

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

Date: Thursday, 7th September 2023

Committee:
Pensions Committee

Date: Friday, 15 September 2023
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.

There will be some access to the meeting room for members of the press and public, but this will be limited. If you wish to attend the meeting, please email democracy@shropshire.gov.uk to check that a seat will be available for you.

Please click [here](#) to view the livestream of the meeting on the date and time stated above.

The recording of the event will also be made available shortly after the meeting on the Shropshire Council YouTube Channel: [Here](#)

Tim Collard
Assistant Director – Legal and Governance

Members of the Committee:

Thomas Biggins (Chairman)
Roger Evans
Simon Harris
Brian Williams

Co-opted Members (Voting):

Nathan England
Carolyn Healy (Vice Chairman)

Co-opted Members (Non-Voting):

Jean Smith (Pensioner Representative)
Byron Cooke (Employee Representative Telford & Wrekin Council)
Lindsay Short (Employee Representative Shropshire Council)

Substitute Members of the Committee:

Chris Schofield (SC)

Mark Williams (SC)

Andy Burford (T&W)

Paul Watling (T&W)

Helen Macmillan (SC Employee Rep)

Vacancy (T&W Employee Rep)

Vacancy (Pensioner Rep)

Your Committee Officer is:

Sarah Townsend Committee Officer

Tel: 01743 257721

Email: sarah.townsend@shropshire.gov.uk

AGENDA

1 Apologies and Substitutions

To receive apologies for absence and notification of any substitutions.

2 Disclosable Interests

Members are reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered. Further advice can be sought from the Monitoring Officer in advance of the meeting.

3 Minutes of the Previous Meeting (Pages 1 - 6)

The minutes of the meeting held on 23 June 2023 are attached for confirmation, marked 3.

Contact: Sarah Townsend (01743 257721)

4 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 5.00 p.m. on Monday, 11 September 2023.

5 Third Line of Assurance - Internal Audit Outturn Report for Shropshire County Pension Fund 2022/23 (Pages 7 - 20)

The report of the Head of Policy and Governance is attached, marked 5.

Contact: Barry Hanson (07990 086409)

6 External Audit - The Audit Findings for Shropshire County Pension Fund 2022/23 (Pages 21 - 46)

The report of Grant Thornton is attached, marked 6.

Contact: Grant Patterson (0121 2325296)

7 Pension Fund Annual Accounts 2022/23 (Pages 47 - 218)

The report of the Executive Director of Resources (Section 151 Officer) is

attached, marked 7.

Contact: James Walton (01743 258915)

8 Corporate Governance Monitoring (Pages 219 - 342)

The report of the Pensions Investment and Responsible Investment Manager is attached, marked 8.

Contact: Peter Chadderton (07990 086399)

9 Pensions Administration Monitoring (Pages 343 - 356)

The report of the Pensions Administration Manager is attached, marked 9.

Contact: Debbie Sharp (01743 252192)

10 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 Agenda Items 11 to 15 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.

11 Exempt Minutes of the Previous Meeting (Exempted by Category 3) (Pages 357 - 360)

The exempt minutes of the meeting held on 23 June 2023 are attached for confirmation, marked 11.

Contact: Sarah Townsend (01743 257721)

12 DLUHC Consultation Update (Exempted by Category 3) (Pages 361 - 372)

The exempt report of the Pensions Investment and Responsible Investment Manager is attached, marked 12.

Contact: Peter Chadderton (07990 086399)

13 Investment Strategy Update (Exempted by Category 3) (Pages 373 - 398)

The exempt report of the Pensions Investment and Responsible Investment Manager is attached, marked 13.

Contact: Peter Chadderton (07990 086399)

14 Investment Monitoring - Quarter to 30 June 2023 (Exempted by Category 3)
(Pages 399 - 448)

The exempt report of the Head of Pensions – LGPS Senior Officer is attached, marked 14.

Contact: Justin Bridges (01743 252072)

15 Governance (Exempted by Category 3) (Pages 449 - 460)

The exempt report of the Pensions Administration Manager is attached, marked 15.

Contact: Debbie Sharp (01743 252192)

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Pensions Committee

15 September 2023

10.00 a.m.

MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 23 JUNE 2023 10.00 AM - 12.30 PM

Responsible Officer: Sarah Townsend

Email: sarah.townsend@shropshire.gov.uk Tel: 01743 257721

Present:

Members of the Committee:

Councillors Thomas Biggins (Chairman), Roger Evans, Simon Harris and Brian Williams

Co-Opted Members (Voting):

Councillors Nathan England and Carolyn Healy

Co-Opted Members (Non-Voting):

Byron Cooke, Lindsay Short (remotely) and Jean Smith

1 Election of Chairman

RESOLVED:

That Councillor Tom Biggins be elected Chairman of the Pensions Committee for the forthcoming municipal year.

2 Apologies and Substitutions

None were received.

3 Appointment of Vice-Chairman

RESOLVED:

That Councillor Carolyn Healy be appointed Vice-Chairman of the Pensions Committee for the forthcoming municipal year.

On behalf of the Committee, the Chairman welcomed Councillor Nathan England to his first Pensions Committee meeting and also asked that their thanks to retired Member Councillor Rae Evans be recorded in the minutes, having been a Pensions Committee Member for many years.

4 Disclosable Interests

None were declared.

5 Minutes of the Previous Meeting

RESOLVED:

That the minutes of the meeting held on 17 March 2023 be approved and signed by the Chairman as a correct record.

It was commented that the minutes had contained some actions, which presumably would be followed up.

6 Public Questions

Three questions had been received from members of the public, none of whom were in attendance to ask their questions. The questions were therefore read out on their behalf by the Pensions Investment and Responsible Investment Manager and the responses to each question were read out by the Head of Pensions – LGPS Senior Officer. A full copy of the questions and responses provided are attached to the web page for the meeting and also attached to the signed minutes.

7 Shropshire County Pension Fund Audit Plan 2022-23

The Committee received the report of the External Auditor, Grant Thornton, which set out the Shropshire County Pension Fund Audit Plan for the year ending 31 March 2023.

Mr Grant Patterson, Key Audit Partner, and Mr Keith Chaisewa, Audit Manager, for Grant Thornton, were in attendance to present the report.

In particular, Members' attention was drawn to the 'Key matters', 'Significant risks', 'Materiality', 'Audit logistics', 'Other matters', 'Audit fees and updated Auditing Standards including ISA 315 Revised' sections and the comments detailed therein.

It was noted that the fee for 2022/23 had increased compared to previous years, which was mainly attributed to the introduction of ISA (UK) 315 (Revised) – Identifying and assessing the risks of material misstatement. This would require Grant Thornton to increase the scope, nature and extent of their audit documentation, particularly in respect of the business processes and IT controls.

It was commented that Grant Thornton had not yet signed off the 2020/21 or 2021/22 accounts, which was concerning and unacceptable. In responding, Mr Patterson explained that all Members would be aware of the significant delay in signing off all local government accounts and that this was subject to a Parliamentary Select Committee Review. However, as a firm, Grant Thornton was ahead of many of the other firms in terms of getting through the audits.

Regarding the 2020/21 accounts, Mr Patterson was confident that they would be signed off by the end of July 2023.

Regarding the 2021/22 accounts, Mr Patterson explained that he was unable to issue an opinion on the Fund account until additional work had been completed concerning the 2022 triennial valuations and the figures updated within the council's accounts. Only once this work had been completed, would he be in a position to issue an

opinion and assuming that the work went as planned, he anticipated that this would be at the end of July 2023.

Regarding the 2022/23 accounts, Mr Patterson explained that he hoped to issue an audit opinion in October / November 2023 and commented that Grant Thornton hoped to be back on track and into a more normal audit cycle towards the end of the calendar year. On behalf of the Committee, the Chairman reiterated the importance of this.

RESOLVED:

That the contents of the report by the External Auditor, Grant Thornton, be noted.

8 Corporate Governance Monitoring

The Committee received the report of the Pensions Investment and Responsible Investment Manager which informed them of Corporate Governance and socially responsible investment issues arising in the quarter period 1st January 2023 to 31st March 2023.

It was requested that the Climate Change Appraisal Section of the report (Section 5) in future be amended to provide definition behind the statement 'The Fund takes Responsible Investment very seriously' by referring to the Committee's decision to achieving net zero by 2050 or sooner and the seriousness of needing to do so.

Regarding the climate change training session to be provided by LGPS Central, it was requested that this not be generic training but rather, specifically cover the nature of what is actually meant by net zero and how it is measured. The Pensions Investment and Responsible Investment Manager confirmed that these issues would be covered and that a proposed agenda would be sent to Committee Members in advance of the training, for comment.

Referring to the minutes of the last Pensions Committee meeting, the Pensions Investment and Responsible Investment Manager explained that he had gone back to LGPS Central for more detail on the actual outcome of the engagements, rather than there just being a brief comment within a report saying that dialogue with a particular company had taken place. An update had been emailed to Committee Members following the last meeting confirming that LGPS Central only produce an engagement report for quarters one, two and four (i.e. not quarter three) due to capacity issues within LGPS Central in quarter three. However, the preference for having an engagement report in every quarter going forwards, had been expressed to them.

Regarding deforestation which had been mentioned at the last Pensions Committee meeting, the Pensions Investment and Responsible Investment Manager advised that LGIM were currently in the process of updating their deforestation policy and the impacts of afforestation as a feature to combat climate change and it was hoped that it would be published in time for inclusion within the report to the September Pensions Committee meeting.

A Member commented that they were not getting a sense of what difference engagement was making and where the evidence was to suggest that it was making a difference, particularly in relation to climate change. It was also questioned at what

point Members say that engagement is not working and investment changes need to be made. In responding Mr Philip Hebson, Independent Advisor to the Committee, explained that in applying to become a signed signatory to the Financial Reporting Council (FRC) Stewardship Code, a key requirement was to be able to evidence outcomes of engagement. He also spoke about engagement through private markets.

In concluding the discussion, it was commented that it was not the responsibility of the Pensions Committee to be an ESG priority committee.

RESOLVED:

That the position as set out in the report of the Pensions Investment and Responsible Investment Manager in respect of voting and engagement activity, Manager Voting Reports from LGPS Central at Appendix A (A1 & A2) and B, Columbia Threadneedle Investments Responsible Engagement Overlay Activity Report at Appendix C and LAPFF engagement Report at Appendix D be accepted.

9 Pensions Administration Monitoring

The Committee 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.

Whilst it was noted that no members had contacted the Fund requesting an in-person Annual General Meeting (paragraph 10.3 of the report), a question was asked regarding whether they had actually been asked and given a chance to respond. The Committee's Pensioner Representative commented that she had not received any requests for an in-person Annual General Meeting and the Chairman explained that all information was readily available on the Fund's website, the Pensions Team were able to be contacted if people had any specific issues and one to one meetings could also be arranged. He felt that the Pensions Team were delivering everything that an Annual General Meeting would have delivered and more, but in a different way.

It was commented that it would be useful to know the views of the Fund's members regarding climate change and the attitude that they would want the Pensions Committee to take.

Reference was made to the percentage of telephone calls answered in April and how this had reduced when compared to February and March and the Communications and Governance Team Leader stated that an update on this would be provided in the report to the September Pensions Committee meeting. Members were also informed that the Fund's website had recently had a chat bot installed to answer common questions.

In responding to questions, information was also provided regarding pension strain and how it is calculated when an employee leaves the authority, as well as frozen refunds.

In concluding, it was requested that all Members of the Pensions Committee receive copies of the Member newsletters as and when they are sent out.

RESOLVED:

That the position as set out in the report of the Pensions Administration Manager be accepted.

10 Exclusion of Press and Public

A Member questioned why Agenda Item 15 (Investment Strategy Statement) was to be considered in the exempt part of the meeting and it was explained that this was due to it being an incomplete document. As the Committee had some decisions to make in the exempt part of the meeting, the document would be updated and be made public following the conclusion of the meeting.

RESOLVED:

That under paragraph 10.2 of the Council's Access to Information Procedure Rules, the proceedings of the Committee in relation to Agenda Items 11 to 17, be not conducted in public on the grounds that they might involve the likely disclosure of exempt information as defined by the categories specified against them.

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

RESOLVED:

That the exempt minutes of the meeting held on 17 March 2023 be approved and signed by the Chairman as a correct record.

12 Equity Protection Update (Exempted by Category 3)

The Committee received a presentation from Mr Colin Cartwright, Aon, regarding an Equity Protection update.

13 Investment Strategy Review Update (Exempted by Category 3)

The Committee received a presentation from Mr Colin Cartwright, Aon, regarding the Investment Strategy Review update.

14 Investment Monitoring - Quarter to 31 March 2023 (Exempted by Category 3)

The Committee received the exempt report of the Head of Pensions – LGPS Senior Officer which provided them with monitoring information on investment performance and managers for the quarter period to 31 March 2023 and reported on the technical meetings held with managers since the quarter end.

RESOLVED:

That the recommendations as set out in the exempt report by the Head of Pensions – LGPS Senior Officer be approved. (Refer to the exempt minutes for the revision to recommendation 3.3 of the report).

