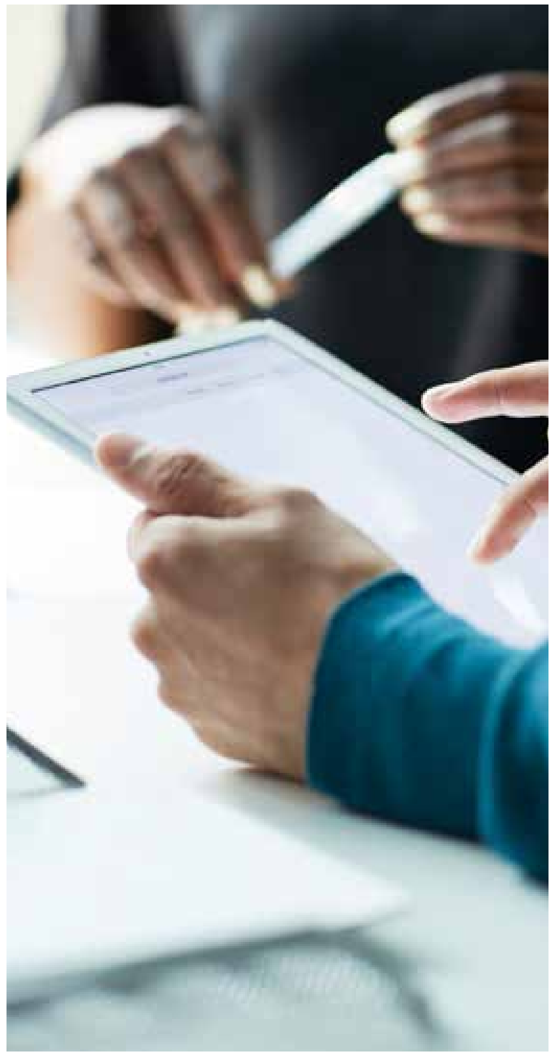


LGIM data as at March 2021

Engagement type

91
Conference calls

143
Email/letter



Top five engagement topics

1. ESG disclosures (including LGIM ESG score) — **108** engagements
2. Remuneration — **55** engagements
3. Climate Change — **38** engagements
4. Board composition — **26** engagements
5. Strategy — **19** engagements

LGIM data as at March 2021

Contact us

For further information about LGIM, please visit lgim.com or contact your usual LGIM representative

Important information
Views expressed are of Legal & General Investment Management Limited as at March 2021.

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D000260_052021

Shropshire County Council

Q1 2021

The purpose of the ***reo***® (responsible engagement overlay) * service is to engage with companies held in portfolios with a view to promoting the adoption of better environmental, social and governance (ESG) practices. The ***reo***® approach focuses on enhancing long-term investment performance by making companies more commercially successful through safer, cleaner, and more accountable operations that are better positioned to deal with ESG risks and opportunities.

Engagement in review

In the past 12 months net zero firmly entered the mainstream. Global net-zero commitments doubled and commitments by companies more than tripled arrived within the past year, signalling a remarkable embrace of the concept by policymakers and businesses. While net-zero pledges are critically important steps to combat climate change, we acknowledge that much more is needed.

As per a recent analysis by PwC, only around 8% of the world's largest companies represented by the Global Fortune 500 have committed to become net zero as of February 2021. Moreover, surveys indicate that just 10% of net-zero companies have set interim science-based emissions targets. In its inaugural Net-Zero Company Benchmark, which assesses the world's largest corporate greenhouse gas emitters on their progress in their transition to net zero, the Climate Action 100+ initiative found that none of the focus companies that have announced net-zero ambitions have fully disclosed strategies to achieve such goals. Likewise, none have committed to aligning future capital expenditure with the goal of limiting temperature rise to 1.5 degrees Celsius.

Climate strategies get a vote

Proxy voting

First advocated by activist investor Sir Christopher Hohn and later supported by the former governor of the Bank of England Mark Carney, investors and high emitting companies are keenly discussing the prospect of the "Say on Climate" mechanism, which requires boards to seek regular shareholder approvals on their decarbonisation strategies at AGMs.

Whilst this certainly helps shareholders get more clarity on the ambition and accountability of the board on decarbonisation, we also see this as a great opportunity for high emitters to garner long-term shareholder support once they begin the decarbonisation journey. This journey wouldn't be straightforward for most companies, as in many occasions we have already witnessed how the 2050 decarbonisation ambition is fundamentally reshaping business strategies with uncertainty about the future energy system and market dynamics. We expect the implied regular investor engagement required to maintain the level of support on the "Say on Climate" proposals and the feedback collected in this process to help companies balance different shareholder expectations and, in return, improve shareholder loyalty to the company throughout the journey.

The coal mine that became a political hot potato

Public policy engagement

We supported the Institutional Investors Group on Climate Change (IIGCC) letter to the British Prime Minister Boris Johnson asking for a timetable for the phase-out of all coal developments in the UK. The letter notes that the opening of a coal mine in northwest England will have a notable impact on the UK's legally binding carbon budgets and commits the UK to emissions from coking coal, for which there may be no domestic use after 2035. The letter also refers to the UK's expected leadership on climate change as host of COP26 later this year. The government has since taken on responsibility for any future decisions on the mine's opening after having previously chosen not to intervene, but first awaits an independent inquiry in the approval process and underlying climate data.

Towards a sustainable agricultural policy for the European Union

Public policy engagement

As part of our engagement on driving sustainable food systems, we joined several investors in sending a letter to the European Commission advocating for strong incentives in the Common Agricultural Policy (CAP) to support the transformation towards sustainable agriculture. Specifically, the letter called for ensuring incentives for Member States and farmers promote efforts to combat climate change and environmental impact and internalise the carbon footprint of currently subsidised commodities such as red meat.

The economics of biodiversity

Engagement tool

The Dasgupta Review, an independent study commissioned by the UK Treasury, was published in February 2021, providing an in-depth study of the economics of biodiversity. It described a devastating impact on nature from our current economic system and systematic failures of institutions to address the damage. It recommends an integration of the value of nature's good and services into accounting systems and a rebalancing of the economy to ensure demand on nature does not exceed its sustainable supply. Thirdly, it calls for institutions, especially finance and education, to transform to support these measures. We will use the findings of the report to inform corporate engagement on valuing ecosystem services and assets as part of company biodiversity strategies.

Our continuing work on living wages

Engagement update

An important element of our living wage engagement has been the work of collaborative initiatives we are part of. To celebrate our one-year anniversary of being members of the Platform Living Wage Financials (PLWF), we hosted the initiative's plenary meeting for the first time and invited a representative from the UN PRI to speak about developments around the EU Social Taxonomy. The PLWF working groups are now working on streamlining assessment methodologies for retail, garment and apparel, agriculture and food companies, all in preparation for the company assessments in the fall.

We also have ongoing dialogues on fair wages, freedom of association, employee engagement and enhanced transparency (i.e. participation in the Workforce Disclosure Initiative) with a number of companies in North America. Overall there is limited progress to report.

US update - What a difference a quarter makes

Regulatory update

This quarter we attended the spring conference of the US Council of Institutional Investors (CII), albeit virtually for the second year. We received updates on the current US regulatory agenda, as well as investor engagement campaigns in advance of the forthcoming US proxy season. We also contributed to the work of the CII's Corporate Governance Advisory Committee, providing feedback to the CII board on its campaigns and priorities.

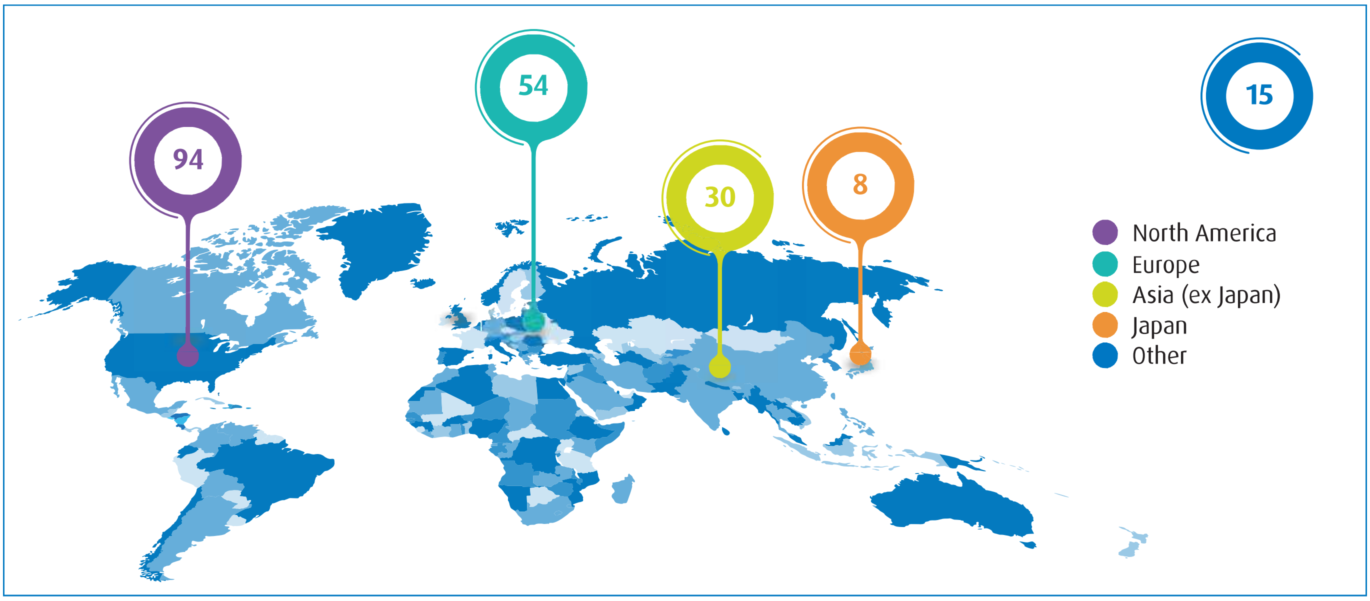
In contrast to the last few years, there was a renewed sense of optimism at the conference over the regulatory outlook in the US market since the Biden Administration came into power. In turn this has led to changes to the leadership and overall agenda at the SEC, which has spoken much more positively regarding the responsible investment industry and using proxy voting to promote better ESG performance. By means of example, they appointed a new role of climate czar and have encouraged companies to better disclose climate-related risks to investors.

Alongside this, we saw the U.S. Department of Labor (DOL) issue a non-enforcement notification regarding its two anti-ESG rules that came into force in the last few days of the Trump Administration. Although these rules are still legally binding, and therefore cannot be outright dismissed, it will give some comfort that the DOL will not investigate or overly-scrutinise investors on the ESG investing and proxy voting activities.

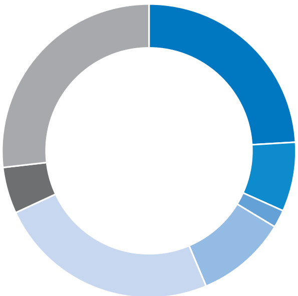
Companies engaged this quarter

Companies Engaged	Milestones achieved	Countries covered
201	67	30

Companies engaged by region

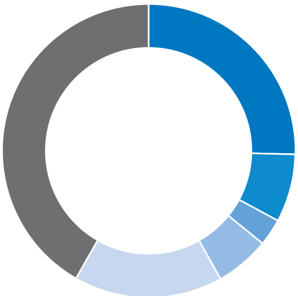


Companies engaged by issue **



Climate Change	123
Environmental Standards	39
Business Conduct	10
Human Rights	51
Labour Standards	125
Public Health	26
Corporate Governance	137

Milestones achieved by issue



Climate Change	17
Environmental Standards	5
Human Rights	2
Labour Standards	4
Public Health	11
Corporate Governance	28

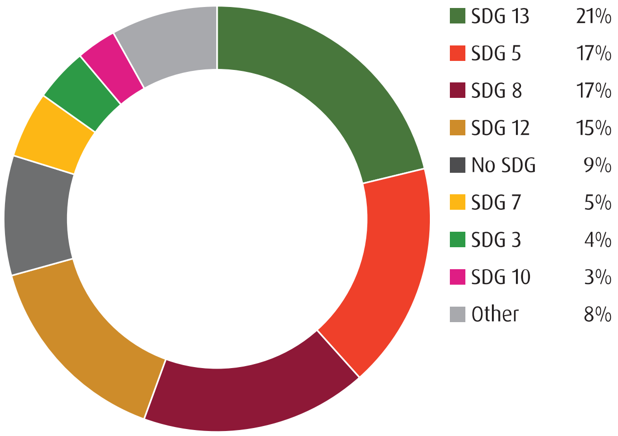
* ***reo***® is currently applied to £271bn / €303bn / US$370bn / CAD$433bn* as at 31 December 2020.
** Companies may have been engaged on more than one issue.
*** This report has been compiled using data supplied by a third-party electronic voting platform provider. The statistics exclude ballots with zero shares and re-registration meetings. Meetings/ballots/proposals are not considered voted if: ballots have been rejected by voting intermediaries (e.g. where necessary documentation (such as Powers of Attorney, beneficial owner confirmation, etc.) was not in place); instructed as "Do not vote" (e.g. in share-blocking markets); or left uninstructed. Past performance should not be seen as an indication of future performance. Stock market and currency movements mean the value of, and income from, investments in the Fund are not guaranteed. They can go down as well as up and you may not get back the amount you invest.