15 Investment Strategy Statement (Exempted by Category 3)

The Committee received the exempt report of the Head of Pensions – LGPS Senior Officer which informed them that the Investment Strategy Statement had been updated.

RESOLVED:

That the recommendations as set out in the exempt report by the Head of Pensions – LGPS Senior Officer be approved.

16 Governance (Exempted by Category 3)

The Committee received the exempt report of the Pensions Administration Manager which informed them of Fund Governance issues, including recorded regulatory breaches arising in the quarter 01 January 2023 to 31 March 2023 and any stage one or stage two appeals that had been received under the internal dispute resolution procedure (IDRP).

RESOLVED:

That the recommendations as set out in the exempt report by the Pensions Administration Manager be approved.

17 New Employers (Exempted by Category 3)

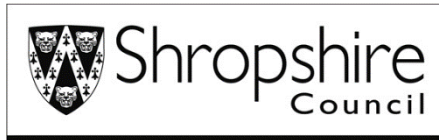
The Committee received the exempt report of the Pensions Administration Manager which provided them with details regarding employer admissions to the Fund under Schedule 2 Part 3 Regulation 1(d) (i) of the Local Government Pension Scheme Regulations 2013 as well as an update of New Schedule 1 Part 1 Scheme Employers (academies) and New Schedule 2 Part 2 Scheme Employers (designated bodies).

RESOLVED:

That the recommendations as set out in the exempt report by the Pensions Administration Manager be approved.

Signed (Chairman)

Date:



Committee and Date

Pension Committee

15th September 2023

Item

Public

THIRD LINE OF ASSURANCE: INTERNAL AUDIT OUTTURN REPORT FOR SHROPSHIRE COUNTY PENSION FUND 2022/23

Responsible Officer

Barry Hanson

e-mail: Barry.hanson@shropshire.gov.uk Telephone: 07990086409

1.Synopsis

This report provides the Committee with a summary of the work undertaken by Internal Audit for the year ended 31st March 2023 and provides the Chief Audit Executive's year end opinion on the Fund's internal control environment.

2.Executive Summary

This annual report provides members with details of the work undertaken by Internal Audit for the year ended 31 March 2023. It reports on progress against the annual audit plan agreed with the Head of Pensions. It also provides the Chief Audit Executive's opinion on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes when considering the Public Sector Internal Audit Standards or Guidance, as required by the Accounts and Audit Regulations 2015.

Final performance has been good with 100% of the plan being delivered.

Five good assurances were made in 2022/23. A total of four recommendations have been made in the five audit reports related to the year for Shropshire County Pension Fund. No significant or fundamental recommendations have been raised in 2022/23.

In addition to the five internal audit reports issued to Shropshire County Pension Fund, we have also completed two pieces of IT consultancy work. In February 2022 Audit Services facilitated a Cyber

Analysis workshop. Progress meetings were undertaken throughout 2022/23. Auditors have also attended and supported project board meetings in respect of the procurement of the new pensions system throughout 2022/23.

Based on the work undertaken and Pension Fund management responses received; the Pension Fund's governance, risk management and internal control processes are sound and working effectively and the Chief Audit Executive can deliver a substantial year end opinion on the Fund's internal control environment for 2022/23.

3. Decisions

The Committee are asked to consider and endorse, with appropriate comment;

- a) Performance against the Audit Plan for the year ended 31 March 2023.
- b) The Chief Audit Executive's substantial year end opinion on the Fund's internal control environment for 2022/23 is based on the work undertaken, and Pension Fund management responses received.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1 The delivery of a risk based Internal Audit Plan is an essential part of ensuring probity and soundness of the Pension Fund's financial, governance and risk management systems and procedures and is closely aligned to the risk register. The Plan is delivered in an effective manner; where Internal Audit independently and objectively examines, evaluates and reports on the adequacy of the control environments as a contribution to the proper economic, efficient and effective use of resources. It provides assurances on the governance, risk management and internal control systems, by identifying areas for improvement or potential weaknesses and engaging with management to address these in respect of current systems and during system design. Failure to maintain robust internal controls create an environment where poor performance, fraud, irregularity and inefficiency can go undetected leading to financial loss and reputational damage.

- 4.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015.
- 4.3 There are no direct environmental, equalities or climate change consequences of this proposal.
- 4.4 Internal Audit customers are consulted on the service that they receive, feedback from which is included in this report and continues to be positive.

5. Financial Implications

- 5.1 The Internal Audit plan is delivered within approved budgets; the work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the Pension Fund.

6. Climate Change Appraisal

- 6.1 This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting or mitigation; or on climate change adaption. However, the work of the Committee will look at these aspects relevant to the governance, risk management and control environment.

7. Background

- 7.1 This report is the culmination of the work of the Internal Audit team during 2022/23 and seeks to:
 - Provide an opinion on the adequacy of the risk management, control and governance arrangements;
 - Inform the review of an effective Internal Audit by providing performance data against the plan.
 - Confirm to the Pension Committee that the Audit service has been delivered free from interference throughout the year.
- 7.2 The requirement for Internal Audit derives from local government legislation, including section 151 of the Local Government Act 1972 which requires the Pension Fund to plan for the proper administration of its financial affairs. Proper administration includes Internal Audit. More specific requirements are detailed in the Accounts and Audit Regulations 2015, in that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance

processes, taking into account public sector internal auditing standards or guidance”.

- 7.3 The Public Sector Internal Audit Standards (PSIAS) define the scope of the annual report on internal audit activity. The annual report must incorporate an annual internal audit opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. This annual report provides information to support that assessment and that an effective Internal Audit is established at Shropshire County Pension Fund, in accordance with the requirements of the 2015 Accounts and Audit Regulations. The Internal Audit Service is provided by Shropshire Council. In December 2021, a report to Shropshire Council Audit Committee confirmed that following an external review by Chartered Institute of Public Finance Accountants (CIPFA), it was concluded that Shropshire Council Internal Audit Services fully conforms to the requirements of the PSIAS. In addition to the external review, in July 2023, an annual paper was presented to Shropshire Council’s Audit Committee which provides assurance on the effectiveness of the Internal Audit service, against the PSIAS. Shropshire County Pension Fund can take assurance from both reports.
- 7.4 Internal Audit operates a strategic risk based plan. The plan is reviewed each year to ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk, this results in a comprehensive range of audits undertaken in the year, to support the overall opinion on the control environment.

Annual Internal Audit Opinion from Internal Audit Work undertaken during 2022/23

- 7.5 It is the responsibility of Shropshire County Pension Fund to develop and maintain the internal control framework. In undertaking its work, Internal Audit has a responsibility under the Public Sector Internal Audit Standards to deliver an annual internal audit opinion and report. The annual internal audit opinion will conclude on the overall adequacy and effectiveness of the Pension Fund’s framework of governance, risk management and internal control. This opinion plays a key part in enabling the Pension Committee to deliver their annual assurance statement to stakeholders.
- 7.6 The results of individual audits, when combined, form the basis for the overall opinion on the adequacy of the Pension Fund’s internal control systems. No system of internal control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that absolute assurance. The work of Internal Audit is

intended only to provide reasonable assurance on governance, risk management and controls based on the work undertaken. In assessing the level of assurance to be given, I have considered:

- The work undertaken on the fundamental systems. Whilst identifying four areas where minor improvement can be made, identified no significant material weaknesses that the Service has control over that could result in a material misstatement in the Pension Fund's accounts and reliance can be placed upon the systems.

7.7 These assurances are provided on the basis that management carry out the actions they have agreed in respect of the recommendations made to address any weakness identified and improvements suggested.

7.8 ***Based on the work undertaken and Pension Fund management responses received; the Pension Fund's governance, risk management and internal control processes are sound and working effectively and the Chief Audit Executive can deliver a substantial year end opinion on the Fund's internal control environment for 2022/23.***

Key Assurances provided during 2022/23

7.9 Audit assurance opinions are awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows:

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non-compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that leaves some risks not addressed and there is evidence of non-compliance with some key control.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do

exist. This exposes the Council to high risks that should have been managed.

Audit assurance opinions delivered in 2022/23

Audit	Opinion	Direction of Travel
Corporate Governance	Good	No Change
Risk Management	Good	No Change
Pension Fund Monitoring	Good	No Change
Investment Managers Internal Control Reports	Good	No Change
Pensions Administration	Good	No Change

6.10 A summary of the five final audit reports issued in 2022/23 are listed at **Appendix A**.

6.11 Audit recommendations are also an indicator of the effectiveness of the Pension Fund's internal control environment and are rated according to their priority:

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

6.12 A summary of the level of assurance for each fundamental review area together with the number of recommendations made is shown in the table below.

6.13 A total of two recommendations have been made in the five audit reports issued in the year; these are broken down by audit area in the table below.

Audit opinion and recommendations made on 2022/23 audits

System	Level of Assurance Given	Number of Recommendations made				Total
		BP	RA	S	F	
Corporate Governance	Good	0	0	0	0	0
Risk Management	Good	0	0	0	0	0

System	Level of Assurance Given	Number of Recommendations made				Total
		BP	RA	S	F	
Pension Fund Monitoring	Good	0	1	0	0	1
Investment Managers Internal Control Reports	Good	0	0	0	0	0
*Pensions Administration	Good	0	3	0	0	3
Totals		0	4	0	0	4
Percentage		0%	100 %	0%	0%	

* Note that the Pensions Administration and the Pensions Administration Transfers in and out audits were presented as one amalgamated report.

- 6.14 Five good assurances were issued during the financial year. Where required positive responses have been received by management and will be followed up next year to determine whether satisfactory action has been taken.
- 6.15 The Internal Audit team has achieved 100% of the plan which is in line with its target.
- 6.16 It is management's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. No recommendations have been rejected in the year by management.
- 6.17 All four of the recommendations made were rated as 'requires attention' designed to add value to the high level of controls in place and reflecting a low level of risk. This reflects the experience and diligence of the staff in the team, with no significant or fundamental recommendations resulting from the audits performed.

Audit Performance

- 6.18 Audit Performance is demonstrated by measuring achievement against the plan, ensuring compliance against the Public Sector Internal Audit Standards (PSIAS), and evaluating improvements made over the last twelve months. A public report of effectiveness against the PSIAS is made annually to the Shropshire Council, June Audit Committee. Shropshire Council Audit Service are also externally reviewed every five years for compliance with the PSIAS and passed the review undertaken by CIPFA in December 2021. The effectiveness of Internal Audit is further reviewed directly by customers as they provided responses to surveys sent out after each audit.

Reporting

6.19 All Internal Audit work is reviewed by a principal auditor to ensure it complies with Internal Audit's standards and that the recommendations made are supported by the work undertaken before any audit reports are issued. This is a fundamental part of ensuring audit quality and that clients receive reports which are both informative, useful and add value to their work processes and procedures.

6.20 All audit assignments are subject to formal feedback to management. Draft reports are issued to the managers responsible for the area under review for agreement to the factual accuracy of findings and recommendations. After agreement, a formal implementation plan containing management's agreed actions and comments is issued to relevant officers. Follow up reviews capture evidence of implementation of recommendations.

Quality Assurance/Customer Feedback Survey

6.21 A customer feedback survey form is sent out with all audits completed. These provide feedback on the quality of audit service in relation to several areas, which are shown in the table below.

6.22 The surveys are part of ensuring the work meets our client expectations and that the quality of audit work is maintained. Five survey forms were returned; the results are identified in the table below.

Customer Feedback Survey Forms - percentage of excellent and good responses

Item Being Scored	2022/23
Pre-audit arrangements	85%
Post-audit briefing	83%
Audit coverage/scope of the audit	90%
Timeliness of production of report	85%
Accuracy and clarity of report	95%
Practicality of recommendations	83%
Professionalism of approach, competence	100%
Communication skills, pleasant manner	100%
Timeliness of audit to your business process	85%
Number of forms returned	5

- 6.23 The results are pleasing and used to inform the training and development of auditors in their role.
- 6.24 In addition to surveys, regular meetings are held with the Head of Pensions and the Scheme Administrator which allow any performance issues to be reviewed at that time. Internal Audit have continued to introduce new Auditors to the Pension Fund to ensure that Auditors can be rotated in line with the Public Sector Internal Audit Standards (PSIAS) and that Internal Audit are able to continue to offer a professional high-quality service going forward. The information received from surveys is used both to improve techniques overall within the team and at annual performance appraisals to identify future development focus relating to individual skills or competences.

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

Pension Fund Internal Audit Plan
Public Sector Internal Audit Standards
Accounts and Audit Regulations 2015

Cabinet Member (Portfolio Holder) N/A

Local Member - N/A

Appendices

Appendix A - Summary of Findings from Pension Fund Audit Reports 2022/23

APPENDIX A

Summary of Findings from Pension Fund Audit Reports 2022/23

1. ***Pension Fund Investment Managers Monitoring*** - This area is reviewed on an annual basis reviewing Pension Fund Investments using established documentation and testing.

The audit concentrated on key controls in the following areas:

- Investment of the fund complies with statute, regulations and any restrictions specified.
- Appropriate control is exercised over fund managers.
- Transactions undertaken by Fund Managers are independently recorded and verified.
- Appropriate accounting entries are made and fund balances are reflected in the accounting system.
- Relevant management information is provided to strategic management.
- Information is secure and satisfactorily controlled.
- Information Governance and cyber risks are managed in accordance with current best practice and an agreed policy.

Evaluation and testing of the controls that are in place confirmed that there is a sound system of control in the areas examined.

One recommendation was made. Management provided a positive response to the recommendation.

Assurance Level: Good

2. ***Pensions Administration (Including Transfers In and Out)*** – This area is reviewed on an annual basis. The audit concentrated on the following objectives:

- Recommendations made in the previous Pensions Administration Audit have been implemented as agreed.
- The Officers responsible for administering the fund have enough resources, skills and access to policies and procedures to effectively process transactions and manage the fund.
- In accordance with regulations, if a new employee is required to join the scheme they are identified promptly and recorded accurately as members.
- Contributions received to the fund including, those from employees and employers are recorded accurately and promptly.
- Benefits paid are calculated correctly and paid to eligible persons. Changes are appropriately authorised and processed correctly.
- Pension payments made on the payroll are processed accurately, in a timely manner and are authorised appropriately.

- Fund members leaving the scheme have their deferred pension recorded accurately and any payments made from the scheme to leavers (other than normal pensions) are accurate and appropriately authorised.
- Transfers In and Out of the scheme are calculated correctly, actioned promptly and authorised appropriately.
- Procedures to ensure that administrative costs associated with the scheme are in accordance with the budget and any costs due to the fund are recovered accurately and promptly.
- Ledger control accounts associated with the scheme are reconciled accurately and on a regular and timely basis.
- There is an appropriate process in place to ensure all complaints are actioned in accordance with the Internal Dispute Resolutions Policy.
- Management and performance information is accurate, timely and relevant
- Personal data is processed in a secure and controlled manner in line with internal policy and legislation.

Evaluation and testing of the controls that are in place confirmed that there is a sound system of control in the areas examined.

Two previous recommendations were followed up as part of the audit. Good progress has been made with one recommendation assessed as implemented and another assessed as in progress. This has been repeated as one of three recommendations made in 2022/23. Management have provided positive responses to all recommendations.

Assurance Level: Good

3. ***Risk Management*** – The audit looks to ensure there are appropriate risk management processes in place in respect of the Pension Fund. It concentrated on the following objectives:

- Risks arising from business strategies and activities are identified and prioritised and management and the Pensions Committee have determined the level of risk acceptable to the organisation.
- Risk mitigation activities are designed to reduce, or otherwise manage, risk at levels that were determined to be acceptable to management and the Pensions Committee.
- Ongoing monitoring activities are conducted to periodically reassess risk and the effectiveness of controls to manage risk.
- The Pensions Committee and management receive periodic reports of the results of the risk management process.

Evaluation and testing of the controls that are in place confirmed that there is a sound system of control in the areas examined.

No recommendations were raised in this review.

Assurance Level: Good

4. **Corporate Governance** – The audit looks to ensure there are appropriate governance processes in place in respect of the Pension Fund. It concentrated on the following objectives:

- Fund objectives are defined, agreed and supported by appropriate performance and risk management processes, to include consideration of fraud risk.
- An appropriate investment strategy is in place and has been adopted.
- Operational investment processes support the investment strategy to ensure maximisation of investment returns.
- Performance of external advisors and service providers is managed to maximise their contribution to the values of the fund without placing excessive reliance upon them.
- Fund assets are sufficient to meet its obligations and liabilities, avoiding an adverse impact on the council taxpayer / service provision.
- Accurate accounting records are maintained and appropriate statutory reports including unqualified statutory accounts are produced.
- There is a system in place to communicate adequately with all relevant stakeholders.
- Those charged with the governance of the Fund and the Scheme can fulfil their responsibilities effectively.
- There are appropriate Governance structures in place in respect of LGPS Central.

Evaluation and testing of the controls that are in place confirmed that there is a sound system of control in the areas examined.

No recommendations were raised in this review.

Assurance Level: Good

5. **Review of Investment Managers Internal Control Reports** – This annual review provides assurance on the security and management of the Pension Funds' investments, based upon the information provided in AAF 01/06, SOC1 and SSAE16 reports, which are subject to External Audit review. In addition, there are some fund managers who are not required to produce these reports and tailored self-assessment questionnaires are sent to them for completion. The review is performed after the financial year end, when the most up to date reports are available. Reports are reviewed in the first instance by Treasury

staff, who seek explanations of any areas where there appear to be weaknesses or concerns in the reports. Following the receipt of these responses, the reports are subject to a second, independent, review by Internal Audit. Audit work concentrated on the following objectives:

- The most recent internal control reports have been received for all fund managers who are required to produce SOC1, SSAE16 or AAF01/06 reports.
- Fund Managers have confirmed there are adequate systems of internal control in place at any third party back office service providers used in relation to Shropshire County Pension Fund.
- Fund Managers have confirmed that they maintain comprehensive procedure notes.
- Fund Managers have confirmed that they have appropriate insurance arrangements in place with adequate liability cover.
- Internal Control Questionnaires have been completed by the Fund Managers who are not required to produce control reports.

Evaluation and testing of the controls that are in place confirmed that there is a sound system of control in the areas examined.

No recommendations were raised in this review.

Assurance Level: Good

6. Summary of IT consultancy work

Cyber Risk assessment

Audit Services facilitated a Cyber Analysis workshop in February 2022. The focus was to complete a gap analysis based on the self-assessment completed by the Pensions service late 2021 as documented within the AON LGPS Cyber scorecard. It should be noted that no controls testing has been undertaken during the AON assessment. Actions were agreed during the workshop, implementation of which will help to improve the overall cyber control environment within the Pension Service. Progress meetings were undertaken throughout 2022/23 following up on the actions with Shropshire Council IT. This was based on information provided by AON as part of their assessment and management inputs at the time of the discussion and is intended to help minimise any control issues. It does not represent an audit assurance level, which cannot be given until a full audit review has been conducted. Subsequent review meetings have been held, attended by Audit Services on the progress made on the actions identified.

Pensions System Procurement.

Audit Services have attended the Project Board meetings on the procurement of the new pension system during 2022/23. The Auditors role in this group is to advise and guide on control related queries and provide general assurance comments to the Board. The Heywoods cloud hosted solution went live in May 2023. This activity does not represent an audit assurance level on the new

system, which cannot be given until a full audit review has been conducted. A full application cloud-based application audit is planned during 2023/24.

The Interim Audit Findings Report for Shropshire County Pension Fund

Year ended 31 March 2023

September 2023

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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit Committee.

Name: Grant Patterson
For Grant Thornton UK LLP
Date: 7 Sept 2023

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.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Shropshire County Pension Fund ('the Pension Fund') ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

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Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed remotely during July-September. Our findings are summarised on pages 5 to 13.

We have not identified any adjustments to the financial statements that impact upon the Pension Fund's reported financial position.

Whilst we have not identified any material differences however we have identified £10.053m of differences in the valuation of the Fund's investments disclosed in the financial statements at 31 March 2023 and the valuation statements received from the third-party investment managers. We recognise this is primarily driven by timing differences on closing down the financial statements and receipt of these valuation statements, although we have also noted that for the past three years the roll forward approach used on HarbourVest's private equity portfolio and Global Infrastructure's infrastructure has driven the majority of the differences.

Management are proposing not to amend the financial statements on the basis that the differences are not material (0.5% of investment assets) and the Pension's Committee and Audit Committee will be asked to confirm their agreement.

Audit adjustments are detailed in Appendix D.

We have not raised new recommendations for management as a result of our audit work (Appendix B). As noted below there is some work to be finalised and whilst we do not anticipate recommendations arising from this if significant matters arise we will communicate these separately. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit, subject to the following outstanding matters;

- Receipt of the final report from our IT team on the IT systems used by the Fund and the Council;
- Finalisation of our Benefits and Contributions testing;
- Receipt of LGIM bespoke fund listing and LGPS Central controls report;
- Receipt of management representation letter {shared separately}; and
- Review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated opinion on the financial statements will be unmodified.

Whilst our work on the Pension Fund financial statements is complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until 1 December 2023 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the Pension Fund for their support in working with us to ensure the Pension Fund's audit has not fallen behind and to seek finalisation of our work by the end of September 2023, in line with our planned timeline.

Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Mercer, and showed that the solvency funding level is 99%. The results of the latest triennial valuation are reflected in Note 40 to the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work on the other information disclosures made in the Pension Fund accounts and for providing assurances to auditors of employer bodies. As part of this work, we tested a sample of 25 members drawn from the pensioners, deferred and active populations and found the source data to be complete and accurate. This additional testing is only required after each triennial review, rather than annually. See Appendix E for the impact of this work on our 2022/23 audit fee.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Pensions Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

For Shropshire County Pension Fund, the Audit Committee is formerly those charged with governance. However, in practice the Pension Committee fulfils the role of those charged with governance i.e. it considers the draft financial statements and is part of the overall member oversight process and recommends adoption of the financial statements to the Audit Committee. We have therefore determined the Pensions Committee as the body we would communicate with and copy our reports to the Audit Committee.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have altered our audit plan, as communicated to you on 23 June 2023, to reflect a change of the planning materiality for Fund Account transactions. We determined that as finalisation of our planning work had not identified any internal controls issues it was appropriate to move this towards the higher end of our acceptable range of 5-10%. The planning materiality was therefore revised upwards from 5% (£4.25m) to 7.5% (£8.5m) of the Pensions Fund's total expenditure.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion. We cannot issue our opinion until audit work on the Council's accounts (as Administering Authority and whose accounts the Pension Fund's accounts form part of) has been completed and therefore we anticipate this being in November 2023. These outstanding items include:

- receipt of management representation letter
- receipt and review of the final version of the Annual Report; and,
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the Treasury and Pension Team staff.

2. Financial Statements



Our approach to materiality

The concept of 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.

Materiality levels remain the same as reported in our audit plan on 23 June 2023. We have revised the performance materiality percentage for fund account transactions from 5% to 7.5% as there were no increased risk identified.

We set out in this table our determination of materiality for the Pension Fund.

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	£27m	We determined materiality for the audit of the Pension Fund's financial statements as a whole to be £27m, which is approximately 1.25% of the Pension Fund's net assets as at 31 March 2023. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in security and value of the Pension Fund's assets.
Performance materiality	£20.55m	We have determined £20.25m (75% of materiality) to be an appropriate level for Performance Materiality. The Pension Fund has a stable, experienced team with no history of accounting issues and this continues to be the case.
Trivial matters	£1.35m	We deem matters below 5% of materiality to be sufficiently trivial not to warrant drawing to the attention of the Pensions Committee.
Materiality for fund account	£8.5m	We determined materiality for the fund account transactions based on 7.5% of total expenditure as at 31 March 2023.



2. Financial Statements: Significant risks

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. This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

Below is a summary of the work performed:

- evaluated the design and implementation of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.

No changes have been identified to the accounting policies and the estimation process for the valuation of the defined benefit schemes and plan assets.

Our audit work has not identified any significant issues in respect of management override of controls.

Improper revenue recognition

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. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including the London Pensions Fund Authority, 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.

There were no changes to our assessment reported in the audit plan and the audit work performed did not identify any issues in respect of revenue recognition.

Fraud in Expenditure Recognition

Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially an entity that is required to meet financial targets. Having considered the risk factors relevant to the Pension Fund and the relevant expenditure streams, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply.

We therefore do not consider this to be a significant risk for the Pension Fund.

There were no changes to our assessment reported in the audit plan and the audit work performed did not identified any issues in respect of expenditure recognition.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of Level 3 Investments

The Fund revalues its investments on a quarterly 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 measurable 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 require a significant degree of judgement to reach an appropriate valuation at year end.

Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2023.

We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

Below is a summary of the work performed:

- evaluated management's process for valuing Level 3 investments
- reviewed the nature and basis of estimated values and considered the assurance management has over the year end valuations provided for those types of investments, to ensure that the requirements of the Code are met
- independently requested year-end confirmations from investment managers and the custodian and considered the role played by the custodian in asset valuation
- for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date, reconciling those values to the values at 31 March 2023 with reference to known movements in the intervening period where necessary.
- tested valuations made during the year to see if they had been input correctly into the Pension Fund's asset register
- where available, reviewed investment manager service organisation reports on design effectiveness of internal controls. Identify the key valuation controls at the fund managers (and where appropriate the custodians) and consider the design effectiveness of the controls through enhanced documentation of our consideration of the relevant controls reports.