Engagements and Sustainable Development Goals (SDGs)

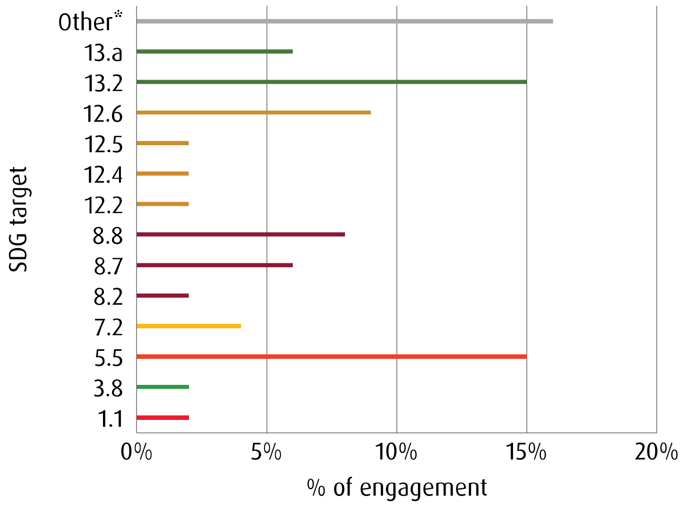
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

We use the detailed underlying SDG targets to frame company engagement objectives, where relevant, as well as to articulate the positive societal and environmental impacts of engagement. Engagements are systematically captured at a target level, to enable greater accuracy and achieve higher impact.

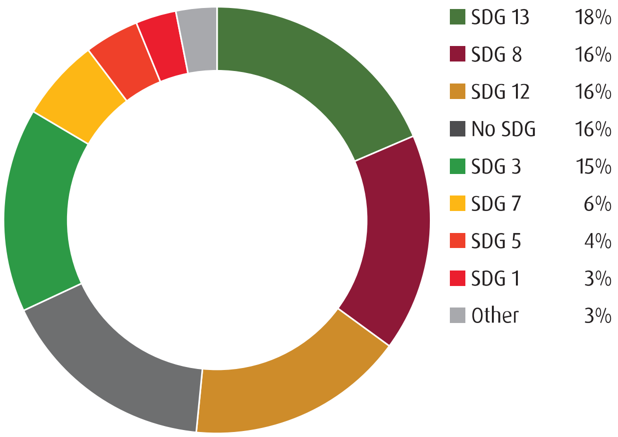
Engagement: SDG level



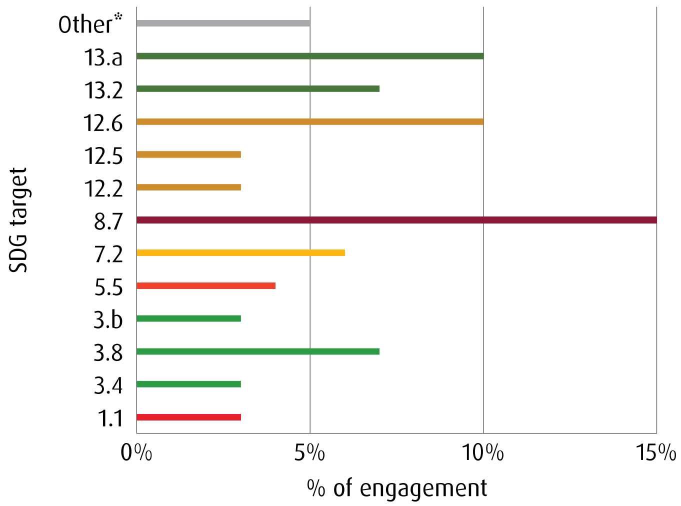
Engagement: SDG target level



Milestone: SDG level



Milestone: SDG target level



*Other represents SDG targets less than 2% of the relevant SDG Goal.

Priority Companies and Your Fund

The table below highlights the companies on BMO's annual priority engagement list with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. Priority companies are selected through a detailed analysis of client holdings, proprietary ESG risk scores, engagement history and the BMO Responsible Investment team's judgement and expertise. Each priority company has defined engagement objectives set at the beginning of each year. Engagement activity levels for priority companies are more intensive than for companies where we engage more reactively. For full details of our engagements with companies please refer to the online ***reo***® client portal.

				Themes engaged						
Name	**Sector**	**ESG Rating**	**Response to engagement**	**Climate Change**	**Environmental Stewardship**	**Business Ethics**	**Human Rights**	**Labour Standards**	**Public Health**	**Corporate Governance**
Alleghany Corp	Financials	● Third quartile	Adequate	●						
Amazon.com Inc	Consumer Discretionary	● Second quartile	Poor				●	●		
Antofagasta PLC	Materials	● Top quartile			●		●	●		
Asia Cement Corp	Materials	● Bottom quartile		●	●					●
Cardinal Health Inc	Health Care	● Second quartile						●	●	●
China Construction Bank Corp	Financials	● Second quartile	Poor	●						
Crown Holdings Inc	Materials	● Third quartile			●			●		
Eli Lilly and Co	Health Care	● Second quartile						●	●	●
Enbridge Inc	Energy	● Second quartile		●				●		●
Exxon Mobil Corp	Energy	● Second quartile		●						
FMC Corp	Materials	● Third quartile	Good	●	●					
Honda Motor Co Ltd	Consumer Discretionary	● Second quartile		●						
JD.com Inc	Consumer Discretionary	● Bottom quartile								●
Kasikornbank PCL	Financials	● Second quartile		●						
Lennar Corp	Consumer Discretionary	● Bottom quartile								●
Moncler SpA	Consumer Discretionary	● Second quartile						●		
Mondelez International Inc	Consumer Staples	● Second quartile							●	
National Australia Bank Ltd	Financials	● Top quartile		●	●		●	●		
Reliance Industries Ltd	Energy	● Third quartile		●						
Rio Tinto Ltd	Materials	● Second quartile	Good	●			●			●
Royal Dutch Shell PLC	Energy	● Top quartile	Good	●	●					●
Saudi Arabian Oil Co	Energy	● Bottom quartile		●						
Suncor Energy Inc	Energy	● Second quartile		●				●		●
TC Energy Corp	Energy	● Second quartile		●				●		●

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

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Name	Sector	ESG Rating	Response to engagement	Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
				Themes engaged						
UnitedHealth Group Inc	Health Care	●	Adequate			●				

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Engagements and Your Fund: Red rated

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online ***reo***® client portal.

Name	Country	Sector	Priority company	Themes engaged: Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Asia Cement Corp	Taiwan	Materials	✔	●	●					●
Bayer AG	Germany	Health Care		●	●					
China Shenhua Energy Co Ltd	China	Energy		●						●
Foshan Haitian Flavouring & Food Co Ltd	China	Consumer Staples		●	●			●		●
Grupo Mexico SAB de CV	Mexico	Materials			●		●	●		●
Henry Schein Inc	United States	Health Care		●	●			●		
JBS SA	Brazil	Consumer Staples						●		
JD.com Inc	China	Consumer Discretionary	✔							●
Largan Precision Co Ltd	Taiwan	Information Technology			●			●		●
Lennar Corp	United States	Consumer Discretionary	✔							●
Pfizer Inc	United States	Health Care							●	
Saudi Arabian Oil Co	Saudi Arabia	Energy	✔	●						
Southern Copper Corp	Peru	Materials			●		●	●		●
Stellantis NV	Netherlands	Consumer Discretionary		●						
Teva Pharmaceutical Industries Ltd	Israel	Health Care			●	●		●	●	
UnitedHealth Group Inc	United States	Health Care	✔			●				
Volkswagen AG	Germany	Consumer Discretionary		●						
Walmart Inc	United States	Consumer Staples						●	●	●

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.
Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

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Engagements and Your Fund: Orange rated

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online ***reo***® client portal.

				Themes engaged							
Name	**Country**	**Sector**	**Priority company**	**Climate Change**	**Environmental Stewardship**	**Business Ethics**	**Human Rights**	**Labour Standards**	**Public Health**	**Corporate Governance**
4imprint Group PLC	United Kingdom	Consumer Discretionary					●	●		●
Air Canada	Canada	Industrials		●						●
Alleghany Corp	United States	Financials	✔	●						
AmerisourceBergen Corp	United States	Health Care						●	●	●
Angel Yeast Co Ltd	China	Consumer Staples		●	●			●		●
ANTA Sports Products Ltd	China	Consumer Discretionary					●	●		
Atco Ltd/Canada	Canada	Utilities		●						●
Bank Mandiri Persero Tbk PT	Indonesia	Financials						●		
Bausch Health Cos Inc	United States	Health Care		●						●
BRF SA	Brazil	Consumer Staples						●		
Canadian Apartment Properties REIT	Canada	Real Estate		●						●
Canadian National Railway Co	Canada	Industrials		●			●	●		●
Canadian Natural Resources Ltd	Canada	Energy		●						●
Canadian Pacific Railway Ltd	Canada	Industrials		●				●		●
China Mengniu Dairy Co Ltd	Hong Kong	Consumer Staples		●						
China Pacific Insurance Group Co Ltd	China	Financials			●			●		●
CK Asset Holdings Ltd	Hong Kong	Real Estate		●						●
Crown Holdings Inc	United States	Materials	✔		●			●		
CVS Health Corp	United States	Health Care						●	●	●
Delivery Hero SE	Germany	Information Technology						●		
Discovery Ltd	South Africa	Financials		●						●
Dollar General Corp	United States	Consumer Discretionary						●		
Dollar Tree Inc	United States	Consumer Discretionary						●		
Dollarama Inc	Canada	Consumer Discretionary		●						●
Empire Co Ltd	Canada	Consumer Staples		●						●
First Quantum Minerals Ltd	Canada	Materials		●						●
FMC Corp	United States	Materials	✔	●	●					

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.
Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Name	Country	Sector	Priority company	Themes engaged: Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Hargreaves Lansdown PLC	United Kingdom	Financials						●		
iA Financial Corp Inc	Canada	Financials		●						●
M&G PLC	United Kingdom	Financials					●	●		●
McKesson Corp	United States	Health Care						●	●	●
MMC Norilsk Nickel PJSC	Russia	Materials		●						
Onex Corp	Canada	Financials		●						●
Reliance Industries Ltd	India	Energy	✔	●						
RioCan Real Estate Investment Trust	Canada	Real Estate		●				●		●
Shandong Sinocera Functional Material Co Ltd	China	Materials		●	●			●		●
Shaw Communications Inc	Canada	Consumer Discretionary		●				●		●
Thai Union Group PCL	Thailand	Consumer Staples			●			●		
Thermo Fisher Scientific Inc	United States	Health Care		●		●	●	●		●
Walgreens Boots Alliance Inc	United States	Consumer Staples						●	●	●
Waste Connections Inc	United States	Industrials		●				●		●
Zhejiang Supor Co Ltd	China	Consumer Discretionary			●			●		●

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.
Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

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Engagements and Your Fund: Yellow rated

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online ***reo***® client portal.

				Themes engaged							
Name	Country	Sector	Priority company	Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Agricultural Bank of China Ltd	China	Financials		●						
AIA Group Ltd	Hong Kong	Financials		●						
Amazon.com Inc	United States	Consumer Discretionary	✔				●	●		
Anglo American PLC	United Kingdom	Materials		●	●		●	●		
Apple Inc	United States	Information Technology					●	●		
AVEVA Group PLC	United Kingdom	Information Technology					●	●		●
Barrick Gold Corp	Canada	Materials		●				●		●
BCE Inc	Canada	Communication Services		●						●
BHP Group Ltd	Australia	Materials		●						●
Cardinal Health Inc	United States	Health Care	✔					●	●	●
China Construction Bank Corp	China	Financials	✔	●						
Eli Lilly and Co	United States	Health Care	✔					●	●	●
Emera Inc	Canada	Utilities		●						●
Enbridge Inc	Canada	Energy	✔	●				●		●
Eni SpA	Italy	Energy					●			
Evraz PLC	Russia	Materials					●	●		●
Exxon Mobil Corp	United States	Energy	✔	●						
FirstService Corp	Canada	Real Estate								●
GlaxoSmithKline PLC	United Kingdom	Health Care							●	
Hikma Pharmaceuticals PLC	Jordan	Health Care					●	●		●
Honda Motor Co Ltd	Japan	Consumer Discretionary	✔	●						
Hoya Corp	Japan	Health Care		●	●			●	●	
Inner Mongolia Yili Industrial Group Co Ltd	China	Consumer Staples		●						
Johnson & Johnson	United States	Health Care			●				●	●
JPMorgan Chase & Co	United States	Financials		●						
Just Eat Takeaway.com NV	Netherlands	Information Technology						●		
Kasikornbank PCL	Thailand	Financials	✔	●						

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.
Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

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Name	Country	Sector	Priority company	Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
				Themes engaged						
Kirkland Lake Gold Ltd	Canada	Materials		●						●
Loblaw Cos Ltd	Canada	Consumer Staples		●				●		●
Lundin Mining Corp	Canada	Materials					●	●		
Moncler SpA	Italy	Consumer Discretionary	✔					●		
Mondelez International Inc	United States	Consumer Staples	✔						●	
NAVER Corp	South Korea	Information Technology		●		●		●		●
NIKE Inc	United States	Consumer Discretionary					●	●		
Northland Power Inc	Canada	Utilities		●						●
Novartis AG	Switzerland	Health Care				●			●	●
Occidental Petroleum Corp	United States	Energy		●						
Rio Tinto Ltd	Australia	Materials	✔	●			●			●
Shimadzu Corp	Japan	Information Technology						●		●
Shopify Inc	Canada	Information Technology		●				●		●
STERIS PLC	United States	Health Care		●	●			●	●	●
Suez SA	France	Utilities		●						
Sumitomo Mitsui Financial Group Inc	Japan	Financials						●		●
Suncor Energy Inc	Canada	Energy	✔	●				●		●
Sysco Corp	United States	Consumer Staples						●		
TC Energy Corp	Canada	Energy	✔	●				●		●
TOTAL SE	France	Energy		●			●			
Toyota Motor Corp	Japan	Consumer Discretionary		●					●	
Tyson Foods Inc	United States	Consumer Staples					●	●		
Wal-Mart de Mexico SAB de CV	Mexico	Consumer Staples								●
WH Group Ltd	Hong Kong	Consumer Staples						●		

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.
Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

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Engagements and Your Fund: Green rated

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online ***reo***® client portal.