Our audit work identified that the actual value of investments as at 31 March 2023 had risen by £10.053m from that estimated in the accounts. This was largely attributed to £9.97m increase in Level 3 asset values and a £0.086m increase in Level 2 assets. The largest movement in Level 3 assets was related to HarbourVest's private equity portfolio (£8.4m) and Global Infrastructure's infrastructure portfolio (£1.29m) final capital statements not being available when the Pension Fund's accounts presented for audit were closed down. Timing differences such as this are not unusual within Pension Funds. The difference is 0.5% of total investment assets and less than 50% of our performance materiality. Management has determined not to amend the Pension Fund's Statement of Accounts on the basis that the difference is not materially quantitatively or qualitatively to readers of the accounts.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £590.2m	The Pension Fund has investments in unquoted equity and pooled investments vehicles that in total are valued on the net assets statement as at 31 March 2023 at £590.2million. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuation that the investment managers provides. Northern Trust is the pension fund's custodian, their role is the safeguarding and keeping assets records. The valuation of the funds is provided by the investment managers. Service auditor reports for investment managers and custodians were obtained and considered by management at the pension fund. The value of the investment has increased by £56.4m in 2022/23, this is largely due to sales, transfers, purchases and change in the market value for these funds.	Management determine the value of level 3 investments through placing reliance on the expertise of the investment managers. We have performed an assessment of management's expert i.e. Investment manager. In addition to the investment manager confirmations at year end; we have obtained latest audited accounts and reviewed cash flow movements to 31 March 2023. We have also tested a sample of Level 3 investments to audited accounts and final capital statements to determine if the values estimated are reasonable. Please see our findings on page 8 where we identified a £9.97m change in the final value of the private equity and infrastructure portfolio from the estimated value in the accounts (1.7% of L3 investments and 0.5% of total Fund investments).	

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £1,147.4m	The Pension Fund have investments in pooled investments that in total are valued on the net assets statement as at 31 March 2023 at £1,147.4million. The investments are valued using the closing bid price where bid prices and offer prices are published or where the funds are index tracked, these are based on the market quoted prices of the underlying securities. As the pooled investments fund invested in are mainly bonds, equities and fixed interest quoted prices are easily obtained in the market. The value of the investment has decreased by £81.9m in 2022/23 due to performance of the funds in the market.	Management determine the value of level 2 investments through placing reliance on the expertise of the investment managers. We have performed an assessment of management's expert i.e. Investment manager. In addition to the investment manager confirmations at year end; we have independently obtained the quoted price as at year end and compared it to the investment manager's price. Where prices could not be obtained we obtained the latest audited accounts and reviewed the unaudited valuation. We have also tested a sample of level 2 investments to determine if the values estimated are reasonable. No findings have been identified in our testing	

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 1 Investments – £506.4m	The Pension Fund have investments in pooled investments, cash and other deposits that in total are valued on the net assets statement as at 31 March 2023 at £506.4million. The investments are valued using the closing bid price where bid prices and offer prices are published, these are based on the market quoted prices of the underlying securities. As the pooled investments fund invested in are mainly equities and fixed interest quoted prices are easily obtained in the market. The value of the investment has decreased by £69.7m in 2022/23 due to performance of the funds in the market.	Management determine the value of level 1 investments through placing reliance on the expertise of the investment managers. In addition to the investment manager confirmations at year end; we have independently obtained the quoted price as at year end and compared it to the investment manager's price. We have also tested a sample of level 1 investments to determine if the values estimated are reasonable. No findings have been identified in our testing	

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Pensions Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund , which is included in the Committee papers.
Audit evidence and explanations	All information and explanations requested from management was provided.
Confirmation requests from third parties	We send confirmation requests to all investment managers. The number of requests sent were 11 and all of these requests were returned with positive confirmation. LGPS Central Ltd response was only received on 31 August 2023. We are completing our audit procedures in respect of reviewing these confirmations but at the time of drafting this report no matters have been identified.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.

2. Financial Statements: other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

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Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: - the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities - for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: - the nature of the Pension Fund and the environment in which it operates - the Pension Fund's financial reporting framework - the Pension Fund's system of internal control for identifying events or conditions relevant to going concern - management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: - a material uncertainty related to going concern has not been identified - management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	The Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council'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 will provide the comment once we have completed our work on the Administering Authority's accounts.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report once we have completed our work on the Administering Authority's accounts.



3. Independence and ethics

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 and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

3. Independence and ethics

Audit and non-audit services

The following audit services were identified which were charged in the current financial year, as well as the threats to our independence and safeguards that have been applied to mitigate these threats. Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards.

Service	Fees £	Threats identified	Safeguards
Audit related			
IAS 19 Assurance letters for admitted bodies	1,100	Self-interest (because this is a recurring fee)	Fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work. This applies to Shropshire Towns and Rural Housing Ltd (STAR Housing). The specific fee for STAR Housing is £1,100. For comparison, the total fee for IAS 19 work in 2022/23 is £10,400 (including STAR Housing) compared to £8,000 in 2021/22. The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee proposed for this work of £1,100 in comparison to the total fee for the audit of £39,952 and in particular relative to Grant Thornton UK LLP's turnover overall is low. 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.

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Pensions Committee. None of the services provided are subject to contingent fees.

3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Committee, Pensions Board, senior management or staff that would exceed the threshold set in the Ethical Standard.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have not identified any new recommendations for the Pension Fund at this time as a result of issues identified during the course of our 2022/23 audit. We have rolled forward one recommendation from last year in respect of exploring with HarbourVest and Global Infrastructure if there are ways of improving the timeliness of their year end reporting but note that differences this year are significantly reduced and it is an inherent issue with this type of asset across the industry. We will report on progress during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

C. Follow up of prior year recommendations

We identified the following issues in the audit of Shropshire County Pension Fund's 2021/22 financial statements, which resulted in three recommendations being reported in our 2021/22 Audit Findings Report. We have followed up on the implementation of our recommendations. One has been fully addressed and one partially addressed. A third recommendation in respect of IT security covered the Administering Authority with some elements related to Altair linked to the Pension Fund. We are still awaiting the final report from IT to complete their testing to determine if the IT recommendation has been resolved.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partial	There were differences identified between the fair value of investments reported in the financial statements and the statements received from investment managers. The bulk of these differences were identified on HarbourVest's private equity portfolio and Global Infrastructure's infrastructure portfolio. The estimate had been based on a roll forward from the 31 December 2021 capital statements. No amendment has been in the Pension Fund's Statement of Accounts. We recommended management explore ways to improve estimation techniques to enhance the accuracy of the valuation of fund assets in the accounts in future years.	Management have utilized the 31 December 2022 valuation and adjusted for cashflows to 31 March 2023 to estimate the year end valuation. The difference has reduced this year and is in line with the tolerable differences. Management should continue to explore ways to improve estimation techniques with HarbourVest and Global Infrastructure to enhance the accuracy of the valuation of fund assets in the accounts in future years.
✓	The Committee from time to time reviews the services provided by the investment adviser and other service providers. As part of this monitoring exercise, management are delegated with the task of reviewing investment manager service organisation reports. As part of the audit we were not provided with the below service organisation reports: • Blackrock who engage BNYM as their fund administrators (BNYM report not provided) • DRC who engage Sanne as their fund administrators (Sanne Group (Luxembourg). The report provided specifically excludes coverage of the Fund that the Pension Fund is invested in. We recommended that matters that could potentially contradict the accuracy of services provided with specific regard to the valuation of investments could go unnoticed where these reports are not reviewed.	There has been evidence of review of the controls report for investment managers.

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	We identified a number of controls issues in security and access of Shropshire Council's IT systems that is, Altair, Unit 4 ERP and Active Directory: - we noted that there was inadequate control over privileged accounts within Active Directory (28 accounts) and Altair (3 accounts). Users with administrative privileges at application level have the ability to bypass system-enforced internal control mechanisms and may compromise the integrity of financial data. - lack of review of the Access control policy and the Application security policy. Further to the above, the absence of a comprehensive IT security policy will have an adverse impact on the organization to ensure that the data and network are protected from potential and emerging security threats. - evidence requested but not provided – Leaver's process. There is a risk that key aspects of the design and development process including functional design and testing may not be appropriate. - lack of review of the third-party IT assurance reporting for the ERP system. While an independent service organization assurance report SOC 1 is available, Shropshire Council has not assessed the IT controls findings. As businesses continue towards digital transformation and a simplified IT architecture, dynamic service delivery models are becoming the norm. There is a risk that organizations have less visibility over the effectiveness of the outsourced IT control environment and whether there are sufficient controls in operation.	To be updated when the testing is finalised.

Assessment

- ✓ Action completed
- X Not yet addressed

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

No adjusting misstatements have been identified.

Misclassification and disclosure changes

No significant misclassification and disclosure changes have been identified during the audit at this time. If any significant ones are identified they will be communicated when testing has been finalised.

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Pensions Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Differences identified between the value of investments disclosed in the financial statements where some of the values are estimates at 31 March 2023 and the valuation statements received from the third party investment managers.	10,053	10,053	10,053	Not material quantitatively or qualitatively.
Overall impact	£10,053	£10,053	£10,053	

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Differences identified between the value of investments disclosed in the financial statements where some of the values are estimates at 31 March 2022 and the valuation statements received from the third party investment managers. As assets are revalued at 31 March 2023 there is no impact upon the 2022/23 financial statements.	19,246	19,246.	19,246.	Not material.
Overall impact	£19,246	£19,246	£19,246	

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee £
Pension Fund Audit	
Scale Fee	21,539
Ongoing prior year variations not contained within amended scale fee	9,913
Additional change of circumstances work	500
Impact of ISA 315	3,000
Work on triennial valuation member data *	5,000
IAS 19 letters for employer body auditors, including testing of 31 March 2022 triennial review *	9,300
Sub-total	
Non-audit services	
IAS 19 letter to auditor of Shropshire Towns and Rural Housing Ltd (STAR Housing) – see page 16 *	1,100
Total audit fees (excluding VAT)	£50,352

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work. This applies to Shropshire Towns and Rural Housing Ltd (STAR Housing). The specific fee for STAR Housing is £1,100. For comparison, the total fee for IAS 19 work in 2022/23 is £10,400 (including STAR Housing) compared to £8,000 in 2021/22.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: - the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures - the identification and extent of work effort needed for indirect and direct controls in the system of internal control - the controls for which design and implementation needs to be assessed and how that impacts sampling - the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: - increased emphasis on the exercise of professional judgement and professional scepticism - an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence - increased guidance on management and auditor bias - additional focus on the authenticity of information used as audit evidence - a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: - clarification of the requirements relating to understanding fraud risk factors - additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.



<u>Committee and Date</u>	<u>Item</u>
Pensions Committee	7
15 September 2023	Public
10.00 a.m.	

PENSION FUND ANNUAL ACCOUNTS 2022/23

**Responsible
Officer**

James Walton

e-mail: james.walton@shropshire.gov.uk Tel: (01743) 258915

1. Synopsis

- 1.1 The report provides Members with the Shropshire County Pension Fund Annual Report 2022/23 and an update on the annual audit. Grant Thornton has substantially completed its annual audit and it is expected an unqualified opinion will be given.

2. Executive Summary

- 2.1 In the year to the end of March 2023 the Fund decreased in value by £95 million to £2.244 billion.
- 2.2 Draft accounts were produced before the end of May to fit in with the Council's closedown timetable.
- 2.3 Grant Thornton have substantially completed the audit and it is expected an unqualified opinion will be given on the accounts.

3. Recommendations

- 3.1 The Committee is asked to approve the Pension Fund Annual Report 2022/23 and delegate authority to officers to make any minor changes required.
- 3.2 The Committee is asked to approve that the Chair and Executive Director of Resources sign the letter or representation for Grant Thornton.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1 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.

- 4.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 4.3 There are no direct environmental, equalities or climate change consequences of this proposal.
- 4.4 The Annual Report 2022/23 will be published on the Scheme's website.

5. Financial Implications

- 5.1 There are no direct financial implications arising from this report.

6. Climate Change Appraisal

- 6.1 The Fund takes Responsible Investment very seriously as has a Climate Change Strategy in place committing to net zero by 2050 or before in line with the Paris accord on climate change adopted in 2015.
- 6.2 Responsible investment is a key process the investment managers go through before investing and something the fund considers as part of investment opportunities. Thorough due diligence is undertaken considering all risks including climate change. The investment managers vote were applicable on the Fund's behalf, Columbia Threadneedle engage with companies on the Fund's behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which undertakes engagements on behalf of all LGPS members.
- 6.3 Shropshire County Pension Fund was confirmed as a signatory to the UK stewardship code in August 2023.
- 6.4 Shropshire County Pension Fund has also received and published Climate Risk Reports and TCFD reports since December 2020. The last report was issued in December 2022 and an updated report is expected in December 2023.

7. Background

- 7.1 Following the end of the financial year officers compiled the Pension Fund accounts for 2022/23. The annual report has been produced which outlines the accounts and details the activities of the Fund during the last year (**Appendix A**).
- 7.2 Grant Thornton have substantially completed the audit of the accounts for the Shropshire County Pension Fund and an opinion and certificate will be included within the annual report when finalised. An unqualified opinion is expected to be given on the accounts.

8. Annual Accounts

- 8.1 In the year to the end of March 2023 the Fund decreased in value by £95 million to £2.244 billion.
- 8.2 Due to the tight deadlines involved in producing the draft accounts before the end of May in line with the Council's closedown timetable, the property debt & private debt portfolio valuations (managed by DRC & LGPS Central respectively), private equity portfolio valuations (managed by HarbourVest & LGPS Central) & infrastructure portfolio valuations (managed by Global Infrastructure Partners & LGPS Central) used in the final accounts are based on either, September or December quarterly capital statements, adjusted for cashflows to 31st March 23 as these are the latest statements available at that time. During the audit, the majority of the 31st March 2023 capital statements became available (in late July/early August), and it was noted that the combined value of the private equity, infrastructure, property debt & private debt funds had increased slightly compared to the value stated in the draft accounts sent to Grant Thornton. The overall change was within Grant Thornton's materiality limit and the Pension Fund accounts have not been amended for these valuation increases as it amounts to around 0.5% of the total Fund value. This is consistent with previous years when the amount is below materiality.
- 8.3 During the year the Fund received £19.2 million in contributions from employees and £57.1 million in contributions from scheme employers. Contributions from scheme employers are significantly higher than in 2021/22 as this year's figures include normal employer contributions for Telford & Wrekin Council but last year's figures excluded them as they chose to pay 2021/22 normal employer contributions upfront in 2020/21.
- 8.4 The last financial year continued to see an increase in the total number of scheme members. Total scheme membership increased by 2.5% to 52,197 during the year.
- 8.5 Local Government employees who leave employment have the option to transfer out their accumulated pension benefits. During the last financial year, the Fund paid out £8.1 million in transfer payments for staff leaving employment. This figure is higher than the previous year as it includes a bulk transfer payment out of all employees accumulated benefits for one employer. New employees can request a transfer in of accumulated benefits from previous employment. The Fund received £9.5 million in transfer payments from new employees during the financial year.
- 8.6 In 2022/23 the Fund paid pensions totalling £70.9 million, an increase of £4.4 million on the previous year.
- 8.7 Management expenses in 2022/23 totalled £18.8 million, an increase of £1.3 million from the previous year.

- 8.8 A full analytical review of the Pension Fund Accounts was carried out by officers and passed to Grant Thornton in advance of their audit. The audit was substantially completed in early September 2023.
- 8.9 The Annual Report will be available to all scheme employers, investment managers, advisors and scheme members as it will be published on the pension fund website.

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

N/A

Cabinet Member

N/A

Local Member

N/A

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A. Shropshire County Pension Fund Annual Report 2022/23.

Annual report 2022/23



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Introduction

Welcome to the 2022/23 annual report and accounts of the Shropshire County Pension Fund

This year's fund information

£95

million



Fund value decrease

£2.244

billion



Total fund value

3.5%



Fund value decrease

2.4%



Above benchmark

The Shropshire fund decreased in value by £95 million in 2022/23 to be valued at £2.244 billion at the end of the year. The fund decreased in value by 3.5% over the year but outperformed against its benchmark by 2.4%. Financial markets across the world were very volatile during 2022 due to the war in Ukraine, high inflation, rising interest rates, high energy prices, cost of living crisis and impact of the mini budget announcements. Equity and bond markets in particular produced significant negative returns during 2022 resulting in the decrease in the fund value during the year.

However, the Shropshire fund had positive investment returns in a number of asset classes. The strongest returns were generated in infrastructure by Global Infrastructure Partners which generated excellent returns of 20.4%, property debt delivered returns of 4.9% and the fund's private equity manager produced returns of 4.3%. Insurance-linked securities and hedge funds also delivered positive returns in a difficult market environment. The active global equity portfolio generated returns of 1.4% and one of the absolute return bond managers delivered 1.2%, these are the reasons the fund performance was above benchmark during the year.

The Pensions Committee determine the strategic asset allocation for the fund. This outlines the proportion of assets that the fund invests in equities, bonds and alternative assets such as property and infrastructure. This is the most important decision that the committee makes because it has the biggest impact on the long-term returns of the fund. The committee undertook a series of investment strategy training workshops during 2022/23 before agreeing

a revised strategic asset allocation in June 2023. The revised investment strategy has started to be implemented during 2023, the remainder will be implemented once new funds are launched at LGPS Central later in the year or early in 2024.

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

The fund undergoes an independent actuarial valuation every three years. The last actuarial valuation was conducted at the end of March 2022, identifying that the fund had a funding level (the relationship between estimated future pension payments and the funds held to pay for these pensions) of 100% using the fund's standard assumptions which was an increase from 94% at the previous valuation in March 2019. This is the first time for over 23 years the funding level has been 100% at the valuation date which is really positive news. The results of the 2022 valuation were communicated to all employers in November 2022 and revised contributions were agreed with employers for the next three financial years commencing from 2023/24. Due to some of the individual employer decisions made as part of this consultation process the official funding level signed off by the actuary as at 31 March 2022 was 99%. The next valuation will be undertaken on 31 March 2025.

In October 2022, we appointed to a new senior position within the Investment Team, Pension Investment & Responsible Investment Manager, who will be key to addressing responsible investment issues, including climate change and assisting in the fund's aim to meet its net zero target by 2050 or before.

The fund was recognised as a tier 1 signatory to the Stewardship Code, the highest rating given by the Financial Reporting Council, which is very positive news. The fund applied to become a signatory to the revised Stewardship Code in May 2023 and is currently awaiting the outcome. This confirms how seriously the fund continues to take responsible investment and environmental, social and governance issues. In 2020, 2021 and 2022 the fund commissioned its pooling company, LGPS Central Limited, to undertake an in-depth review of the fund's exposure to financially material climate-

related risks and opportunities. The climate risk reports included both climate scenario analysis and carbon risk metrics. The fund also published its third Task Force on Climate-related Financial Disclosures (TCFD) aligned report in December 2022 showing a 46% reduction in the carbon footprint of the equity portfolio compared to 31 March 2020. The fund was one of the first LGPS funds in the UK to publish its public TCFD report, this included a number of recommendations which the fund implemented during 2022/23. Further details relating to this and the significant progress which has been made during the year with regards climate risk monitoring, setting a net zero target, responsible investment, climate risk training and the fund's carbon footprint are included within the corporate governance section of the annual report.

During the year there was a change in the role of Scheme Administrator (or LGPS Senior Officer). This responsibility was delegated from the Executive Director of Resources to the Head of Pensions. The fund's independent advisor, Roger Bartley, retired on the 31 March 2023 after advising the fund for over 20 years. He will be sadly missed, we wish him all the best for the future and thank him for his valuable contribution over many years. From the 1 April 2023, the newly appointed independent advisor is Philip Hebson who also comes with a wealth of LGPS investment experience.

The Shropshire fund continued to work with eight other funds in the Midlands region during the year. LGPS Central Ltd has been established to manage investment assets on behalf of its eight Local Government Pension Scheme (LGPS) funds across the Midlands region. It is a multi-asset manager, investing up to potentially £55.3 billion of assets (£26.4 billion invested as at March 2023), on behalf of 900,000 LGPS members and 2,500 employers.

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

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

The governance structure for LGPS Central has been agreed by all partner funds. The LGPS Central Board and Executive Committee are in place. There are currently 77 permanent staff and a number of additional appointments were made during the year, including the appointment of two more staff within the Responsible Investment Team, Head of Stewardship, Senior Stewardship Analyst, Private Markets Operations Manager, Chief Stakeholder Officer and a Chief Legal, Compliance and Risk Officer. More appointments are expected to be made during 2023 to fill the remaining budgeted posts. In addition, a third graduate recruitment programme was launched in 2022 and recruited to following on from the success of the first and second programmes.

Regular investment pooling meetings continue to be held with representatives from each of the eight LGPS funds. The Practitioners Advisory Forum, which is made up of s151 Officers and senior pension managers from each fund, are updated regularly on the progress made and key developments of LGPS Central. Meetings of the Shareholders Forum, which is made up of one elected member from each fund, have been held during the year to approve key decisions. The Joint Committee, which is also made up of one elected member from each fund, has also met twice during the year to discuss any client related investors issues. The current Chair of the Practitioners Advisory Forum, which rotates between all eight partner funds, is the Head of Pensions – LGPS Senior Officer of the Shropshire County Pension Fund.

LGPS Central Ltd is responsible for a number of advisory and discretionary mandates on behalf of its partner funds. Working with our partners to develop and implement our revised investment strategy will continue to be a major strategic focus for the fund over the next year. In May 2022, £120 million was transitioned into LGPS Central's active global sustainable equity sub-fund. Further assets are expected to transfer during 2023/24 into an investment grade corporate bond fund and increased allocations to private markets i.e. infrastructure, private debt and private equity.

Over the last twelve months, The Pensions Administration Team have ensured the benefits it looks after for scheme members are paid accurately, on time and in line with scheme regulations. To effectively administer the Local Government Pension Scheme for members, the monthly data provided by employers is essential and fund officers continued to monitor the timeliness and accuracy of submission of this data.

During 2022/23, Covid-19 restrictions eased but the team mainly continued to work from home. Monthly team meetings have continued virtually but there has been a need to bring staff together occasionally in person to work collaboratively or to induct new team members. In November 2022, an away day for all team members was held at Shirehall aimed at supporting staff to continue working remotely due to a lack of available office space at Shirehall for all council staff.

All key administration tasks are performed while remote working and the team have continued to deliver an effective service. To embed new members of staff and grow individual knowledge, e-learning training and online knowledge hubs have been utilised. All regulatory deadlines were met, including issuing annual benefit statements, P60 documents and pensions savings statements by the statutory deadlines and reporting to Pensions Committee and board continued. During the year, the team continued to progress work on the McCloud remedy by undertaking data analysis. Several policies were reviewed and updated in line with statutory guidance and the team's working practices.



Key fund investment issues and pension administration updates continue to be available to members on the fund's website. Meetings continue online for scheme employers and the public parts of Pension Committee and Pension Board meetings continue to be live streamed. The Pension Administration Team are also available for one-to-one meetings either online or face to face if required. In March and April 2023, the team hosted four webinars; 'Get to know your pension'. Active scheme members were invited to join one of the hour-long webinars to find out more about the Local Government Pension Scheme and the benefits of being a member. These were received well by the membership and an increase in registration numbers for 'My Pension Online' in March and April was experienced following them.

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

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



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Head of Pensions
LGPS Senior Officer
Shropshire Council



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Risk management

Risk management is the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods of controlling or responding to them. Shropshire Council has a formal risk management strategy and risk registers for pension fund investment, investment pooling and pension administration are included within this overall strategy. Please see below a summary of the pension fund's key risks which were identified for 2022/23.

Risks	Controls in place
Climate change and responsible investment (RI) – Funds are facing increasing pressure on divestment and to take action to address climate risks in the portfolio.	Climate risk assessment carried out. Robust RI policies, engagement and collaboration. Public TCFD report. Climate strategy/climate stewardship plan in place. Signatory to the UK Stewardship Code. Work finalised to become signatory to the new Stewardship Code.
Regulatory risk – climate and responsible investment (RI)	RI integrated into the investment process. Monitoring of developments, responding to consultations when issued. Appointment of new Pension Investment and Responsible Investment manager post.
Cyber attack resulting in loss of data leading to fines by the ICO and reputational damage.	Cyber security currently undertaken by Shropshire Council ICT. Separate cyber security policy being developed for SCPF.
Loss or inappropriate disclosure of personal data leading to fines and reputational loss.	ICT security used such as data encryption, secure mail and document management software with strict security profiles. Secure working environment. Protecting information training undertaken by all staff annually.
The insolvency of an employer places additional liabilities on the fund and ultimately the remaining employers.	Admission agreements, employer covenant check across fund employers, some bonds in place. Shorter deficit recovery periods for some employers. Funding strategy statement approved by Pension Committee.
Failure of pension fund investment managers to meet expected returns resulting in increased costs to the council and other employers.	Rigorous selection process established. Rigorous and continual investment manager monitoring arrangements. Diversification of managers. External expert advice. Reporting and monitoring arrangements. Investment strategy statement and funding strategy statement published. Clear and relevant mandates. Audit of investment managers.
Liquidity risk in government bond markets due to higher interest rates and tighter monetary policy. Potential for quantitative tightening by Bank of England to further reduce liquidity from bond markets.	Monitoring of investment performance relative to estimated growth in liabilities on an annual basis. Some investment in bonds (and similar investments) helps to mitigate this risk. Investment strategy reviewed regularly with Aon and full review with committee.
Vulnerable to loss of or over-reliance of key staff due to long-term sickness or staff turnover resulting in reduction of service to scheme employers.	Procedure notes updated. Team restructured and additional resource added in 2022 to allow for succession planning. Training undertaken annually. Training policy and training log put in place.
Savings from pooling are not realised as fully or as quickly as planned for due to market factors or inaccurate assumptions in LGPS Central's business plan.	Research is being undertaken to ensure predictive savings are realistic. Plan for reviewing progress against the business plan has been agreed with the board. Prudent assumptions have been used when estimating fee reductions and transition timescales. Financial model is continually updated.
Investments in LGPS Central not delivering the required investment return which could result in the need for increased employer contributions.	Investment performance regularly reported and monitored by the Pension Committee and action taken to report any concerns via the Joint Committee and Shareholders Forum.
Insufficient range of asset classes or investment styles being available through the investment pool.	Investment workstream set up to create sub-funds to implement participating funds investment strategies. Participating fund data gathered and analysed in detail at Officer Practitioner Advisory Forum meetings. Product development plan agreed by the partner funds/LGPS Central.