Name	Country	Sector	Priority company	Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
				Themes engaged						
adidas AG	Germany	Consumer Discretionary					●	●		
Algonquin Power & Utilities Corp	Canada	Utilities		●						●
AMMB Holdings Bhd	Malaysia	Financials		●						
Antofagasta PLC	Chile	Materials	✔		●		●	●		
Archer-Daniels-Midland Co	United States	Consumer Staples			●		●			
Ashtead Group PLC	United Kingdom	Industrials					●	●		●
Associated British Foods PLC	United Kingdom	Consumer Staples			●					
AstraZeneca PLC	United Kingdom	Health Care							●	
B2Gold Corp	Canada	Materials		●						●
Banco Bradesco SA	Brazil	Financials		●	●					
Bank of Nova Scotia	Canada	Financials		●				●		●
BASF SE	Germany	Materials		●	●					
Brookfield Asset Management Inc	Canada	Financials		●						●
Bunge Ltd	United States	Consumer Staples			●					
Burberry Group PLC	United Kingdom	Consumer Discretionary					●	●		
Canadian Imperial Bank of Commerce	Canada	Financials		●				●		●
CGI Inc	Canada	Information Technology								●
CIMB Group Holdings Bhd	Malaysia	Financials		●	●					
Citigroup Inc	United States	Financials		●				●		
Clicks Group Ltd	South Africa	Consumer Staples							●	●
Coca-Cola HBC AG	Switzerland	Consumer Staples					●	●		●
Cognex Corp	United States	Information Technology						●		●
Commerzbank AG	Germany	Financials		●	●					
Compass Group PLC	United Kingdom	Consumer Discretionary					●	●	●	●
Danone SA	France	Consumer Staples								●
DBS Group Holdings Ltd	Singapore	Financials		●						
easyJet PLC	United Kingdom	Industrials					●	●		●

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

Name	Country	Sector	Priority company	Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
				Themes engaged						
eBay Inc	United States	Information Technology				●				●
Electrocomponents PLC	United Kingdom	Information Technology					●	●		●
Entain PLC	United Kingdom	Consumer Discretionary					●	●		●
Fast Retailing Co Ltd	Japan	Consumer Discretionary						●		
Fortis Inc/Canada	Canada	Utilities		●						●
Franco-Nevada Corp	Canada	Materials		●				●		●
George Weston Ltd	Canada	Consumer Staples		●						●
Goldman Sachs Group Inc/The	United States	Financials		●						
H & M Hennes & Mauritz AB	Sweden	Consumer Discretionary					●	●		
Hays PLC	United Kingdom	Industrials					●	●		●
HeidelbergCement AG	Germany	Materials		●						
HSBC Holdings PLC	United Kingdom	Financials		●			●	●		●
Hydro One Ltd	Canada	Utilities		●						●
Industrial Bank Co Ltd	China	Financials		●						
Informa PLC	United Kingdom	Consumer Discretionary								●
ING Groep NV	Netherlands	Financials					●	●		
Intact Financial Corp	Canada	Financials		●						●
International Business Machines Corp	United States	Information Technology					●			●
J Sainsbury PLC	United Kingdom	Consumer Staples					●	●		●
JD Sports Fashion PLC	United Kingdom	Consumer Discretionary					●	●		●
Kerry Group PLC	Ireland	Consumer Staples								●
Kingspan Group PLC	Ireland	Industrials				●				
Kyushu Railway Co	Japan	Industrials		●						●
Land Securities Group PLC	United Kingdom	Real Estate								●
Malayan Banking Bhd	Malaysia	Financials		●						
Manulife Financial Corp	Canada	Financials		●						●
Marks & Spencer Group PLC	United Kingdom	Consumer Discretionary					●	●		●
McDonald's Corp	United States	Consumer Discretionary				●		●		●
Mettler-Toledo International Inc	United States	Health Care		●	●	●		●		●
National Australia Bank Ltd	Australia	Financials	✔	●	●		●	●		
National Bank of Canada	Canada	Financials		●				●		●
Nestle India Ltd	India	Consumer Staples			●			●		
Newmont Corp	United States	Materials			●					
Parkland Corp/Canada	Canada	Energy		●						●
PepsiCo Inc	United States	Consumer Staples							●	
Phoenix Group Holdings PLC	United Kingdom	Financials					●	●		●
Polymetal International PLC	Cyprus	Materials					●	●		●

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: Second quartile: Third quartile: Bottom quartile:

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Name	Country	Sector	Priority company	Themes engaged: Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
Puma SE	Germany	Consumer Discretionary					●	●		
PZ Cussons PLC	United Kingdom	Consumer Staples					●	●		●
Quebecor Inc	Canada	Consumer Discretionary		●						●
Restaurant Brands International Inc	Canada	Consumer Discretionary		●						●
RHB Bank Bhd	Malaysia	Financials								●
Ritchie Bros Auctioneers Inc	Canada	Industrials		●						●
Rogers Communications Inc	Canada	Communication Services		●						●
Royal Bank of Canada	Canada	Financials		●				●		●
Royal Dutch Shell PLC	Netherlands	Energy	✔	●	●					●
RSA Insurance Group PLC	United Kingdom	Financials					●	●		●
SCSK Corp	Japan	Information Technology								●
Smurfit Kappa Group PLC	Ireland	Materials		●						●
Sun Life Financial Inc	Canada	Financials		●				●		●
Symrise AG	Germany	Materials			●			●		●
Taiwan Semiconductor Manufacturing Co Ltd	Taiwan	Information Technology		●	●					
Teleperformance	France	Industrials						●		●
TELUS Corp	Canada	Communication Services		●				●		●
Tesco PLC	United Kingdom	Consumer Staples		●			●	●		
TMX Group Ltd	Canada	Financials								●
Toronto-Dominion Bank/The	Canada	Financials		●				●		●
UBS Group AG	Switzerland	Financials		●				●		●
Unilever PLC	United Kingdom	Consumer Staples							●	
West Fraser Timber Co Ltd	Canada	Materials		●				●		●
Wheaton Precious Metals Corp	Canada	Materials		●	●		●	●		●
Wolters Kluwer NV	Netherlands	Industrials				●		●		●
Zebra Technologies Corp	United States	Information Technology		●				●		●

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.
Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

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Milestones and Your Fund

The table below highlights the companies with which we have recorded milestones on your behalf in the past quarter and which you currently hold within your portfolio. Milestones are engagement outcomes which we have identified and is rated on the extent to which it protects or enhances investor value. For full details of our engagements which led to one star milestones please refer to the online ***reo***® client portal.

Name	Country	Sector	Priority company	ESG Rating	Themes engaged: Climate Change	Environmental Stewardship	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance
★★★											
Bank of America Corp	United States	Financials		Top quartile	●						
China Shenhua Energy Co Ltd	China	Energy		Bottom quartile	●						
Citigroup Inc	United States	Financials		Top quartile	●						
Glencore PLC	Switzerland	Materials		Third quartile	●						
HSBC Holdings PLC	United Kingdom	Financials		Top quartile	●						
Wells Fargo & Co	United States	Financials	✔	Third quartile	●						
★★											
Archer-Daniels-Midland Co	United States	Consumer Staples		Top quartile		●					
China Shenhua Energy Co Ltd	China	Energy		Bottom quartile	●						
Credit Suisse Group AG	Switzerland	Financials		Top quartile	●						
Duke Energy Corp	United States	Utilities	✔	Second quartile	●						
General Motors Co	United States	Consumer Discretionary	✔	Third quartile	●						
J Sainsbury PLC	United Kingdom	Consumer Staples		Top quartile		●					
Kerry Group PLC	Ireland	Consumer Staples		Top quartile		●					
PepsiCo Inc	United States	Consumer Staples		Top quartile	●						
POSCO	South Korea	Materials		Second quartile	●						
Royal Dutch Shell PLC	Netherlands	Energy	✔	Top quartile	●						
Teva Pharmaceutical Industries Ltd	Israel	Health Care		Bottom quartile		●					
★											
Exxon Mobil Corp	United States	Energy	✔	Second quartile	●						
Kerry Group PLC	Ireland	Consumer Staples		Top quartile		●					
TOTAL SE	France	Energy		Second quartile	●						

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.
Top quartile: ● Second quartile: ● Third quartile: ● Bottom quartile: ●

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Committee and date	Item
Pensions Committee 25 June 2021 10.00am	Public

PENSIONS ADMINISTRATION MONITORING REPORT

Responsible Officer: Debbie Sharp
Email: Debbie.sharp@shropshire.gov.uk
Tel: (01743) 252192

1. Summary

1.1 The report provides members with monitoring information on the performance of and issues affecting the pensions administration team.

2. Recommendations

2.1 Members are asked to accept the position as set out in the report.

2.2 Members are asked to agree that on-line training and information resource deemed necessary for working from home to be procured with agreement from the Scheme Administrator.

2.3 To approve, with or without comment, the revised Employers Events Policy at **Appendix C** and;

2.4 To approve, with or without comment, the revised Funding Strategy Statement at **Appendix D**.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Risk Management

Performance is considered and monitored to ensure regulatory timescales and key performance indicators are adhered to. Administration risks are identified and managed and are reported to committee on an annual basis.

3.2 Human Rights Act Appraisal

The recommendations contained in this report are compatible with the Human Rights Act 1998.

3.3 Environmental Appraisal

There is no direct environmental, equalities or climate change consequence of this report.

3.4 Financial Implication

Managing team performance and working with other administering authorities ensures costs to scheme employers for scheme administration are reduced. Reconciling the fund's guaranteed minimum pension liabilities (GMPs) with HMRC will have a direct cost for the fund but if this is not undertaken the fund risks taking on financial liabilities it didn't need to and having its data called into question by the fund actuary. LGPS having to fully index GMPs will increase costs for the fund going forward. Further compliance with TPR code has highlighted areas where further costs could by incurred.

3.5 Climate change appraisal

Energy and fuel consumption: No effect
Renewable energy generation: No effect
Carbon offsetting or mitigation: No effect
Climate Change adaptation: No effect

4. Performance and Team Update

4.1 The team's output and performance level to May 2021 is attached at Appendix A. The chart shows either single standalone tasks or tasks that are part of a case. Cases are a complete process that hold steps (tasks) for a procedure to be completed. You will see that in the last quarter, outstanding processes has been falling steadily as processes completed increased. Processes completed on time has seen a small improvement. Refresher training, provided by the software supplier, on workflow was undertaken recently. This proved invaluable, giving clarification on how to use target dates within workflow. The intention is to revisit some of the workflow cases to ensure all target dates are realistic to the case.

4.2 All fund employers submitted their final month 12 data submission, via i-Connect. This provides the fund with the data required at year end for individual member records. Data cleansing is currently ongoing. Checks are undertaken to ensure all active records have Pensionable pay and contributions posted to them. Pensionable Pay, actual pensionable pay (CARE pay) and final salary pay, is checked using a tolerance level of 10% increase or decrease. All discrepancies are sent to employers for them to check the pay they have supplied. This process usually highlights any unprocessed leavers, missing pay due to an absence as well as other missing data such as hours changes. This All checking is expected to be completed by 30 June 2021 to allow for other bulk jobs to be run ahead of the statutory annual benefit statement production in August 2021.

4.3 As well as data collection and cleansing at year end, a reconciliation of contributions received is undertaken. Employers are required to submit two forms giving a reconciliation of the amount of contributions deducted to the amount paid over. This is checked against the amounts we have received for the year as well as a check on the employer % being deducted. The second form is as a compliance statement which gives the fund assurance that the employer has been following the scheme rules. The deadline for receiving these under the regulations is 30 June, any received after this date will be a recorded breach of legislation. At time of writing the report there were 12 outstanding.

4.4 Shropshire Council has announced that office based working for whole teams, in place prior to the pandemic at the council, will not recommence. A number of desks will be available to staff to book but teams will not return to the office space they occupied previously.

4.5 As ‘Working from Home’ is therefore here to stay revisions need to be made to how the Pensions Administration Team inducts and trains staff remotely. Online training modules and knowledge hubs will need to be utilised. Those available are currently being assessed and those deemed appropriate and necessary will be procured with agreement from the Scheme Administrator.

5. Help Desk Statistics

5.1 The following chart shows statistics of the main work undertaken by the helpdesk team. The tasks completed on the pensions administration system by the helpdesk team are reported with the wider team statistics in **Appendix A**. From April 2021, investigation work is being undertaken to identify the additional workload being created through assisting members with ‘My Pension Online’; dealing with activation key requests and dealing with member updates. Statistics below, from April, also now include the number of opt out requests each month. More effective reporting of the number of calls received to the general helpdesk number is available due to a change in the telephone system from January 2021.

	February 2021	**March 2021**	**April 2021**
Telephone calls received to helpdesk team	983	827	1140

% of calls answered	92%	94%	92%
Emails received to pensions@shropshire.gov.uk	972	1035	933
% of emails responded to within 3 working days	100%	100%	100%
My Pension Online activation keys issued	n/a*	n/a*	75
Member updates made through My Pension Online	n/a*	n/a*	450
Opt out requests directly dealt with by helpdesk	18	12	32
Incoming post received and indexed to the Pensions Administration system	2,925	3,139	2,470
One to one appointment's held with scheme members	n/a*	n/a*	24

*Newly reported statistics. Figures not available for this period.

6. Communications and Governance

6.1 The fund monitors member take-up of its online area member self-service (MSS), known by members as 'My Pension Online'. The annual benefit statements for both active and deferred members are now available to view on 'My Pension Online' unless a member has requested a paper copy. As at April 2021, a total of 46% active members, 35% of pensioner and 38% of deferred members were registered to view their records on 'My Pension Online'.

6.2 The employers meeting is due to take place on 22 November 2021. It will include an update from the fund actuary on the interim fund valuation and their initial thoughts regarding the next triennial valuation at 31 March 2022, as well as an update on data and the McCloud project.