Risks	Controls in place
Inappropriate investment strategy	Funding strategy statement published following consultation with scheme employers outlining how the fund plans to meet its liabilities. External expert advice. Trained and experienced staff. Three yearly actuarial valuation. Investment strategy statement. Regular review of investment strategy with Aon.
Failure to meet good governance	Compliance against Myners Principles considered on an annual basis as part of the review and updating of the investment strategy statement. The fund has produced a governance compliance statement. Audit of governance arrangements.
Economic recession impacting on investment returns.	Diversified investment strategy to spread risk across a number of different asset classes.
Pay and price inflation significantly higher than anticipated and pensioners in receipt of pensions for longer resulting in an increase in the fund's liabilities, deterioration in funding position and increase in employer contribution rates.	Actuarial valuation process focuses on real returns on assets. Monitoring of investment performance in relation to the estimated growth in liabilities. Some investment in index-linked bonds (and other inflation linked investments) helps to mitigate this risk. Triennial strategic asset allocation review considers appropriateness of assets. Mortality assumptions are set with some allowance for future increases in life expectancy as part of the valuation process which the fund actuary monitors. Equity protection strategy in place.
Incorrect information/benefits provided to members of the scheme.	Benefits calculations are checked. All supporting calculations are provided to the member. Team training, employer training.
Late payment of contributions by fund employers leading to the fund having to report to the Pension Regulator and possibly be fined.	Employer training/guidance on website. Employer newsletter. Contributions check and balance. Adhere to internal governance compliance statement. Adhere to Pension Regulator code of practice. Breaches log monitoring. Engage with employers to ensure contributions received on time.
Failure of employers to provide accurate data leading to incorrect benefit statement/payments or fund valuations.	Employer training. Administration strategy statement. Team training. Introduction of i-Connect has resulted in improvement of data. Employers trained on the Pensions Regulator code. Breaches log records any issues which are reported to Pension Committee/Pension Board.
Policies or strategies of the administering authority adversely impacting on the work of the pension team for the Shropshire County Pension Fund.	Segregation of duties, delegated decision making to Pension Committee and LGPS Senior Officer. Quarterly report to Pension Committee on administration. Embedding of Pension Board and Pension Regulator Code and Scheme Advisory Board.
Failure to identify and report breaches of law, in accordance with the requirements of the Pensions Regulator leading to reputational damage and potential fines.	Breaches policy in place together with a breaches log which is reported to the Pension Committee, Pension Board and LGPS Senior Officer. Training undertaken by key staff.
Non-compliance with the law around LGPS benefit administration leading to fines by the Pensions Regulator.	The use of a good LGPS administration software solution together with experienced trained staff mitigates the risks to the council.
Failure of support systems: ERP, CIVICA Icon which will result in incorrect data collection, payment of benefits and incorrect accounting.	Key systems reviews, contractual arrangements, systems administration and IT support.
Regulatory change occurs which impacts either LGPS Central or partner funds. Government changing stance on pooling such that the model no longer meets requirements.	Regulatory intelligence and working collaboratively with partner funds and pool project. Lobbying through Government working groups. Responding to consultations on legislative change. Collaborating with partner pools to share best practice.
Key persons for either LGPS Central or partner funds either choose to leave or unable to fulfil their responsibilities.	Succession planning taking place with LGPSC and partner funds. Exit/handover plans. Different notice periods for key roles. Use of temporary resources. Governance structures – collective decision-making process.

Financial performance

The following tables show the forecasts for the fund account and the net assets statement for the next three years to 31 March 2026. It also identifies the 2022/23 actuals against the 2022/23 budget.

Forecast v actual report on fund cash flows

Pension fund account	2022-23 budget £m	2022-23 actual £m	2023-24 budget £m	2024-25 budget £m	2025-26 budget £m
Contributions (employees and employers)	73.514	76.318	77.305	80.924	83.352
Transfers in	5.300	9.525	8.000	8.100	8.200
Pensions paid	(69.871)	(70.888)	(79.465)	(83.439)	(87.611)
Lump sums paid	(11.000)	(12.633)	(13.000)	(13.500)	(14.000)
Lump sum death benefits	(1.500)	(2.522)	(2.500)	(2.600)	(2.700)
Refund of contributions	(0.300)	(0.216)	(0.300)	(0.350)	(0.400)
Transfers to other funds	(5.300)	(8.128)	(8.000)	(8.100)	(8.200)
Net additions/(withdrawals) from dealings with scheme members	(9.157)	(8.544)	(17.960)	(18.965)	(21.359)
Management expenses	(18.171)	(18.809)	(19.680)	(19.970)	(20.415)
Investment income	16.000	8.188	10.000	10.500	11.000
Gain/(loss) on cash and currency hedging	0.000	21.364	20.000	20.500	21.000
Taxes on income	(0.200)	(0.098)	(0.150)	(0.160)	(0.170)
Change in market value	151.217	(97.301)	143.950	153.821	164.911
Net increase/(decrease) in net assets during the year	139.689	(95.200)	136.160	145.726	154.967
Opening net assets of the scheme	2,339.287	2,339.287	2,244.087	2,380.247	2,525.973
Closing net assets of the scheme	2,478.976	2,244.087	2,380.247	2,525.973	2,680.940

Contributions and payments are based on current expectations, the management expenses are based on current budgets, and the net investment income and change in market value are based on the long term forecast returns for each asset class.

Forecast v actual report on fund asset values

Net assets statement	2022-23 budget £m	2022-23 actual £m	2023-24 budget £m	2024-25 budget £m	2025-26 budget £m
Global equities - unconstrained	514.542	484.686	523.946	566.385	612.262
Global equities - passive	749.656	664.879	710.756	759.798	812.224
Unconstrained bonds	454.822	409.028	432.343	456.986	483.034
Hedge funds	147.771	147.259	153.591	160.196	167.084
Private equity	213.677	197.376	215.140	234.502	255.608
Infrastructure	115.256	148.204	158.430	169.362	181.048
Property	95.306	73.538	77.803	82.316	87.090
Liability driven investments (LDI)	75.187	0.000	0.000	0.000	0.000
Property debt	51.440	27.477	29.565	31.812	34.230
Private debt	4.521	33.891	36.399	39.092	41.985
Insurance-linked securities	34.835	34.709	36.687	38.779	40.989
Other (including cash and net current assets)	21.963	23.040	5.587	(13.255)	(34.614)
Total investment assets	2,478.976	2,244.087	2,380.247	2,525.973	2,680.940

Figures noted in the 'Other' category above include the effect of forecast net withdrawals from dealing with scheme members etc. In practice, the 'Other' balances (mainly cash held) would not be negative, as any cash requirement would be funded by a partial redemption of one of the other asset classes.

Forecast for total investment assets



The long term forecasts are as follows:

The forecast for total investment assets are based on actual allocations at 31 March 2023 multiplied by the forecast long term returns for each asset class as provided by the fund's advisors. The liability driven investments mandate was terminated in December 2022.

These forecasts will need to be adjusted for any future investment decisions formally approved by the Pensions Committee.

Asset class	Return
Global equities - unconstrained	8.10%
Global equities - passive	6.90%
Unconstrained bonds	5.70%
Hedge funds	4.30%
Private equity	9.00%
Infrastructure	6.90%
Property	5.80%
Property debt	7.60%
Private debt	7.40%
Insurance-linked securities	5.70%
Cash	2.20%

Management expenses forecast



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

The budget forecasts for 2023/24 to 2025/26 have been revised and are based on the 2022/23 actual costs which are analysed to agree with the CIPFA guidance on management costs. (see note 8)

Operational expenses	2022-23 budget £m	2022-23 actual £m	2023-24 budget £m	2024-25 budget £m	2025-26 budget £m
Administrative costs					
Employee costs	0.808	1.074	1.128	1.162	1.196
IT costs	0.250	0.278	0.600	0.450	0.450
Office accommodation	0.016	0.019	0.020	0.020	0.020
Consultants	0.060	0.013	0.060	0.065	0.070
Printing, postage and design	0.030	0.029	0.030	0.032	0.034
Subscriptions	0.015	0.017	0.018	0.020	0.022
Other costs	0.028	0.027	0.030	0.030	0.030
TOTAL	1.207	1.457	1.886	1.779	1.822
Investment management expenses					
Management fees	9.000	8.521	8.700	8.800	8.900
Performance fees	0.800	0.097	0.750	0.800	0.850
Other fees	2.000	2.875	2.960	3.050	3.140
Transaction/transition costs	3.600	4.305	3.800	3.900	4.000
Custody fees	0.030	0.024	0.030	0.032	0.034
TOTAL	15.430	15.822	16.240	16.582	16.924
Oversight and governance costs					
Investment advice	0.350	0.249	0.300	0.310	0.320
Employee costs (pensions investment)	0.257	0.251	0.368	0.383	0.398
Actuarial advice	0.180	0.262	0.100	0.105	0.110
Responsible engagement overlay	0.052	0.040	0.042	0.044	0.046
LGPS Central pooling costs	0.550	0.567	0.585	0.600	0.620
External audit	0.035	0.043	0.040	0.042	0.044
Performance analysis	0.033	0.035	0.036	0.037	0.038
Internal audit	0.020	0.017	0.020	0.022	0.024
Legal and committee	0.022	0.022	0.023	0.024	0.025
Other costs	0.035	0.044	0.040	0.042	0.044
TOTAL	1.534	1.530	1.554	1.609	1.669
Total management expenses	18.171	18.809	19.680	19.970	20.415

Interest charged on overdue contributions

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

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

The percentage of contributions received on time for 2022/23 was 96% compared to 97% in 2021/22. This is due to a significantly high number of late payments in August 2022 following the sudden bank holiday for the late Queen's funeral. Payroll and payment dates had already been set by employers and they were unable to change them.

The total amount of interest charged to employers was £2,009. The bulk of this was due to one employer who had not deducted correct contributions from a member since 2017, totalling £1,705.

There were 40 instances of late payment but interest was not charged due to it being a significantly small amount.

Pensions overpayments

Pensions overpayments of £60,239 were made during 2022/23, of which £39,913 was recovered and £11,139 written off. In addition, invoices raised to recover overpayments that have not yet been paid totalled £9,186. The amount of pension overpayment includes £3,703 relating to two cases picked up as a result of the participation in National Fraud Initiative exercise.

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

Employer name	Employees contributions £	Employers contributions £
Scheme employer		
Abraham Darby School	No active members	
Adams Grammar School	No active members	
Alveley Primary School	8,427.30	30,343.16
Barrow 1618 Free School	5,665.08	16,837.38
Belvidere School	38,096.92	204,940.73
Bishop Anthony Educational Trust	19,481.16	51,570.12
Bishops Castle Primary School	8,655.15	48,102.92
Bitterley C.E Primary School	8,496.75	35,537.07
Bridgnorth Endowed School	31,803.58	128,594.90
Bridgnorth District Council	No active members	
Burford Primary School	9,597.39	36,631.01
Castlefields Primary School	11,052.98	56,887.66
Charlton School	No active members	
Church Stretton School	20,567.36	119,513.66
Clee Hill Community Academy	10,918.75	42,893.38
Cleobury Mortimer Primary School	17,893.10	71,216.88
Communities Academies Trust	249,065.11	974,769.31
Condover CE Primary School	8,102.43	49,674.22
Corbet School	No active members	
Corbet School (Academy)	57,015.01	225,778.58
Dawley C.E Primary Academy	17,196.85	77,676.98
Ellesmere Primary School	30,069.17	138,459.12
Empower Trust	198,998.28	889,005.86
Ercall Wood School	No active members	
Fields Multi-Academy Trust	37,333.87	176,530.99
Grange Junior School	No active members	
Greenacres Primary School	No active members	
Haberdashers Abraham Darby Academy	64,289.13	179,514.70
Haberdashers Adams School	68,001.09	260,567.95
Holy Cross C.E School	No active members	
Holy Trinity Academy (BRJ)	33,855.62	104,261.74
Holy Trinity Primary Academy	15,858.33	78,808.89
Idsall School	55,774.88	219,789.35

Employer name	Employees contributions £	Employers contributions £
Keystone Academy	7,428.63	20,083.90
Kickstart Academy	5,366.89	16,895.02
Lacon Childe School	48,068.91	212,409.04
Lakelands Academy	52,890.88	192,661.90
Lawley Village Academy	13,713.94	33,189.35
Learning Community Trust	486,964.24	1,769,036.10
Ludlow CE School	32,030.48	158,963.73
Ludlow College	No active members	
Ludlow Primary School	27,856.88	146,398.81
Madeley Academy Trust Ltd	51,878.61	185,431.05
Marches Academy Trust	336,782.50	1,365,424.47
Mary Webb School and Science College	31,274.29	144,053.41
Meole Brace School	75,241.87	351,072.43
Mereside CE Primary School	22,817.39	82,673.03
Mighty Oaks Academy Trust	43,072.71	139,159.34
Moorfield Primary School	19,730.28	64,012.97
Morville C.E Primary School	3,038.52	11,492.93
National Health Service	No active members	
New College Telford	No active members	
Newport Girls High School Academy Trust	25,373.47	93,596.09
North Shropshire District Council	No active members	
North West Education Action Zone	No active members	
Oswestry Borough Council	No active members	
Oldbury Wells School	49,937.35	188,598.98
Redhill Primary School	25,627.67	108,212.70
Severndale Specialist Academy	No active members	
Severn Bridges MAT	79,172.07	361,965.86
Shrewsbury & Atcham Borough Council	No active members	
Shrewsbury Academies Trust	No active members	
Shropshire Career Service Ltd	No active members	
Shrewsbury College of Arts & Technology	No active members	
Shrewsbury Colleges Group	383,714.23	1,170,018.27
Shropshire & Wrekin Fire Authority	202,041.47	586,559.76
Shropshire Council	7,140,915.55	18,476,934.14
Shropshire County Council	No active members	
Shropshire Magistrates Court	No active members	
South Shropshire District Council	No active members	
St Edward's C.E. School	1,886.03	12,666.13
St George's CE Primary School, Clun	6,294.77	32,673.09
St Leonards CE School	18,377.04	93,417.93
St Peters Bratton CE Primary School	24,879.15	90,130.89