6.3 In April 2021, the team successfully issued payroll documents electronically via 'My Pension Online' rather than sending paper copies. All fund members with a registered email address received notification to login to view their P60 and monthly payslip. Members who had previously expressed a preference to continue to receive a paper copy of the P60 were sent a paper copy.

6.4 Work is underway to prepare member newsletters to accompany the annual benefit statements for active and deferred members. The newsletters are being prepared on a collaborative basis with other LGPS funds. Officers from

Shropshire take the lead on this collaboration. All newsletters are reviewed by Plain English and awarded a Crystal Mark showing it has met their required standard.

6.5 Officers attended a virtual training session in April 2021 on how to make documents published to the fund's website accessible. This included (but not limited to) improving published documents so they can be viewed by people with low or no vision, people with dyslexia, colour blindness or motor disabilities. This follows the publication of the Public Sector Bodies Accessibility Regulations. Officers have already identified and made significant changes to the accessibility of the most popular documents published to the fund's website. Initial changes have been made to the administration reports presented by officers for this meeting. The main changes being to the font and formatting of the information to be more suitable for assistive equipment such as screen readers. Further work is underway to ensure all documents the fund produces are produced in an accessible format and IT software is being procured to test all document accessibility going forward. Officers are also contacting third party organisations to ensure any documents provided to the fund to publish on the website are produced in an accessible format.

6.6 Webinars are being organised for fund employers covering the following topics;

- Fund employers considering outsourcing a service
- Ill health retirements.

6.7 These topics have been identified by officers as areas that scheme employers require the most assistance with.

7. Employer performance

7.1 In line with the Shropshire County Pension Fund administration strategy, employers must pay their contributions by the 19th of the month. Accompanying data must also be submitted via i-Connect by this date. The below table shows the percentage of employers who have met the deadline over this quarter. This table also includes information about employers who make monthly deficit payments. Information about employers who did not meet these deadlines is covered in the governance report.

	February 2021	March 2021	April 2021
i-Connect data	96%	98%	98%
Monthly contributions	97%	98%	98.5%

Monthly deficit	94%	97%	97%

8. Cyber security

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

8.2 There is no data available from Shropshire Council's IT team regarding the number of cyber-attacks for this year to date.

8.3 Over the last quarter, the pensions team have been asked to undertake the annual data protection training through Shropshire Council's Leap into Learning portal. This is mandatory training that must be renewed annually.

9. McCloud update

9.1 To recap, the Court of Appeal's ruling in December 2018 confirmed that the transitional protections provided for members of the Judges' and Firefighters' pension schemes when the public sector pension reforms were implemented in 2014 and 2015, were age discriminatory. This was because eligibility for these protections was based on an age criterion. Similarly, age-restricted transitional protections were also provided across the other public service pension schemes and last year the government announced that it would seek to remedy the position, including for the LGPS. In the LGPS the protections took the form of a final salary underpin to the new CARE benefit structure implemented in 2014. On 16 July 2020, MHCLG released the much-anticipated consultation on the McCloud remedy for the LGPS in England and Wales (here). The consultation closed on 8 October 2020 and a response to the consultation is expected later this year.

9.2 On 13 May 2021, a Written Ministerial Statement was published which outlines the Government's intentions in applying the remedy that is required to the Local Government Pension Scheme in England and Wales following the McCloud judgment. https://questions-statements.parliament.uk/written-statements/detail/2021-05-13/hcws26

9.3 This confirmed that it is the Government's intention that Regulations providing for the "McCloud remedy" are expected to come into force from 1 April 2023. The 'key points' in the statement are in line with the prior consultation on the remedy. It also notes that a formal response to the consultation will be published later this year, and that new LGPS regulations giving effect to the changes will come into force on 1 April 2023 (and be retrospective to 1 April 2014).

9.4 The key points from the statement were:

- Scheme regulations giving effect to the above changes will be retrospective to 1 April 2014.
- Underpin protection will apply to LGPS members who were active in the scheme on 31 March 2012 and had membership of the career average scheme without a continuous break in service of more than five years.
- The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease the earlier of where a member leaves active membership or reaches their final salary scheme normal retirement age (normally 65) before 31 March 2022
- Where a member stays in active membership beyond 31 March 2022, the comparison of their benefits will be based on their final salary when they leave the LGPS, or when they reach their final salary scheme normal retirement age, if earlier.

10. Employer contribution flexibilities

10.1 Following the new regulations introduced in September 2020, at the beginning of March, the MHCLG published its statutory guidance on the content of the Funding Strategy Statement where administering authorities decide to adopt the "employer contribution flexibilities". To re-cap, these are the new powers available to administering authorities to review employer contributions between valuations and provide more flexible termination strategies. Alongside the statutory guidance, the Scheme Advisory Board published its guide to employers and administering authorities on how to operate the employer contribution flexibilities in practice.

10.2 The new regulations allow funds to review contributions between valuations under prescribed circumstances. In addition, for employers who wish to curtail the build-up of future benefit accrual but cannot afford the termination payment, a new option of "deferred employer status" can be made available. Although a discretion, funds are actively encouraged by SAB to adopt the employer contribution flexibilities. SAB also encourages employers to ask funds to clearly state their reasons for not adopting the flexibilities, if this is the case.

10.3 The flexibilities provide additional armoury to fund's risk management toolkit. Allowing contributions to flex to meet changing covenant or liabilities provides an opportunity to collect more upfront cash (where covenant has improved or liabilities have increased) or alternatively improve security/the likelihood of future recovery, where covenant has deteriorated.

10.4 On 22 April 2021, the fund circulated a consultation on changes to the fund's Employer Events Policy and the Funding Strategy Statement. The consultation ran to 31 May 2021. There was one minor comment received two weeks after the consultation deadline. The consultation cover letter is at **Appendix B**. The updated Employers Events Policy can be found in **Appendix C** and the Funding Strategy Statement at **Appendix D**.

11. GMP Indexation

11.1 Following HM Treasury's 2020 consultation on future GMP indexation, it has been confirmed that HMT will not be adopting a "GMP conversion" approach for the LGPS. Instead the current indexation provisions will be extended to cover those members of public service pension schemes reaching State Pension age from 6 April 2021.

12. Pension Scheme Bill

12.1 On 11th February 2021, the Pension Scheme's Bill received royal assent and became the Pension Schemes Act 2021.

12.2 In addition to tough new powers for TPR, it also paves the way for pension dashboards and climate risk reporting.

13. SAB Annual Report 2020

13.1 The Scheme Advisory Board in England and Wales has published its annual report which aggregates information from 88 funds as at 31 March 2020. The numbers of employers and members in the scheme continue to grow and are now above 16,000 and 6m respectively. Assets were valued at around £280bn, with roughly 2/3rds in pooled investment vehicles, and net cash flow (contributions vs benefits) is negative but comfortably met by investment income. The aggregate funding level based on local valuation assumptions at 2019 was 98%.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Pensions Committee Meeting 05 March 2021 Pensions Administration Report
Cabinet Member (Portfolio Holder) NA
Local Member NA
Appendices Appendix A – Performance Chart Appendix B – Consultation Cover Letter Appendix C – Employers Events Policy 2021 Appendix D – Funding Strategy Statement

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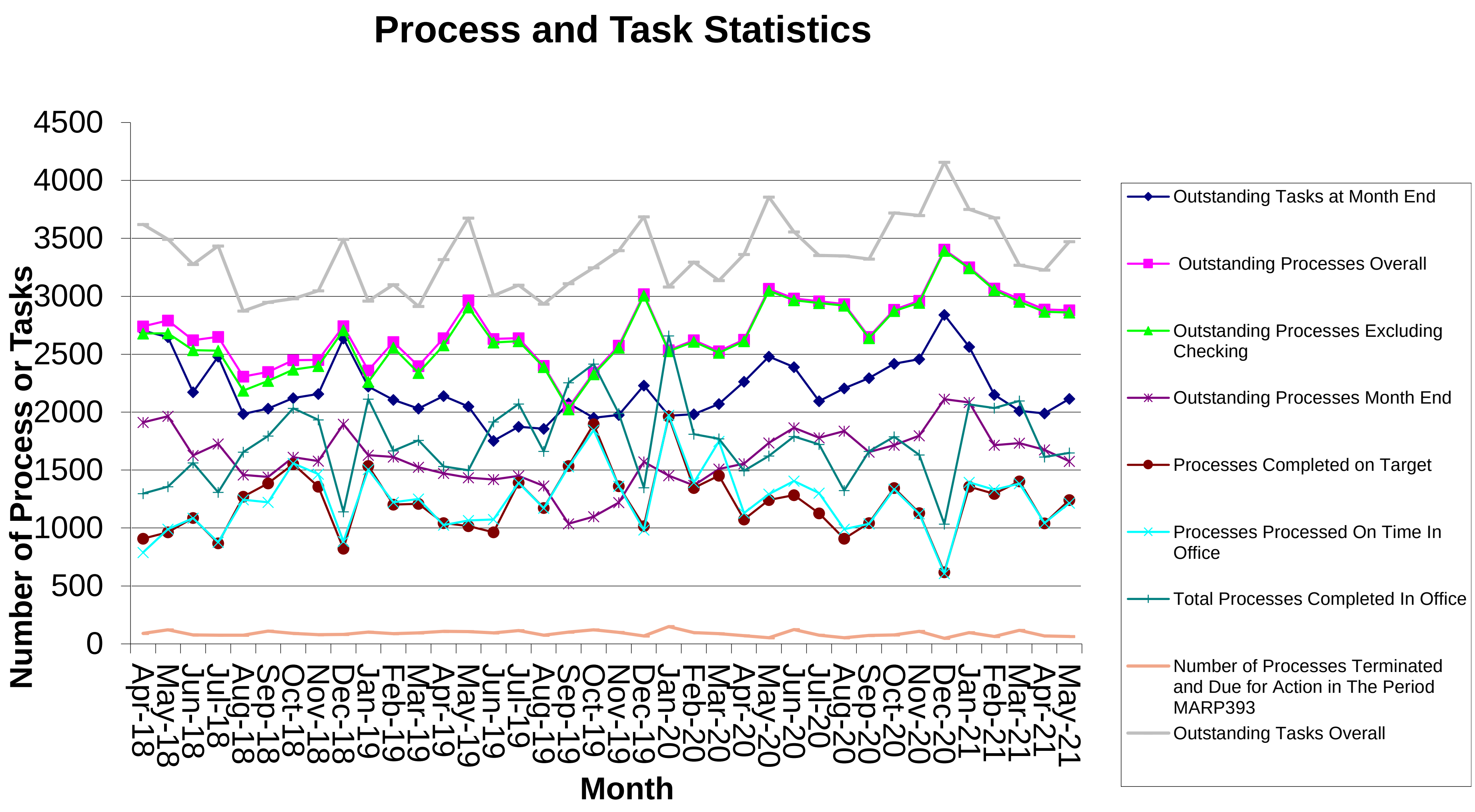
Appendix A



Process and Task Statistics
Number of Process or Tasks
4500
4000
3500
3000
2500
2000
1500
1000
500
0
Apr-18
May-18
Jun-18
Jul-18
Aug-18
Sep-18
Oct-18
Nov-18
Dec-18
Jan-19
Feb-19
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Nov-20
Dec-20
Jan-21
Feb-21
Mar-21
Apr-21
May-21
Month
Outstanding Tasks at Month End
Outstanding Processes Overall
Outstanding Processes Excluding Checking
Outstanding Processes Month End
Processes Completed on Target
Processes Processed On Time In Office
Total Processes Completed In Office
Number of Processes Terminated and Due for Action in The Period MARP393
Outstanding Tasks Overall

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SHROPSHIRE COUNTY PENSION FUND

FUNDING STRATEGY CONSULTATION

IMPORTANT: This letter, the draft Employer Events Framework Policy (EEP) and draft Funding Strategy Statement (FSS) are the start of a formal consultation process which has now commenced and therefore please can you read the proposed EEP and FSS and provide any comments to the Fund by 31 May 2021.

1. Introduction

You were previously provided with a copy of the Shropshire County Pension Fund 2020 Funding Strategy Statement (FSS) which was implemented following the 2019 Actuarial Valuation. The Administering Authority is required to monitor the progress of the funding strategy between full actuarial valuations and review the strategy if it is considered appropriate.

In addition, the Fund has an Employer Events Framework Policy (EEP). This document describes the various "life stages" of an employer that participates in the Fund. It summarises the events and possible outcomes from those events right through until an employer withdraws from the Fund. This includes details on funding policies and supplements the FSS. It should therefore be read in conjunction with the FSS.

Since the 2019 Actuarial Valuation was completed, a number of important regulatory changes have been made and supporting guidance came into force recently to provide greater flexibility to the Fund and employers in reviewing contributions and managing termination debts in certain circumstances. The Fund has considered its policies in these areas and has updated the FSS and EEP to reflect these changes.

In the event that the Fund or employer needs to implement any of these new flexibilities, the policy will be applied on a consistent basis for all employers, but will take into account the circumstances of each employer. In the event of a dispute over the implementation of the new policies, an employer has the right to appeal this, and full details of the appeal process will be communicated at that time. The appeal will be heard by the Council's Monitoring Officer who will be independent of the initial decision-making process on the application of the new policies. If you have any comments on the appeals process, please provide them alongside your consultation response.

In addition to the above, we have also made some necessary clarification updates to the existing FSS and EEP.

2. FSS and EEP Consultation Requirements

We are consulting with you on this update to the FSS and EEP as a participating employer of the Fund. It should be noted that whilst we will take into account all consultation responses from employers in the Fund, it is ultimately the Administering Authority's responsibility to formulate and implement Fund policies.

It is strongly recommended that you read and understand the FSS and EEP provided, as it may have an impact on you as an employer within the Shropshire County Pension Fund. We would welcome any comments that you may have in respect of this consultation.

3. How has the Funding Strategy changed?

If certain conditions are met, the changes now allow:

- The Fund to review employer contributions between actuarial valuations (for example, where employers have a significant change in membership or financial covenant)
- An exit debt to be spread over an appropriate period
- An exit debt to be deferred, with the employer remaining in the Fund once all active members have left.

In light of the new Regulations, the Fund is required to include policies within its Funding Strategy Statement (FSS) which set out how the flexibilities will apply in practice for employers. High level information on our draft policies is set out in the FSS with further detail contained in the EEP. The two documents should therefore be considered together.

These policies aim to provide much needed flexibilities to manage the liabilities and have been developed allowing for the guide from the Scheme Advisory Board (SAB) (https://www.lgpsboard.org/index.php/empflexm) and the statutory FSS guidance from the Ministry of Housing, Communities and Local Government (MHCLG) (https://www.gov.uk/government/consultations/local-government-pension-scheme-changes-to-the-local-valuation-cycle-and-management-of-employer-risk/outcome/guidance-on-preparing-and-maintaining-policies-on-review-of-employer-contributions-employer-exit-payments-and-deferred-debt-agreements). These policies do not alter the main principles of the current funding plan as agreed as part of the 2019 actuarial valuation.

To implement these new policies the following updates have therefore been made to the Funding Strategy Statement and Employer Events Policy.

Introduction of a new policy - Review of Employer Contributions between Valuations

Previously the contribution rates set out in the Schedule to the Rates and Adjustments Certificate included in the Actuary's valuation report stayed in place until the next valuation (except in limited circumstances or where an employer exits the Fund). The new Regulations allow changes to contributions to be made before the next actuarial valuation under the following circumstances:

a) It appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
b) It appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
c) A Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review (and point (a) or (b) also applies)

Further details on how this can be applied in practice are set out in within Section 8 of the FSS and Sections 5 of the EEP. These are new policies.

As part of this change, certain employers will be required to notify the Fund of any changes in financial covenant (known as notifiable events) and they will be contacted regarding this as part of the normal covenant review process that the Fund undertakes.

Updates to the Termination Policy when an employer exits the Fund

Whilst the Fund's policy remains that any exit debt is paid up front, the changes now allow us to develop policies that provide alternative options to employers in certain circumstances. As a condition of the Fund, if the employer adopts any of the options then they will be required to supply covenant information and to notify the Fund of any change in circumstances under a notifiable event framework. The conditions for entering into any arrangement will be set out in the agreement between the parties. The options upon termination will therefore be as follows:

1. Upfront payment of the exit debt (the existing approach)
   This will remain as the default option when an employer terminates.

2. Spreading exit payments
   Where the upfront payment of the deficit has been determined as unaffordable by the Fund, the parties can enter into an agreement to instead spread the payment of the final exit debt. This will be over an agreed period of time with the amounts and frequency of the payments in the payment plan agreed at the outset along with any early payment terms. The maximum period proposed in the policy is 5 years from exit, except in exceptional circumstances at the sole discretion of the Fund based on the advice of the Actuary.

3. Deferred Debt Arrangement (DDA)

   Alternatively, where the upfront payment has been determined as unaffordable by the Fund, the parties may enter into a DDA which allows them to defer their obligation to make an exit payment and continue to make contributions to the Fund. Contribution requirements will continue to be reviewed as a minimum as part of each actuarial valuation under this option. This option is essentially an employer continuing ongoing participation, but with no contributing members. The Fund or employer can terminate the DDA and settle a revised (potentially more affordable) exit debt in the future, or the DDA would automatically cease when the exit debt is paid.

Sections 5 of the FSS and Section 6 of the EEP have been updated to reflect the above.

Other Changes

In addition, the termination policy has been updated to clarify the process involved in determining how an exit credit (i.e. a surplus) should be dealt with when an employer exits the Fund. In particular, upon request, the Fund will provide the exiting employer with a notice setting out who will receive the exit credit and the reasons behind this decision (e.g. details of the commercial or admission agreements referenced). The employer will be able to appeal this decision if they do not agree with the determination.

Sections 5 of the FSS and Section 6 of the EEP have been updated to reflect the above.

Some small clarification and technical changes have also been made throughout the document to allow for updated information after the valuation date and to reference the current investment strategy review.

4. Your Comments

We would be very grateful for any comments that you may have in relation to the proposed policy updates. Please respond to pensions@shropshire.gov.uk at the Fund with your comments by 31 May 2021.

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Employer Events Policy

Shropshire County Pension Fund
June 2021

Contents

1. Introduction

This Employer Events Framework policy document has been prepared by Shropshire Council acting in its capacity of Administering Authority of the Shropshire County Pension Fund ("the Fund"). All terms and definitions are as set out in the Local Government Pension Scheme Regulations 2013 (as amended) ("the 2013 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") (collectively; "the Regulations").

The purpose of this document is to describe the various "life stages" of an employer that participates in the Fund. It summarises the events and possible outcomes from those events right through until it withdraws from the Fund. Whilst the Administering Authority reserves the right to treat each case on its merits, this document sets out its primary policy position.

All key staff at current and prospective employers should review this policy document and appraise themselves as regards their own employer's position, including the potential financial and operational implications.

Any questions or queries arising from this policy should, in the first instance, be directed to:

Debbie Sharp
Pensions Administration Manager
debbie.sharp@shropshire.gov.uk

2. An LGPS Employer's Lifetime

In order to provide some context to this Employer Events Framework, set out below are the major stages of an employer's lifetime within the Local Government Pension Scheme.

Senior staff at each employer should familiarise themselves with these high level stages. Depending on the specific circumstances applying to an employer at each stage, there will be associated operational and financial implications as regards its interests with the pension fund.

Depending on the lifetime of the employer, they may go through a number of triennial valuations and subsequent monitoring activities before reaching a final event that would trigger their exit from the Fund.

3. Joining the Fund

Scheme Employers

All Scheme Employers (as defined under Schedule 2 Part 1 of the Regulations) are entitled to join the Fund under the Regulations. These bodies include tax raising bodies, those funded by central government (academies and colleges) and universities (reliant on non-government income).

Other Scheme Employers (specifically those defined under Schedule 2 Part 2 of the Regulations) can designate eligibility to join the scheme for individuals or groups, where they pass a resolution to that effect. A copy of this resolution will be required by the Administering Authority at the outset, and any subsequent amendments to the resolution should also be provided.

Academy conversions

Where a school has elected to convert to Academy status, the Fund's policy is for the new Academy to inherit the school's share of the historic local authority deficit prior to its conversion. This is in accordance with the Department for Education (DfE) guidance issued when the Academy conversion programme was extended to cover all schools. Full details of how this is assessed are set out in a later section of this document, as is the treatment offered to Academies within Multi-Academy Trusts (MATs).

Admission bodies

An admission body is an employer which, if it satisfies certain regulatory criteria, can apply to participate in the Fund.

Admission bodies can join the Fund if

They provide a service for a scheme employer as a result of an outsourcing (formerly known as Transferee Admission Bodies)

They provide some form of public service and their funding in most cases derives primarily from local or central government. In reality they take many different forms but essentially they are "not for profit" organisations (formerly known as Community Admission Bodies).

If its application is accepted by the Administering Authority, it will then enter into an "admission agreement". The admission agreement sets out the conditions of participation of the admission body, in accordance with the Regulations, including which employees (or categories of employees) are eligible to become members of the Fund.

Any specific arrangements outside the normal regulations agreed between the letting authority and the new entity will be covered in the commercial agreement. This includes but is not limited to cases where pension costs are shared, or indeed fully passed back to the original employer. The

Administering Authority must be informed at the outset of any specific arrangements entered into. This may result in increased/more detailed requirements when providing member data to the Administering Authority.

Indemnifying bonds and/or guarantors

All admission bodies will be required, in accordance with Regulations, to provide an indemnifying bond from an appropriate third party. This bond must be actuarially assessed to the satisfaction of the Administering Authority, and kept under regular review.

In circumstances where a scheme employer within the Fund has formally agreed to act as guarantor to an admission body, the Regulations allow for a bond not to be put in place. The Fund's primary position on this is that a bond should still be put in place in order to better protect all employers within the Fund (including the guarantor). The Fund's view is that the frequency of the review of any bond amount should be:

Guarantee arrangement	Frequency of bond review
Admission body with no guarantor	Annual reassessment
Admission body with a guarantor	Triennial reassessment (carried out as part of the valuation)

Notification of material employer events

As a condition of an employer's admission to the Fund, all employers will be asked to notify the Administering Authority should circumstances arise that impact materially on the employer's ability to finance members' benefits in the Fund or that impact materially on the employer's members, which will have a material impact on their liabilities in the Fund.

Events that may materially impact an employer's ability to finance benefits include:

- Provision / removal / impairment of any security, bond, guarantee or other form of indemnity
- Material change in an employer's immediate financial strength or longer-term financial outlook, including where an employer ceases to operate or becomes insolvent.

Significant changes to an employer's membership which may have a material impact on their liabilities include:

- Restructuring of an employer
- A significant outsourcing or transfer of staff
- A bulk transfer into or out of the employer

- Other significant changes (e.g. due to redundancies, significant salary awards, ill health retirements or large number of withdrawals)
- Employers merging (including insourcing and transferring of services)
- The separation of an employer into two or more individual employers

Initial funding calculations

Essentially there are two main approaches used for new employers depending on their specific circumstances:

- Fully funded at the start: the value of the liabilities of the transferring group of members is assessed and the assets that are notionally reallocated within the Fund from the original employer to the new employer body are equal to this amount, meaning no initial surplus or deficit.

- Partially funded at the start: where the assets notionally reallocated are less than the value of the liabilities transferring. The method of assessment for this initial deficit can vary depending on the specifics of each case.

(As noted earlier, bespoke commercial arrangements can also be entered into between the new entity and the letting authority which may be different to these and must be communicated to the Administering Authority.)

It is most common for admission bodies to join the Fund on a "**fully funded**" basis. There can be exceptions to this where an outsourcing body has structured the commercial arrangements such that the new body takes on a deficit. Academies will also normally take on a deficit at inception, and their treatment is set out in a later section.

Initial contribution rate assessment

The initial contribution rate assessment will be an actuarial calculation of the future service pension cost that applies appropriate to the members transferring to the new entity. This assessment will take account of:

- The pay levels of the transferring group (and so the implied employee contribution rate)

- The timing the benefits are expected to fall due (depending on any applicable transitional protections for certain members)

- Whether the new body will be open, or closed to new entrants

- Whether any funding deficit is ultimately transferred and the period over which it is expected to repay that deficit.

Risk assessment

The Regulations require that an actuarial risk assessment is carried out to the satisfaction of the Administering Authority. It is this assessment that would inform the required indemnifying bond that is discussed in an earlier section.

As a minimum, the Fund would require any bond amount to cover any assessed funding deficit as at the time the risk assessment is performed. Added to this would be any potential early retirement strain costs that could arise on the premature (or normal) termination of the body. These would arise on the grounds that on redundancy, certain members could be eligible for the immediate payment of benefits on an unreduced basis.

It is recognised that the parties involved may wish to depart from the above default position on commercial grounds, and the Fund would be open to considering alternatives on a case-by-case basis.

Academy deficit assessment

As noted above, for new academies the approach taken will be that a deficit will be transferred to the new academy, unless a formal decision to the contrary is made by the local authority.

The Fund's policy is for this transferring deficit to be calculated as the capitalised amount of deficit funding contributions (based on the local authority deficit recovery period) the school would have made to the Fund had it not converted to academy status. This deficit amount is subject to a limit to ensure that the asset share of the new academy is not less than zero.

The details below show an *illustrative example* of an academy conversion:

Original Council position ***(including the school before conversion to Academy)***	
Overall assets (£k)	750,000
Overall liabilities (£k)	900,000
Overall deficit (£k)	150,000
Funding level	83%
Overall payroll (£k p.a.)	90,000
Deficit contribution (£k p.a.) (payable for 22 years)	7,000
Deficit contribution expressed as a % of pay	7.8%

Split of payroll between Council and new academy	
Payroll being transferred to new academy (£k p.a.):	5,000
Residual payroll (£k p.a.):	85,000

Split of deficit and deficit contributions between Council and new academy	
Deficit contributions payable (£k p.a.):	
- in respect of all remaining staff prior to transfer (7.8% of £5m)	390
- in respect of remaining staff prior to transfer (7.8% of £85m)	6,610
Total post conversion *(same total as pre-conversion)*	7,000
Implied deficit transferred (390 / 7,000 x 150,000) (£k):	8,400
Implied residual deficit (6,610 / 7,000 x 150,000) (£k):	141,600
Total deficit *(unchanged pre and post conversion)* (£k)	150,000

The final table below shows how this may result in wide ranging funding levels, depending on the profile of the transferring members following the conversion. Transferring groups of older members, and/or those with long service will, on average, have higher liabilities. As noted earlier, deficits will be limited such that the asset share of the new academy is not less than zero.

Assets, liabilities, funding levels and deficit contributions for the new academy

Low liability example	*£k*	High liability example	*£k*
Liabilities transferred	9,000	Liabilities transferred	20,000
Deficit transferred	8,400	Deficit transferred	8,400
Assets	600	Assets	11,600
Funding level	7%	Funding level	58%
Deficit contributions (£k p.a.)	390	Deficit contributions (£k p.a.)	390

Multi Academy Trusts

Multi Academy Trusts (MATS) are groups of academies managed and operated by one proprietor. The employer of staff in academies is the proprietor of the Academy Trust and not the individual academy within the Trust. It is therefore the proprietor who is the employer for LGPS purposes making the MAT legally responsible for staff across all schools in the group.

In cases where numerous academies are operated by the same managing Trust, the Fund's initial position is to maintain separate records for each of the constituent academies. This means that each constituent academy may have varying contribution requirements according to their own circumstances/membership. Any new academies joining an existing MAT in this case would have their own funding position and contribution requirements assessed separately.