Employer name	Employees contributions £	Employers contributions £
Stokesay Primary School	10,518.22	39,401.85
Stottesdon C.E Primary School	13,333.30	48,837.54
Telford & Wrekin Council	5,773,537.00	16,351,321.69
Telford and Wrekin Education Action Zone	No active members	
Telford College	308,833.03	782,398.67
West Mercia Energy	40,729.71	0.00
West Mercia Supplies	No active members	
Whitchurch Infant and Nursery School	19,125.60	105,991.10
Whitchurch Junior School	18,813.18	91,173.13
William Brookes School	No active members	
Woodside Primary School	51,817.99	206,328.06
Woodside Start Centre	No active members	
Wrekin District Council	No active members	
3-18 Education Trust	264,798.97	1,022,601.16
Admission bodies		
Accord Housing Association	6,478.23	6,278.84
Accuro Facilities Management (Idsall School)	1,797.10	6,339.97
Age Uk Shropshire, Telford & Wrekin	3,400.92	4,376.16
Alliance in Partnership - Grange Primary School	No active members	
Alliance in Partnership - Grange Secondary School	No active members	
Alliance in Partnership - Ludlow School	No active members	
Alliance in Partnership - Oldbury Wells	No active members	
Alliance in Partnership - Priory School	No active members	
Alliance in Partnership - SAT	No active members	
Alliance in Partnership - Thomas Adams School	No active members	
Aquarius	No active members	
ARCH Initiatives	No active members	
Aspens Services Ltd	1,346.59	5,615.86
Aspens Services Ltd (St Martins)	1,523.08	5,901.98
Aspens Services Ltd (Thomas Adams School)	5,784.48	22,775.46
Association of Local Councils	4,766.97	18,954.79
Atalian Servest (Empower Trust)	2,330.09	8,514.95
Atalian Servest (Woodside Primary)	1,033.52	4,133.34
Balfour Beatty	7,112.51	21,129.30
Bethphage - Assisted Living	2,461.80	8,144.36
Bethphage - Ellesmere Day Service and Library	4,426.93	16,564.67
Bethphage - Oak Farm and Innage Grange Day	5,084.53	19,550.47
Care Quality Commission	2,959.02	23,368.70
Catering Academy Ltd (Coleham)	1,008.99	3,997.28

Employer name	Employees contributions £	Employers contributions £
Catering Academy Ltd (NGHS)	No active members	
Catering Academy Ltd (Priory)	No active members	
Caterlink (Castlefields)	1,108.94	4,556.70
Caterlink (Idsall School)	No active members	
Caterlink (Learning Community Trust)	3,983.73	15,020.44
Caterlink (Oldbury Wells)	2,129.43	8,578.58
Caterlink (St Leonards)	No active members	
Churchill Contract Services	No active members	
Cleantec (3-18 Education Trust)	13,691.84	51,839.80
Compass (Brown Clees School)	593.97	2,678.64
Compass (St Bart's MAT)	1,959.27	7,318.18
Compass - Cleaning (St Bart's MAT)	4,125.60	15,175.72
Compass (UK) Ltd	No active members	
Connexions	No active members	
Connexus Housing One Ltd	6,180.99	0.00
Connexus Housing Three Ltd	28,397.15	89,942.69
County Training	No active members	
Coverage Care Crowmoor House	9,926.61	16,028.66
Coverage Care Ltd	1,251.55	0.00
CRI	No active members	
Energize	3,580.74	8,762.22
Enterprise South West Shropshire	373.95	1,414.28
Fastrack Maintenance Ltd	No active members	
Fidelis	1,029.59	3,799.37
Funeral Services Ltd	No active members	
Halo Leisure Services Ltd	5,048.64	16,582.02
Harper Adams University	492,159.97	1,323,566.77
Hi-Spec Facilities Service Ltd	No active members	
HMM Arts Ltd (The Hive)	No active members	
Homes Plus	121,390.93	470,439.91
IDVerde Ltd	25,533.46	95,147.33
Interserve Catering Services Ltd	864.30	5,170.14
Interserve Ltd	No active members	
Ironbridge Gorge Museum Trust	2,685.85	10,208.45
Kier Highways Ltd	37,161.40	123,246.86
Landau Consultants	No active members	
Livability	No active members	
Mellors Catering Services	1,139.24	4,668.26
Mellors Catering Services (Idsall)	3,254.25	11,320.53
Mencap	No active members	
Midland Heart Ltd	No active members	

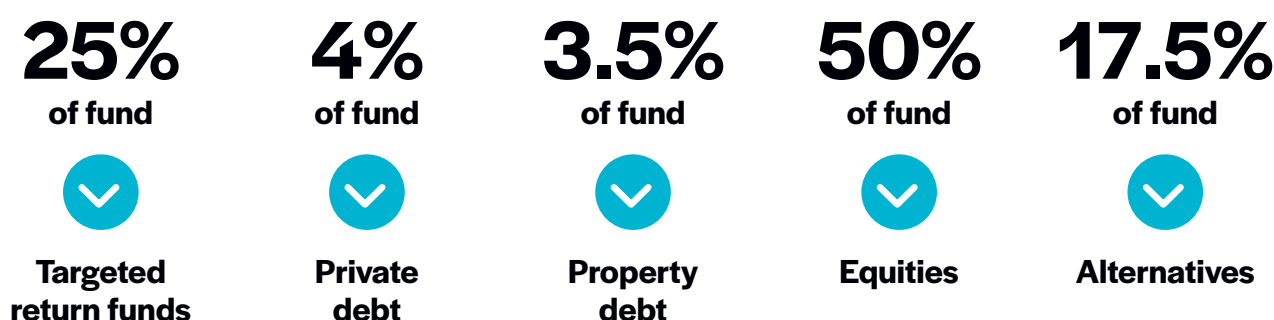
Employer name	Employees contributions £	Employers contributions £
Miquill Catering Ltd	415.01	2,077.63
Miquill (Holy Trinity School)	3,559.10	12,852.09
NIC Group	3,357.48	14,212.96
NIC Services (Church Stretton School)	1,212.92	5,677.54
NIC Services (Stakesay School)	1,041.96	3,356.67
Perthyn	10,973.74	39,252.82
Premier Services (St Leonards)	287.35	1,248.78
Prime Facilities (Brown Clees School)	252.25	1,061.26
Prime Facilities (CAT)	2,917.11	10,424.64
Prime Services (St Mary's)	897.53	2,888.90
Relate	No active members	
Ringway Infrastructure Ltd	No active members	
Sanctuary Group	10,682.07	34,261.93
Severn Gorge Countryside Trust	8,945.59	30,720.80
Shropshire County Leisure Trust	20,340.16	43,964.09
Shropshire Disability Consortium	No active members	
South Shropshire Leisure Ltd	11,402.40	9,529.87
Strettons Mayfair Trust	1,293.04	4,973.16
Taylor Shaw (Bridgnorth Endowed)	No active members	
Taylor Shaw (Priory)	No active members	
Telford & Wrekin Services Ltd	No active members	
Telford Development Corporation	No active members	
Telford Trust	No active members	
The Boathouse Ellesmere Ltd	No active members	
The Forward Trust	2,796.13	8,688.49
Transforming Telford	No active members	
Veolia Environmental Services (UK) Plc	69,068.58	106,259.43
Veolia TWC	12,375.73	32,796.44
We Are With You (Addaction)	6,703.57	11,535.15
Womens Royal Voluntary Service	No active members	
Wrekin Housing Trust	845,881.91	2,425,580.53
WSP UK Ltd	15,615.83	40,626.65
Designated bodies		
Albrighton Parish Council	4,483.38	17,191.51
Bayston Hill Parish Council	4,080.34	15,812.18
Bishops Castle Town Council	2,117.33	9,222.80
Bridgnorth Town Council	25,678.95	85,207.03
Broseley Town Council	3,392.01	9,183.57
Church Stretton Town Council	7,180.96	25,623.46
Condover Parish Council	No active members	
Cressage, Harley and Sheinton Parish Council	0.00	2,202.00

Employer name	Employees contributions £	Employers contributions £
Dawley Hamlets Parish Council	1,080.32	3,520.38
Ditton Priors Parish Council	462.15	2,016.72
Donnington and Muxton Parish Council	3,981.10	13,351.86
Ellesmere Town Council	5,982.41	16,355.86
Ford Parish Council	576.19	1,403.66
Great Dawley Parish Council	14,073.51	35,294.28
Great Hanwood Parish Council	693.29	1,689.04
Great Ness and Little Ness Parish Council	689.71	1,680.33
Hadley & Leegomery Parish Council	6,019.98	20,247.08
Hollinswood & Randlay Parish Council	7,209.52	21,606.27
Ketley Parish Council	2,415.21	7,526.36
Lilleshall Parish Council	179.64	307.06
Little Wenlock Parish Council	462.15	2,058.78
Ludlow Town Council	24,152.58	85,268.14
Madeley Town Council	8,611.98	30,869.82
Market Drayton Town Council	8,116.18	26,306.93
Much Wenlock Town Council	4,054.80	14,129.75
Newport Town Council	8,611.10	27,292.97
Oakengates Town Council	12,385.40	39,903.67
Oswestry Town Council	38,575.97	127,824.03
Pontesbury Parish Council	4,640.04	16,144.66
Rodington Parish Council	349.53	362.25
Shifnal Town Council	7,527.41	39,914.36
Shrewsbury Town Council	112,288.12	260,078.06
Shropshire Towns & Rural Housing	258,933.66	716,448.10
St Georges and Priorslee Parish Council	2,284.10	8,451.29
Stirchley & Brookside Parish Council	No active members	
The Gorge Parish Council	741.71	1,732.22
Wellington Town Council	12,014.14	49,299.44
Wem Town Council	6,291.72	18,024.55
Whitchurch Town Council	11,487.68	40,224.03
Worfield & Rudge Parish Council	493.58	744.89
Wrockwardine Parish Council	1,016.40	4,479.12
Wrockwardine Wood & Trench Parish Council	1,341.18	5,523.25
	19,207,879.16	56,058,014.34

> Investment of funds

The fund pursues a policy of managing risk by diversifying both investments and investment managers. Assets are held by the fund in order to achieve returns consistent with the cost of future pension liabilities as assessed by the actuary. Actuarial valuations are undertaken every three years with the last one being undertaken in March 2022, the results of which were communicated to employers in November 2022 and new contribution rates were set for the next three financial years commencing 1 April 2023.

The fund's strategic asset allocation for 2022/23



For 2022/23 the fund's strategic asset allocation was:

Asset	% of fund
Targeted return funds (e.g. absolute return bonds, hedge funds, insurance linked securities)	25%
Property debt	3.5%
Equities	50%
Private debt	4%
Indirect property	5%
Private equity	6.25%
Infrastructure	6.25%

During 2022/23, the Pension Committee, Pension Board, together with officers and Aon held three investment strategy workshops following the valuation results in order to agree a revised strategic asset allocation for 2023/24. Further training sessions on climate related issues were also held during the year.

Presentations were received by LGPS Central, Aon, Legal & General, Mercer and Columbia Threadneedle Investments on various different topics which were split into the following areas:

- Climate risk reports/carbon footprint analysis
- Taskforce for Climate Related Financial

Disclosures (TCFD) report

- Climate strategy and stewardship plan
- Low carbon/sustainable equities funds
- Sustainable development goals
- Setting short/medium term carbon reduction targets
- Net zero carbon reduction targets
- Infrastructure
- Investment grade corporate bonds
- Private debt
- Targeted return funds
- Stewardship code

Following these training sessions, in January 2022 the Pension Committee agreed a net zero carbon emissions target by 2050 or before and for short/medium term carbon reduction targets to be considered in the future. They also agreed to transfer global passive equities into a low carbon net zero aligned benchmark.