However, if desired, the Fund would be willing to allow a decision to combine. This would be a one-off and irrevocable choice of the Trust as at commencement. If a combined basis decision were to be made, for the purposes of the pension fund, the MAT (including all constituent academies) would be treated as a single combined employer.

This decision would have implications for all future actuarial calculations for the MAT; an overall funding position and the same "average" contribution requirement would apply to all constituent academies. It also means pension fund accounting under FRS101 / FRS102 / IAS19 could only be produced for the entire body.

Any new academies joining an existing MAT pool would contribute at the grouped employer contribution rate already established for the MAT in respect of future service, plus additional deficit contributions relating to the academy, calculated in line with the academy approach outlined above. This would be next reviewed at the triennial valuation (see next section), taking experience into account including any new deficit taken on when new academies join.

4.Triennial Actuarial Valuation

In accordance with the Regulations, every three years the Administering Authority is required to have a full actuarial valuation carried out by its appointed Fund Actuary. Not only is this required by law, it also serves as a critically important governance tool when running the pension fund.

The Fund Actuary is required to assess the financial health of the Fund as a whole by quantifying the value of the liabilities of the Fund (i.e. benefits due to be paid in the future) compared to the assets held (the ratio of its assets to liabilities is often referred to as the solvency level). The Administering Authority's long-term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.

This assessment is repeated for each separate employer within the Fund and the employer contributions (primary and secondary rates) are adjusted appropriately to achieve that long-term objective in accordance with the Fund's Funding Strategy Statement (FSS). The Regulations also require that employer contributions are set in order to achieve long-term cost efficiency, meaning that they must not be set at a level that is likely to give rise to additional costs in the future.

Factors that influence the actuarial valuation results

A number of factors affect the valuation results emerging and these include but are not limited to those listed below. Employers should familiarise themselves with this section noting that decisions taken by them and/or the members can have an impact on the valuation results emerging:

Regulatory / Governance	Market / Economic	Membership events and experience
Scheme design changes	Observed and expected levels of CPI inflation	Observed mortality experience and any changes to future life expectancies (and rate of improvement)

Regulatory / Governance	Market / Economic	Membership events and experience
Cost Management adjustments as a result of experience analysis performed by the Government Actuary's Department (GAD)	Investment returns delivered from assets held by the Fund	Take-up of the 50:50 scheme
Underlying changes to pensions landscape (e.g. changes to State Pension Age)	Expected future investment returns to be delivered by Fund assets	Incidence of any ill health or early retirement benefits (including on redundancy terms)
Relevant court rulings		Salary growth experience vs assumption
		Aggregation of any previously accrued benefits
		Take-up of tax-free cash option

The triennial actuarial valuation is a process that means the employer contribution requirements can and do change from time to time. Employers should be aware that the contribution requirements are not fixed.

Of course commercial arrangements can be put in place between admission bodies and the original body such that variations are shared, or indeed fully passed back to the original employer (known as "pass through" arrangements). These can be specific to each case, but the fundamental points related to this are:

- It is vital for the Administering Authority to be provided with full details of any bespoke commercial arrangements, and

- pension costs do change for many reasons and employers should be aware of this.

Payment of certified contributions

Employers will be required to pay the contributions certified as part of the valuation process. Unless stated otherwise in the certificate, the default approach is that contributions are to be paid on a monthly basis (with one twelfth of any contributions certified as lumps sums to be paid each month). Any “prepayment” of contributions facilitated by the certificate must be agreed in advance with the Administering Authority.

However, in exceptional circumstances the Administering Authority may allow alternative contribution patterns within a given year, at their sole discretion.

5. Monitoring and planning for Exit

Employer Monitoring

The Fund adopts a regular monitoring and review plan to ensure that it can always act proactively to act in the best interests of all pension fund employers. This is illustrated by the policy adopted for bond reviews and their frequency, but also the Fund will be carrying out high level covenant (employer financial strength) assessments.

Covenant Assessments

An employer's covenant underpins its legal obligation and ability to meet its financial responsibilities now and in the future. The strength of covenant depends upon the robustness of the legal agreements in place and the likelihood that the employer can meet them. The covenant effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.

An assessment of employer covenant may focus on determining any or all of the following:

- Type of body and its origins
- Nature and enforceability of legal agreements
- Whether there is a bond in place and the level of the bond
- Whether there is an option to call in contingent assets
- The financial health of the employer
- Whether a more accelerated recovery plan should be enforced
- Is there a need for monitoring of ongoing and termination funding ahead of the next actuarial valuation?

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

Covenant assessments will be required for any employers wishing to access the flexibilities around inter-valuation contributions reviews and alternative options on termination mentioned later in this document.

Risk Criteria

The assessment criteria upon which an employer should be reviewed could include:

- Nature and prospects of the employer's industry
- Employer's competitive position and relative size
- Management ability and track record
- Financial policy of the employer
- Profitability, cashflow and financial flexibility
- Employer's credit rating
- Position of the economy as a whole

Not all of the above would be applicable to assessing employer risk within the Fund; rather a proportionate approach to consideration of the above criteria would be made, with further consideration given to the following:

- The scale of obligations to the pension scheme relative to the size of the employer's operating cashflow
- The relative priority placed on the pension scheme compared to corporate finances
- An estimate of the amount which might be available to the scheme on insolvency of the employer as well as the likelihood of that eventuality.

Assessing employer covenant

The employer covenant will be assessed from time to time objectively and its ability to meet its obligations will be viewed in the context of the Fund's exposure to risk and volatility based on publically available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the termination basis) enables the Fund to anticipate and pre-empt employer funding issues and thus adopt a proactive approach. The approach taken will be proportionate with depth and frequency of monitoring reflective of the associated risk to the Fund.

In order to accurately monitor employer covenant, it may be necessary for research to be carried out into employers' backgrounds and, in addition, for those employers to be contacted to gather as much information as possible. Focus will be placed on the regular monitoring of employers with a proactive rather than reactive view to mitigating risk.

Covenant risk management

The focus of the Fund's risk management is the identification and treatment of the risks and it will be a continuous and evolving process which runs throughout the Fund's strategy. Mechanisms that will be explored with certain employers, as necessary, will include but are not limited to the following:

1. Parental Guarantee and/or Indemnifying Bond

2. Transfer to a more prudent actuarial basis (e.g. the termination basis)
3. Shortened recovery periods and increased cash contributions
4. Managed exit strategies
5. Contingent assets and/or other security such as escrow accounts.

Inter-valuation contribution reviews

The Regulations allow contributions to be reviewed and potentially revised between valuations at the Administering Authority's discretion, under the following scenarios:

Scenario 1	Scenario 2	Scenario 3
There has been a significant change in the employer's membership which will have a material impact on their liabilities	There has been a significant change in the employer's covenant	The Administering Authority is of the opinion that a change in circumstances means the employer is likely to exit the Fund

Scenarios 1 and 2 (for "ongoing" employers) and scenario 3 ("planning for exit") are addressed separately below. "Ongoing" employers are generally expected to remain in the Fund, and any review will take place on that basis (considering their covenant, medium to long term prospects, etc). Employers "planning for exit" are expected to leave the Fund, and their review will take place on that basis, with a focus on achieving a fully funded position at termination.

Where more than one scenario potentially applies, scenario 3 would normally take precedence, although the Administering Authority will have the final decision on the relevant approach.

Scenarios 1 and 2 (interim review for "ongoing" employers)

When contributions will be reviewed

The Administering Authority may trigger a review where it believes either of the above apply. The employer should inform the Administering Authority if it believes either of the above may apply – examples of situations that may arise are set out below. An employer may also request a review in either circumstance and in this situation will be asked to confirm the circumstances that justify the review.

Where the review is triggered at the employer's request, they will be expected to pay all relevant costs. The Administering Authority may also recover costs in other circumstances (for example where the Administering Authority triggers a review due to a material change in circumstances of the employer that the employer failed to notify to the Administering Authority).

The Administering Authority will not conduct a review where:

- The funding position changes solely due to changes in market conditions (asset movements or assumption changes) – this is not permitted under the regulations. (However changes in these factors would be considered in a review triggered due to covenant changes)
- The next actuarial valuation rates and adjustments certificate is less than 6 months away and the review is triggered by membership changes (reviews in this period due to covenant changes may be considered)
- They do not believe that a review is necessary (considering the potential impact that any changes may have on the other employers or the Fund as a whole) or in the best interests of the Fund

Triggering a potential review

1) ***Significant changes in the employer's liabilities*** *(*including but not limited to):

   a) Significant changes to the employer's membership which will have a material impact on their liabilities, such as:
      - Restructuring of an employer
      - A significant outsourcing or transfer of staff
      - A bulk transfer into or out of the employer
      - Other significant changes (e.g. due to redundancies, significant salary awards, ill health retirements or large number of withdrawals)

   b) Employers merging (including insourcing and transferring of services)

   c) The separation of an employer into two or more individual employers

   In terms of assessing the triggers under a) above, the Administering Authority will only consider a review if the change in liabilities is expected to be more than 5% of the total liabilities. In some cases this may mean there is also a change in the covenant of the employer.

   Any review of the rate will only take into account the impact of the change in liabilities (including, if relevant, any underfunding in relation to pension strain costs), and the resulting impact on the Primary and Secondary rate of contributions.

2) Significant changes in the employer's covenant *(*including but not limited to):

   a) Provision / removal / impairment of any security, bond, guarantee or other form of indemnity

b) Material change in an employer’s immediate financial strength or longer-term financial outlook, including where an employer ceases to operate or becomes insolvent.
c) Where an employer shows behaviour that suggests a change in their ability and/or willingness to pay contributions to the Fund.

In some instances, a change in the liabilities will also result in a change in an employer’s covenant.

Process and outcomes

Where the Administering Authority believes a relevant event may have occurred, the Administering Authority:

- will gather relevant information (including from the employer as required, e.g. annual accounts, budgets, forecasts, etc)
- may conduct a full updated covenant review, including advice from the Fund Actuary, covenant, legal and other specialist advisers as required
- will hold discussions with the employer as needed to clarify the relevant details

When they have considered all the relevant information, the Administering Authority will decide whether to proceed (this decision rests solely with the Administering Authority, including where an employer has requested a review).

If the review proceeds, the Administering Authority will consider whether it is appropriate to use updated membership data within the review (e.g. where the change in data is expected to have a material effect on the outcome) and whether any supporting information is required from the employer.

Where the employer’s covenant has changed significantly, the review would allow for the updated funding position (both ongoing and on termination).

As well as revisiting the employer’s current contribution plan, the review may also consider other parts of the funding strategy, including:

1. Whether the funding strategy remains appropriate
2. Whether the Primary contribution rate should be adjusted to allow for any profile change and/or funding strategy change
3. Whether the length of the recovery period adopted at the previous valuation remains appropriate

For the avoidance of doubt, any review of contributions may result in no change and a continuation of contributions as per the latest actuarial valuation assessment. In the normal course of events, a rate review would not be undertaken close to the next actuarial valuation date unless in exceptional circumstances.

The review of contributions may take up to 3 months from the date of confirmation to the employer that the review is taking place.

Any change to an employer's contributions will be implemented at a date agreed between the employer and the Fund. The Schedule to the Rates and Adjustment Certificate at the last valuation will then be updated for any contribution changes. As part of this process the Administering Authority will consider whether it is appropriate to consult any other Fund employers prior to implementing the revised contributions. Circumstances where the Administering Authority may consider it appropriate to do so include where there is another employer acting as guarantor in the Fund. In such circumstances the guarantor would be consulted on as part of the contribution review process.

The Administering Authority will agree a proportionate process for periodical ongoing monitoring and review following the implementation of the revised contribution plan. The Employer will be required to provide information to the Fund to support this, which will depend in part on the reasons for triggering the original contribution review.

Scenario 3 (planning for exit)

The Administering Authority has the power to revisit any previously certified contributions if it becomes of the opinion that a change in circumstances means it is likely to exit from the Fund.

The Administering Authority's opinion of this scenario will be driven by the considerations in addition to the scheduled end date of any admission agreement such as the following:

Event	Comment
Notification from the employer of its intention to exit (or if it is expecting to reduce the number of members)	Dialogue will be entered into, and work commenced on managing a future exit payment
A more than 50% reduction in the number of active members between accounting period end dates	This would trigger a dialogue between the Administering Authority and the employer to understand the reasons for the change. This may lead to planning for exit work including a review of contribution requirements
If there is a reduction of active members leaving only two*	This would initially trigger a dialogue between the Administering Authority and the employer to understand the underlying position. It is highly likely that planning for exit work would commence including a review of contribution requirements.

**the Administering Authority would treat each of these cases on its merits e.g. employers with very small numbers to start with would be considered appropriately in that context.*

Here any review of contributions would cover all aspects of the current contributions plan. This would include:

- any likely termination debt
- targeting a fully funded termination position at exit
- the need for potential flexibilities on exit (as described in the next section)

6. Exit from the Fund

Termination Policy

When an employer becomes an exiting employer (for example the last active leaving, or an admission agreement terminates for any reason), the employer becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of benefits of the exiting employer's current and former employees along with a termination contribution certificate.

It is the Fund's policy position that such an actuarial valuation will be commissioned for all cases, unless a decision is taken to the contrary specific to a particular case. In all cases where this valuation is carried out, regardless of whether the assessment reveals a deficit or a surplus, a termination contribution certificate will be issued by the Fund Actuary.

Throughout this section the policy differentiates between employers who do and do not have a guarantor. Here a guarantor is a guarantee to fund the cost of all future benefit payments in relation to the members of the exiting employer by a suitable Scheme Employer, meaning the Scheme Employer would subsume all assets and liabilities on cessation. Any other form of guarantee (for example a guarantee of a termination payment due from the exiting employer) may lead to an alternative approach, at the discretion of the Administering Authority.

Termination Assumptions

The following approaches will be used by the Fund Actuary to assess the required exit payment that may be due. The approach will be based on the most recent actuarial valuation assumptions, updated to the cessation date, and adjusted for the specific circumstances. Specific differences in treatment between certain groups of employers (usually admission bodies) are as defined below:

Employers with no guarantor in the Fund who joined prior to 1 July 2012	Employers with no guarantor in the Fund who joined after 1 July 2012	Employers with a guarantor within the Fund
Using a corporate bond basis, with the discount rate based on the long dated Sterling AA Corporate Bond yield of appropriate duration, and allowing for a more prudent assessment of future mortality trends.	Using a "least risk" funding basis based on government bonds of appropriate duration, and allowing for a more prudent assessment of future mortality trends.	Using an "ongoing" valuation basis so consistent with the funding target assumptions.

Treatment of termination deficit / surplus

The Fund's policy on the treatment of a deficit or surplus on termination is also dependent on whether the exiting employer has a guarantor in the Fund. The policy is designed to ensure consistent treatment of surplus and deficit.

a) Termination with no guarantor

Any deficit will be recovered from the exiting employer via the payment of a termination deficit. In the case of a surplus, the Fund will pay the exit credit to the exiting employer.

b) Termination with a guarantor - no "risk sharing"

Where there is no "risk sharing" this means that the exiting employer is responsible for their final position in the Fund.

In these cases any deficit will be recovered from the exiting employer via the payment of a termination deficit. In the case of a surplus, the Fund will pay the exit credit to the exiting employer (subject to the Fund first determining that there is no "risk sharing" – see below).

The liabilities and assets (allowing for any termination payment / after any exit credit) would then be subsumed by the guarantor and taken into account at the following valuation.

The interested parties will need to consider any separate agreements that have been put in place between the exiting employer and the guarantor. In some instances an exit debt may be payable by an exiting employer before the assets and liabilities are subsumed by the guarantor; or conversely an exit credit may be payable to an exiting employer prior to subsumption. This will be managed on a case-by-case basis.

c) Termination with a guarantor - "risk sharing" applies

Any assets, liabilities and deficit or surplus would be subsumed by the guarantor and taken into account at the following valuation.

<u>Risk sharing – Fund determination</u>

Where the employer has a guarantor, the Administering Authority will need to determine whether b) and c) applies. In that case they will:

- contact both the exiting employer and the guarantor to confirm whether there is a "risk-sharing" arrangement in place, and to ask for any evidence of this

- where both sides agree, the termination assessment will be progressed in line with the standard approach

- otherwise, the Fund's normal policy will be to proceed assuming the exiting employer is responsible for any termination payment, and so is entitled to any exit credit

Once the termination assessment is complete, the two parties will be notified of the outcome. At that point either party will have 1 month to dispute the outcome. If this happens then payment of any exit credit will be put on hold, and the two parties will be expected to resolve the dispute between themselves, without input from the Fund. The Fund will not become involved in any dispute between the two parties until all other avenues have been explored. The following arrangements will apply in respect of disputes raised with the Fund:

- In the case of a surplus, in line with the amending Regulations (The Local Government Pension Scheme (Amendment) Regulations 2020) the parties will need to make formal representations to the Administering Authority if they believe an Exit Credit should be paid outside the policy set out above, or if they dispute the determination of the Administering Authority. The Fund will notify the parties of the information required to make the determination on request.
- If the Fund determines an Exit Credit is payable then they will pay this directly to the exiting employer within 6 months of completion of the final cessation assessment by the Actuary.
- In the case of a deficit, in order to maintain a consistent approach, the Fund will seek to recover this from the exiting employer in the first instance and if this fails, the matter will be referred to the guarantor. If neither the Fund nor the guarantor succeeds in recovering the deficit, then the deficit will be recovered from the guarantor either as a further contribution collection or at the next valuation depending on the circumstances.

If requested, the Administering Authority will provide details of the information considered as part of the determination. A determination notice will be provided alongside the termination assessment from the Actuary. The notice will cover the following information and process steps:

1. Details of the employers involved in the process (e.g. the exiting employer and guarantor).
2. Details of the admission agreement, commercial contracts and any amendments to the terms that have been made available to the Administering Authority and considered as part of the decision making process. The underlying principle will be that if an employer is responsible for a deficit, they will be eligible for any surplus. This is subject to the information provided and any risk sharing arrangements in place.
3. The final certification of the exit credit by the Actuary.
4. The Administering Authority's determination based on the information provided.
5. Details of the appeals process in the event that a party disagrees with the determination and wishes to make representations to the Administering Authority.

The Fund may seek to recover any costs associated with appeals or dispute resolution as part of the final termination settlement.

Managing the exit payment / credit, and alternatives to termination

The default policy is that any termination payment due is paid in full following the final assessment. However, the regulations give power to the Administering Authority to use its discretion to allow alternative approaches and these will be considered where this is in the best interest of the Fund. These are:

Suspension	Spreading	Deferred Debt Agreement
Issue a "suspension notice" if the employer is likely to have active members in the near future	Allow the termination payment to be spread over an agreed period	To allow the employer to remain in the Fund under a "Deferred Debt Agreement" (DDA)

Any costs associated with adopting one of the three alternative approaches above (including necessary actuarial, legal and covenant advice), and assessing suitability for an alternative approach even if this is not subsequently taken forwards, will be borne by the employer and, depending on the employer's circumstances, will either be required as an upfront payment or included in the contribution plan or exit debt payment.

1. Suspension notice

The regulations allow the Fund to issue a "suspension notice" for a period up to 3 years, if, in the reasonable opinion of the Administering Authority, the employer is likely to have one or more active members join the Fund within the period of the notice.

The default policy is that any "suspension notice" would only apply for a **maximum period** as remains to the next triennial valuation. If a suspension notice is applied, any contributions not related to pay (e.g. lump sum payments as set on the Rates and Adjustments Certificate) will continue to be paid to the Fund as certified.

2. Spreading an exit payment

The Administering Authority will use the following process to determine whether an employer is eligible to spread their exit payment:

a) Firstly consider whether it is in the best interests of the Fund to enter into such an arrangement. This decision will be based on a covenant review, to determine whether the exit payment is affordable (based on specialist advice as needed)

b) For this, the employer may be required to provide any financial information deemed necessary. If this information is not provided then the default policy of immediate payment will apply

c) Depending on the length of the spread period and the size of the debt, the Fund may request some form of additional security

d) Any agreement may include non-uniform payments e.g. a lump sum up front followed by a series of payments over the agreed period. All payments required will include allowance for interest from the termination date

e) The initial process to determine whether an exit debt should be spread may take up to 3 months from receipt of data so it is important that employers who request to spread exit debt payments notify the Fund in good time

f) If the covenant review confirms that the exit payment is not immediately affordable, the Administering Authority will engage in discussions with the employer about the potential spreading of exit payments. As part of this, the following will be considered and agreed:

- The spreading period (subject to a maximum of 5 years)
- The initial and annual payments due
- The interest rates applicable and the costs associated with the plan
- Any security required (e.g. bond, escrow account etc)
- The employer's responsibilities during the period (e.g. the supply of covenant information)
- The views of the Actuary, covenant, legal and any other specialists necessary
- Circumstances where the plan might be reviewed or immediate payment requested (e.g. due to a significant change in covenant / circumstances)

g) The Administering Authority will then make a final decision, based on the best interests of the Fund, and the arrangement will be documented

3. Deferred Debt Agreement (DDA)

As an alternative to terminating participation in the Fund and triggering a resulting exit payment, an employer may request to continue its participation in the Fund with no contributing members and utilise a "Deferred Debt Agreement" (DDA).

The Administering Authority will use the following process to determine whether a DDA is appropriate:

1. Firstly consider whether it is in the best interests of the Fund to enter into a DDA. This decision will be based on a covenant review, to determine whether the exit payment is affordable (based on specialist advice as needed).

2. For this, the employer may be required to provide any financial information deemed necessary. If this information is not provided then the default policy of immediate payment will apply

3. Consider what additional security is required to protect the Fund

4. This could include a lump sum up front to reduce the size of any potential termination debt

5. The initial process to determine whether a DDA is appropriate may take up to 3 months from receipt of data so it is important that employers who request the Administering Authority to consider a DDA, notify the Fund in good time

6. If the covenant review confirms that the potential exit debt is not affordable either immediately or over the short-term, the Administering Authority will engage in discussions with the employer about the potential format of a DDA (using the template agreement based on the principles set

out in the Scheme Advisory Board's separate guide). As part of this, the following will be considered and agreed:

a. What security the employer can offer (generally a DDA will only be allowed where the Administering Authority is confident the employer can support the arrangement on an ongoing basis). Provision of security may also result in a review of the recovery period and other funding arrangements
b. The funding assumptions and investment strategy that would be applied
c. Whether an upfront cash payment should be made
d. The updated secondary contributions
e. The regular financial information required from the employer, and any other monitoring that will be required.
f. The advice of the Actuary, covenant, legal and any other specialists necessary.
g. The responsibilities that would apply to the employer while they remain in the Fund
h. Circumstances that would trigger a revised recovery plan and contributions (e.g. due to a significant change in covenant / circumstances)
i. Circumstances that would trigger changes to the DDA, including a cessation of the agreement, an exit payment becoming payable (e.g. the removal of security, a significant change in covenant)
j. Circumstances where the employer may be able to vary the DDA (e.g. a further cash payment or change in security)

7. The Administering Authority will then make a decision, based on the best interests of the Fund, confirm and document the required terms

8. For employers that are successful in entering into a DDA, contribution requirements will continue to be reviewed as part of each actuarial valuation, or in line with the DDA in the interim, if any of the agreed triggers are met.

4. Exit payments

Where a credit is payable to the exiting employer in the case of a surplus, the Fund will hope to be able to pay the exit credit following completion of the termination process within 6 months of cessation, subject to:

- the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date

- Any delays due to appeals or disputes arising under the process outlined in the previous section

7. Employer costs and charges

All employers that participate within the Fund will be required to make contributions to it in accordance with the underlying Regulations. Specifically, employers will be required to:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all employer future service and deficit contributions, as determined by the Fund Actuary, promptly by the due date
- make additional contributions as required in respect of, for example, augmentation of Fund benefits and early retirement strains, and
- pay any professional fees as determined by the Fund that are incurred on account of actions or events applicable to that employer, including in relation to any bulk transfer (to either another LGPS Fund or another pension fund) and
- pay any fines or sanctions issued to it in accordance with the Fund's Pension Administration Strategy Statement or underlying legislation

FUNDING STRATEGY STATEMENT

SHROPSHIRE COUNTY PENSION FUND

June 2021

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

EXECUTIVE SUMMARY

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

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

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

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

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

THE FUND'S OBJECTIVE

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

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

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

SOLVENCY AND LONG TERM COST EFFICIENCY

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

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

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

RECOVERY PLAN AND CONTRIBUTIONS

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

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

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

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

MCCLOUD

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

ACTUARIAL ASSUMPTIONS

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

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

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

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

EMPLOYER ASSET SHARES

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

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

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

FUND POLICIES

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund's practice and policies in a number of key areas. The Fund's Employer Events Framework Policy Document lays out the relevant polices in greater detail, including how the Fund will exercise its discretion as required, and the relevant sections of that policy document will be deemed to be part of this FSS:

1. Covenant assessment and monitoring

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

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

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

2. Admitting employers to the Fund

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

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

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

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

3. Inter-valuation contribution reviews

The Regulations allow contributions to be reviewed and potentially revised between valuations at the Administering Authority's discretion, under the following scenarios:

- There has been a significant change in the employer's membership which will have a material impact on their liabilities
- There has been a significant change in the employer's covenant
- The Administering Authority is of the opinion that a change in circumstances means the employer is likely to exit the Fund

Where the Fund becomes aware that any of the above circumstances apply, they may review and amend the employer's contributions between actuarial valuations, in line with the process detailed in the Employer Events Policy. An employer may also be able to trigger a review where they feel any of the above apply.

4. Termination policy for employers exiting the Fund

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

The process applying on termination will depend on whether the exiting employer has a guarantor within the Fund, and if they do whether the employer or guarantor is ultimately responsible for the final position:

Termination with no guarantor

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

Any deficit will be recovered from the exiting employer via the payment of a termination deficit. In the case of a surplus, the Fund will pay the exit credit to the exiting employer.

Termination with a guarantor

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

Where there is no "risk sharing" (meaning the exiting employer is responsible for their final position in the Fund), any deficit will be recovered from the exiting employer if possible (and the guarantor otherwise) via the payment of a termination deficit. In the case of a surplus, the Fund will pay the exit credit to the exiting employer once the risk sharing position has been determined.

Otherwise, any deficit or surplus would be subsumed by the guarantor and taken into account at the following valuation.

Where the exiting employer and guarantor disagree on whether there is any "risk sharing", the Fund will assume that an exit credit is payable to the exiting employer. The guarantor will then have 1 month to dispute this, at which point the payment will be put on hold, and the two parties will be expected resolve the dispute between themselves. The Fund will not become involved in any dispute between the two parties until all other avenues have been explored. Further detail is set out in Section 5 of this FSS and in the Employer Events Framework.

Managing the exit payment / credit, and alternatives to termination

Under certain circumstances options other than immediate termination and settlement of any surplus/deficit are possible at the discretion of the Administering Authority, including:

- Issuing a suspension notice
- Spreading any termination payment
- Entering into a Deferred Debt Agreement

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The Fund's Employer Events Framework Policy Document contains further details on the termination process and options available. The Administering Authority also reserves the right to modify the termination approach on a case by case basis if circumstances warrant it based on the advice of the Actuary.

5. Insurance arrangements

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

CONTENTS

APPENDICES

1
INTRODUCTION

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

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

BENEFITS

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

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

EMPLOYER CONTRIBUTIONS

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

PRIMARY RATE

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

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

SECONDARY RATE

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

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

2
PURPOSE OF FSS IN POLICY TERMS

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

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

The purpose of this Funding Strategy Statement is therefore:

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

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

3
AIMS AND PURPOSE OF THE FUND

THE AIMS OF THE FUND ARE TO:

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

THE PURPOSE OF THE FUND IS TO:

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

4
RESPONSIBILITIES OF THE KEY PARTIES

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

KEY PARTIES TO THE FSS

The **Administering Authority** should:

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

The **Individual Employer** should:

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

The **Fund Actuary** should:

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

5
SOLVENCY FUNDING TARGET

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

SOLVENCY AND LONG TERM EFFICIENCY

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

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

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

DETERMINATION OF THE SOLVENCY FUNDING TARGET AND RECOVERY PLAN

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

Underlying these assumptions are the following two tenets:

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

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

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

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

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2019 actuarial valuation:

- The Fund does not believe it appropriate for offsets to total contributions in respect of any surplus to be allowed where the employer has a deficit on their termination assumptions, unless there is compelling reason to do so.

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

- The target deficit recovery/surplus offset period for the Fund as a whole will reduce by three years, to 13 years at the 2019 valuation, so as to maintain same "end point". For individual employers who are open to new members, subject to consideration of affordability, as a general rule the deficit recovery/surplus offset period will reduce by 3 years for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon. Employers will have the freedom to adopt a deficit recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Recovery Plan in **Appendix B**).

- Individual employer contributions will be expressed and certified as two separate elements:
    - the **Primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits
    - the **Secondary rate**: a schedule of lump sum monetary amounts over 2020/23 in respect of an employer's surplus or deficit (the Secondary rate may be expressed as a percentage of pensionable payroll in cases where there is a funding surplus)

    For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from April 2023 based on the results of the 2022 actuarial valuation.

- Where increases in employer contributions are required from 1 April 2020, following completion of the 2019 actuarial valuation, if the Administering Authority agrees then the increase from the rates of contribution payable in the year 2020/21 may be implemented in steps, over a maximum period of 3 years.

EMPLOYERS EXITING THE FUND

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

Termination with no guarantor

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

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

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

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

Termination with a guarantor

Where there is a guarantor who will subsume the liabilities in full, the termination position is assessed using an "ongoing" valuation basis so consistent with the funding target assumptions. Where a guarantee takes any other form, the assessment will use the "no guarantor" approach outlined above.

a) No "risk sharing"

A "risk sharing" arrangement in this instance is a situation where the guarantor, rather than the exiting employer, is responsible for the termination payment.

Where there is no risk sharing, in the event of a deficit, the Fund will seek to recover this from the exiting employer in the first instance. However, if this is not possible, then to maintain a consistent approach between treatment of surplus and deficit, the Fund will then seek to recover the deficit from the guarantor via an additional cash payment, unless otherwise agreed with the Administering Authority. In the case of a surplus, the Fund will pay the exit credit to the exiting employer once the risk sharing position has been determined.

b) "Risk sharing" applies

Any assets, liabilities and deficit or surplus would be subsumed by the guarantor and taken into account at the following valuation.

Where the employer has a guarantor, the Administering Authority will need to determine whether a) and b) applies. In that case they will:

- contact both the exiting employer and the guarantor to confirm whether there is a "risk-sharing" arrangement in place, and to ask for any evidence of this

- where both sides agree, the termination assessment will be progressed in line with the standard approach
- otherwise, the Fund's normal policy will be to proceed assuming the exiting employer is responsible for any termination payment, and so is entitled to any exit credit

Once the termination assessment is complete, the two parties will be notified of the outcome. At that point either party will have 1 month to dispute the outcome. If this happens then payment of any exit credit will be put on hold, and the two parties will be expected to resolve the dispute between themselves, without input from the Fund. The Fund will not become involved in any dispute between the two parties until all other avenues have been explored. The following arrangements will apply in respect of disputes raised with the Fund:

- In the case of a surplus, in line with the amending Regulations (The Local Government Pension Scheme (Amendment) Regulations 2020) the parties will need to make formal representations to the Administering Authority if they believe an Exit Credit should be paid outside the policy set out above, or if they dispute the determination of the Administering Authority. The Fund will notify the parties of the information required to make the determination on request.
- If the Fund determines an Exit Credit is payable then they will pay this directly to the exiting employer within 6 months of completion of the final cessation assessment by the Actuary.
- In the case of a deficit, in order to maintain a consistent approach, the Fund will seek to recover this from the exiting employer in the first instance and if this fails, the matter will be referred to the guarantor. If neither the Fund nor the guarantor succeeds in recovering the deficit, then the deficit will be recovered from the guarantor either as a further contribution collection or at the next valuation depending on the circumstances.

If requested, the Administering Authority will provide details of the information considered as part of the determination. A determination notice will be provided alongside the termination assessment from the Actuary. The notice will cover the following information and process steps:

1. Details of the employers involved in the process (e.g. the exiting employer and guarantor).
2. Details of the admission agreement, commercial contracts and any amendments to the terms that have been made available to the Administering Authority and considered as part of the decision making process. The underlying principle will be that if an employer is responsible for a deficit, they will be eligible for any surplus. This is subject to the information provided and any risk sharing arrangements in place.
3. The final certification of the exit credit by the Actuary.
4. The Administering Authority's determination based on the information provided.
5. Details of the appeals process in the event that a party disagrees with the determination and wishes to make representations to the Administering Authority.

In some instances, the outgoing employer may only be responsible for part of the residual deficit or surplus as per the separate risk sharing agreement. The default is that any surplus would be retained by the Fund in favour of the outsourcing employer/guarantor unless the commercial contract or other arrangements dictate otherwise and the Fund is aware of this or representation is made by the relevant parties in line with the Regulations (as noted above). For the avoidance of doubt, where the outgoing employer is not responsible for any termination costs under a risk sharing agreement then no exit credit will be paid as per the Regulations, provided that the guarantor makes the Fund aware of the provisions of the risk sharing agreement in any representation made.

The Fund may seek to recover any costs associated with the dispute resolution process as part of the final termination settlement.

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

Managing the exit payment / credit, and alternatives to termination

The default policy is that any termination payment due is paid in full following the final assessment. However, the regulations give power to the Administering Authority to use its discretion to allow alternative approaches and these will be considered where this is in the best interest of the Fund. These are:

SUSPENSION	SPREADING	DEFERRED DEBT AGREEMENT
Issue a "suspension notice" if the employer is likely to have active members in the near future	Allow the termination payment to be spread over an agreed period	To allow the employer to remain in the Fund under a "Deferred Debt Agreement" (DDA)

The Fund's Employer Events Framework Policy Document includes more detail on the termination process, and in particular the options available around managing termination and termination payments, and the relevant sections of that policy document will be deemed to be part of this FSS.

FUNDING FOR NON-ILL HEALTH EARLY RETIREMENT COSTS

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

6

LINK TO INVESTMENT POLICY AND THE INVESTMENT STRATEGY STATEMENT (ISS)

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

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

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

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

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

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

The current strategy is:

ASSET CLASS	ALLOCATION	CONTROL RANGES
Total Equities	**47.0**	**42.0-52.0**
Unconstrained global equities**	11.0	8.0-14.0
UK equities	8.0	5.5-10.5
Passive equities (100% hedged to GBP)*	28.0	22.0-34.0
Total alternatives	**25.5**	**20.5-30.5**
European (inc UK) property	5.0	n/a
Private equity	5.0	n/a
Infrastructure	3.0	n/a
Fund of hedge funds	7.5	n/a
Insurance-linked securities	1.5	n/a
Property debt	3.5	n/a
Total bonds	**27.5**	**22.5-32.5**
Liability driven investment (LDI)	3.5	2.0-5.0
Unconstrained bonds	24.0	20.0-28.0

**The Fund has implemented an equity derivatives program with Legal and General Investment Management in order to manage the SCPF's exposure to equity markets over the short to medium term. The strategy protects c£655m of equities with £140m of protection expiring in June 2021, another £215m in September 2021, and £300m in December 2021. The protection targeted is such that when expected dividend income is allowed for, total losses over the terms of the protection will be no greater than 3%, unless the extent of price losses are sufficiently large to result in total losses exceeding 23%, in which case the protection structure reduces the total return losses by 20%. The protection was funded by selling potential upside returns on the equity protected with the amount retained varying by region.*
***The Fund transferred its unconstrained active global equities to LGPS Central in March 2019.*

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

The Administering Authority is currently in the process of reviewing the investment strategy and this is expected to be completed later this year. The revised strategy will be reflected in the updated Investment Strategy Statement in due course and the next revision of the Funding Strategy Statement which is expected to be undertaken as part of the 2022 valuation of the Fund.

7
IDENTIFICATION OF RISKS AND COUNTER-MEASURES

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

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

FINANCIAL

The financial risks are as follows:-

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

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

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

DEMOGRAPHIC

The demographic risks are as follows:-

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

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

Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, **employing bodies should be doing everything in their power to minimise the**

number of ill-health retirements. Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge.

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

INSURANCE OF CERTAIN BENEFITS

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

REGULATORY

The key regulatory risks are as follows:-

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to Fund,
- Changes to national pension requirements and/or HMRC Rules

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

GOVERNANCE

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

Governance risks are as follows:-

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

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

8
MONITORING AND REVIEW

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

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

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

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

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

INTER-VALUATION CONTRIBUTION REVIEWS

The Regulations allow contributions to be reviewed and potentially revised between valuations at the Administering Authority's discretion, under the following scenarios:

Scenario 1	Scenario 2	Scenario 3
There has been a significant change in the employer's membership which will have a material impact on their liabilities	There has been a significant change in the employer's covenant	The Administering Authority is of the opinion that a change in circumstances means the employer is likely to exit the Fund

Scenarios 1 and 2 apply to "ongoing" employers, who are generally expected to remain in the Fund, and are reviewed on that basis. Reviews can be triggered by the Fund, or requested by the employer.

Reviews will not take place where a) the funding position changes solely due to changes in market conditions (asset movements or assumption changes), b) the next actuarial valuation rates and adjustments certificate is less than 6 months away and membership changes would otherwise trigger a review (reviews in this period due to covenant changes may be considered), or c) where the Fund does not believe that a review is necessary or in the best interests of the Fund as a whole.

Scenario 3 employers who are "planning for exit" are expected to leave the Fund in the near future, and their review will take place on that basis, with a focus on achieving a fully funded position at termination.

COST MANAGEMENT AND THE MCCLOUD JUDGEMENT

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

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

The outcomes of the cost management process were expected to be implemented from 1 April 2019, based on data from the 2016 valuations for the LGPS. This was put on hold due to age discrimination cases brought in respect of the firefighters and judges schemes, relating to protections provided when the public sector schemes were changed (which was on 1 April 2014 for the LGPS and 1 April 2015 for other Schemes). The process has now commenced again, but no outcomes are available as of yet.

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

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

APPENDIX A - ACTUARIAL METHOD AND ASSUMPTIONS

METHOD

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

FINANCIAL ASSUMPTIONS – SOLVENCY FUNDING TARGET

Investment return (discount rate)

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

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

Inflation (Consumer Prices Index)

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

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

The overall reduction to RPI inflation at the 2019 valuation date was 1.0% per annum. However, this was in advance of the Government's decision to move RPI in line with CPIH from 2030 – this decision will act to reduce the gap between RPI and CPI from that point on. Therefore, this assumption will be reviewed and updated periodically as needed by the Fund Actuary.

Salary increases

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

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

DEMOGRAPHIC ASSUMPTIONS

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

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

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

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

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

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

METHOD AND ASSUMPTIONS USED IN CALCULATING THE COST OF FUTURE ACCRUAL (OR PRIMARY RATE)

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

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

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

EMPLOYER ASSET SHARES

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

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

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

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

SUMMARY OF KEY WHOLE FUND ASSUMPTIONS USED FOR CALCULATING FUNDING TARGET AND COST OF FUTURE ACCRUAL (THE "PRIMARY RATE") FOR THE 2019 ACTUARIAL VALUATION

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

Life expectancy assumptions

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

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

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

APPENDIX B – EMPLOYER RECOVERY PLANS

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

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

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

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

Category	Target Recovery Period	Derivation
Fund Employers	13 years	Determined by reducing the recovery period from the preceding valuation by 3 years.
Open Admitted Bodies	13 years	Determined by reducing the recovery period from the preceding valuation by 3 years.
Closed Employers	Based on the future working lifetime of the membership	Determined by the future working life of the membership.
Employers with a limited participation in the Fund	Determined on a case by case basis	Length of expected period of participation in the Fund

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

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

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

Other factors affecting the Employer Recovery Plans

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

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

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

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

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

APPENDIX C - GLOSSARY

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

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

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

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

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

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

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

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

Covenant: the assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

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

Deferred Debt Agreement (DDA): A written agreement between the Administering Authority and an exiting Fund employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the assessed Secondary rate until the termination of the DDA.

Deferred Employer: An employer that has entered into a DDA with the Fund.

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

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

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

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

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

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

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

Government Actuary's Department (GAD): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

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

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

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

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

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

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

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

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

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

Percentiles: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Phasing/stepping of contributions: when there is an increase/decrease in an employer's long term contribution requirements, the increase in contributions can be gradually stepped or phased in over an agreed period. The phasing/stepping can be in equal steps or on a bespoke basis for each employer.

Pooling: employers may be grouped together for the purpose of calculating contribution rates, (i.e. a single contribution rate applicable to all employers in the pool). A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

Prepayment: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced in monetary terms compared to the certified amount to reflect the early payment.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Profile: the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

Rates and Adjustments Certificate: a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

Real Return or Real Discount Rate: a rate of return or discount rate net of (CPI) inflation.

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

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time (“the recovery period”), as set out in the Funding Strategy Statement.

Scheduled bodies: types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary’s Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

Valuation funding basis: the financial and demographic assumptions used to determine the employer’s contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund’s investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

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