Further assets transferred to LGPS Central in May 2022 when £120 million was transitioned into their active global sustainable equity sub-fund. Commitments were also made to infrastructure

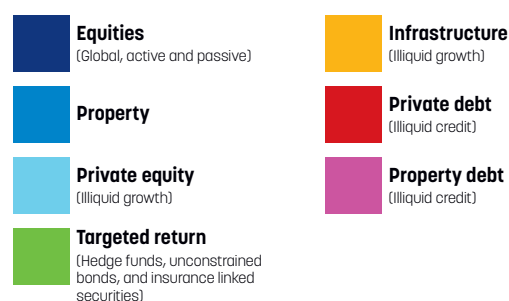
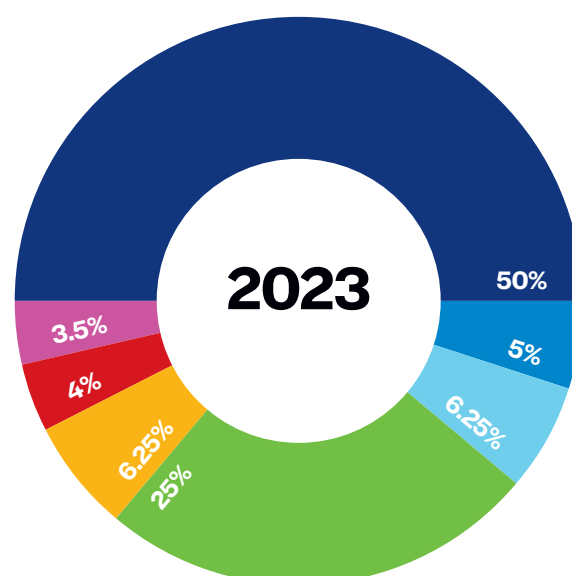
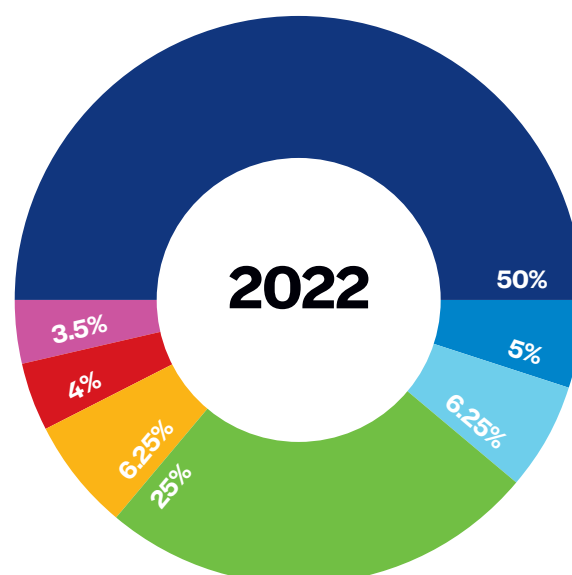
(£65m), private debt (£120m) and private equity (£30m) during the year. Further assets are expected to transfer during 2023/24 when the fund will be continuing to implement its revised investment strategy. Investment grade corporate bonds and private markets investments i.e. private debt, infrastructure and private equity will be of interest when they are launched later this year by LGPS Central. The Pension Committee agreed its revised strategic asset allocation at the June 2023 meeting following the completion of the three investment strategy workshops. The revised strategic asset allocation is shown on page 129 of the investment strategy statement.

The Shropshire fund continued to work with eight other funds in the Midlands region during the year. LGPS Central Ltd is jointly owned on an equal share basis by eight pension funds and is a Collective Portfolio Management Investment Firm (CPMI) regulated by the Financial Conduct Authority (FCA). The majority of assets under management will be structured in an Authorised Contractual Scheme (ACS), itself regulated by the FCA, in addition to other pooled investments held in alternative structures. LGPS Central Ltd is a multi-asset manager, investing approximately £55.3 billion of assets on behalf of its member funds. The aims of LGPS Central will be to deliver cost savings, to build on the existing investment expertise of its member funds through increased scale, resilience, and sharing of knowledge. It will also aim to make use of a blend of internal and external investment management and a key objective will be to improve risk adjusted investment returns after cost.

LGPS Central Ltd are responsible for some advisory and discretionary mandates on behalf of its partner funds. Together, these new funds and mandates see LGPS Central Ltd currently being responsible for £26.4 billion of assets from the date of launch in 2018. Working with our partners to develop and implement our investment strategy will continue to be a major strategic focus for the fund over the next year.

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

Strategic asset allocation at the start and end of the year



Spread of assets between fund managers as at 31 March 2023

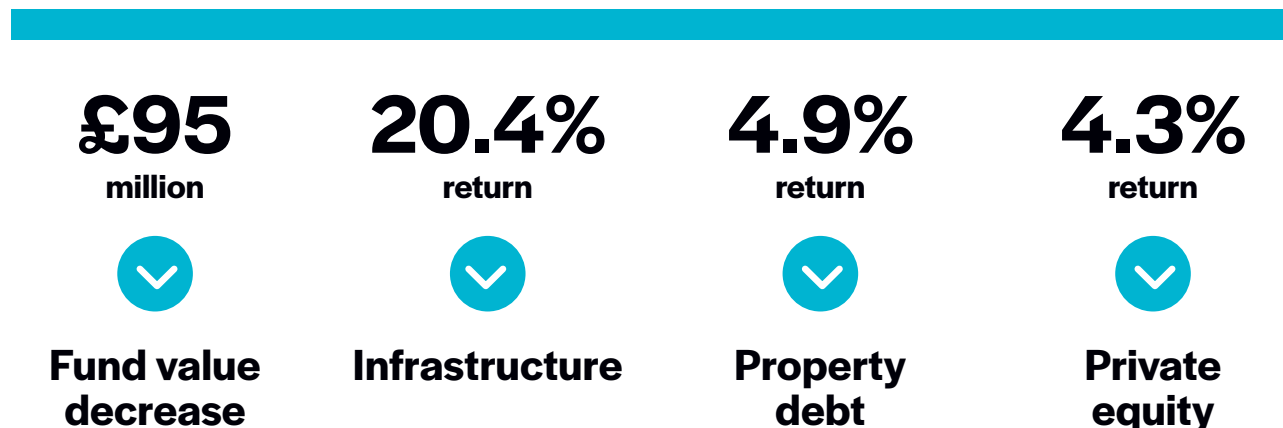
The following table shows the managers responsible for individual portfolios and the value of the funds they manage:

Share of fund as at 31 March 2022		Fund manager		Portfolios held		Share of fund as at 31 March 2023	
£m	%					£m	%
		Investments managed by LGPS Central Ltd					
359,255	15.36		LGPS Central	Global equities	364,156	16.23	
0.000	0.00			Global sustainable equities	120,520	5.37	
4,273	0.18			Private debt	33,891	1.51	
0.000	0.00			Private equity	0.820	0.04	
18,344	0.78			Infrastructure	38,976	1.74	
1,315	0.06			UK equities (unquoted)	1,315	0.06	
0.685	0.03				Loan	0.685	0.03
383.872	16.41					560.363	24.98
		Investments managed outside LGPS Central Ltd					
701,925	30.01		Legal & General	Global equities (passive)	664,879	29.63	
137,299	5.87		PIMCO Europe Ltd	Absolute return bonds	132,149	5.89	
117,165	5.01		Majedie Asset Management	UK equities	0.000	0.00	
149,154	6.38		BlackRock	Unconstrained bonds	134,677	6.00	
143,746	6.14			Hedge fund	147,259	6.56	
90,509	3.87		Aberdeen Property Investors	Property unit trusts	73,538	3.28	
195,854	8.37		HarbourVest Partners Ltd	Private equity	196,557	8.76	
74,590	3.19		BMO Global Asset Management	Liability driven investment	0.000	0.00	
88,473	3.78		Global Infrastructure Partners	Infrastructure	109,228	4.87	
48,346	2.07		DRC Capital	Property debt	27,477	1.22	
33,463	1.43		Securis Investment Partners	Insurance linked securities	34,709	1.55	
150,456	6.43		T.Rowe Price	Global dynamic bonds	142,203	6.34	
0.008	0.00		Other	Other	0.010	0.00	
1,930.988	82.55					1,662.686	74.10
2,314.860	98.96	Total assets held by fund managers				2,223.049	99.08
24.427	1.04	Cash deposits and other balances				21.038	0.92
2,339.287	100.00	Total fund				2,244.087	100.00

Major shareholdings as at 31 March 2023

UK equities		Sector	Value £m	% of fund
 AstraZeneca	Astrazeneca	Health care	5,245	0.234
 LLOYDS BANK	Lloyds	Financials	4,600	0.205
 Unilever	Unilever	Consumer staples	4,187	0.187
 Shell	Shell	Energy	2,968	0.132
 DIAGEO	Diageo	Consumer staples	2,131	0.095
 HSBC	HSBC	Financials	2,044	0.091
 Reckitt Benckiser	Reckitt Benckiser	Consumer staples	1,839	0.082
 LIBERTY GLOBAL	Liberty Global	Telecommunications	1,803	0.080
 TechnipFMC	TechnipFMC	Energy	1,659	0.074
 Rentokil Initial	Rentokil Initial	Services	1,578	0.070
Overseas equities		Country	Value £m	% of fund
 Microsoft	Microsoft Corp	United States	42,304	1.885
 Apple Inc	Apple Inc	United States	38,606	1.720
 amazon	Amazon	United States	20,768	0.925
 Alphabet	Alphabet	United States	20,292	0.904
 TESLA	Tesla Motors	United States	16,215	0.723
 NVIDIA	Nvidia Corp	United States	14,435	0.643
 VISA	VISA	United States	12,711	0.566
 UnitedHealth Group	United Health Group	United States	9,765	0.435
 Meta	Meta Platforms	United States	8,634	0.385
 mastercard	Mastercard	United States	8,249	0.368
Total fund value			2,244.087	

➤ Investment performance



During the year the Shropshire fund decreased in value by £95 million to be valued at £2.244 billion at the end of the year. The fund decreased in value by 3.5% over the year but outperformed its benchmark by 2.4%. Global equity and bond markets continued to be very volatile in 2022, due to the war in Ukraine, rising inflation, rising interest rates, energy price increases and the impact of the mini budget in the autumn, hence the decrease in the fund value during the year.

The fund invests in a range of asset classes so as to diversify risk and provide more stable returns. The Shropshire fund had positive investment returns in a number of asset classes during the year.

The reason the fund performance was above benchmark for the year was largely due to the infrastructure, private equity, property debt, hedge funds, insurance linked securities and one of the absolute return bond funds producing strong returns during the year. The strongest returns were generated in infrastructure by global infrastructure partners where the fund's investments increased significantly in value by 20.4%, property debt increased by 4.9%, private equity produced returns of 4.3%, insurance-linked securities 3.7%, private debt 2.7% and hedge funds 2.4% which is the main reason for outperformance compared to benchmark. Market conditions for all asset classes, especially equities, bonds and property, were very challenging during 2022. The decrease in value of £95 million

during the year was mainly due to negative returns in liability driven investment (LDI), property, global equities managed passively by Legal & General and two absolute return bond managers. Following the announcements in the mini budget the gilt market was extremely volatile during the final quarter of 2022 and this impacted on the LDI portfolio. The fund only had a small allocation of less than 3% in LDI which has now been terminated. Property also produced negative returns of 14.9% over the last twelve months due to the significant increases in interest rates and declines in property values after several positive years of performance previously.

Due to the strong funding level of the scheme and to protect the fund from unexpected falls in global equity markets as occurred during the global pandemic and in 2022, an equity protection strategy continued to be in place during the year. This is subject to quarterly reviews by the Pension Committee, officers and advisors.

Graph 01: Whole fund performance

Graph 01 shows total fund investment returns compared with the benchmark. The stock markets that make up the benchmark showed negative returns in 2022/23 of 5.9%. The fund decreased in value by 3.5% over the year outperforming its benchmark by 2.4%. Overall the fund has increased in value by an average of 7.6% per annum over the last three years which is above benchmark by 2.8%, 4.8% per annum over the last five years which is 0.8%

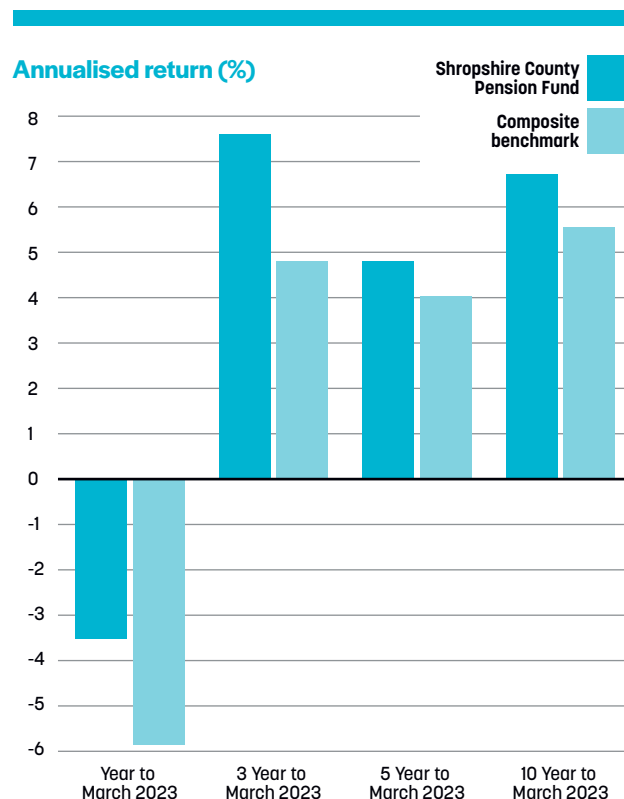
above benchmark and by 6.7% per annum over the last ten years which is above the benchmark by 1.1% which is also positive.

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

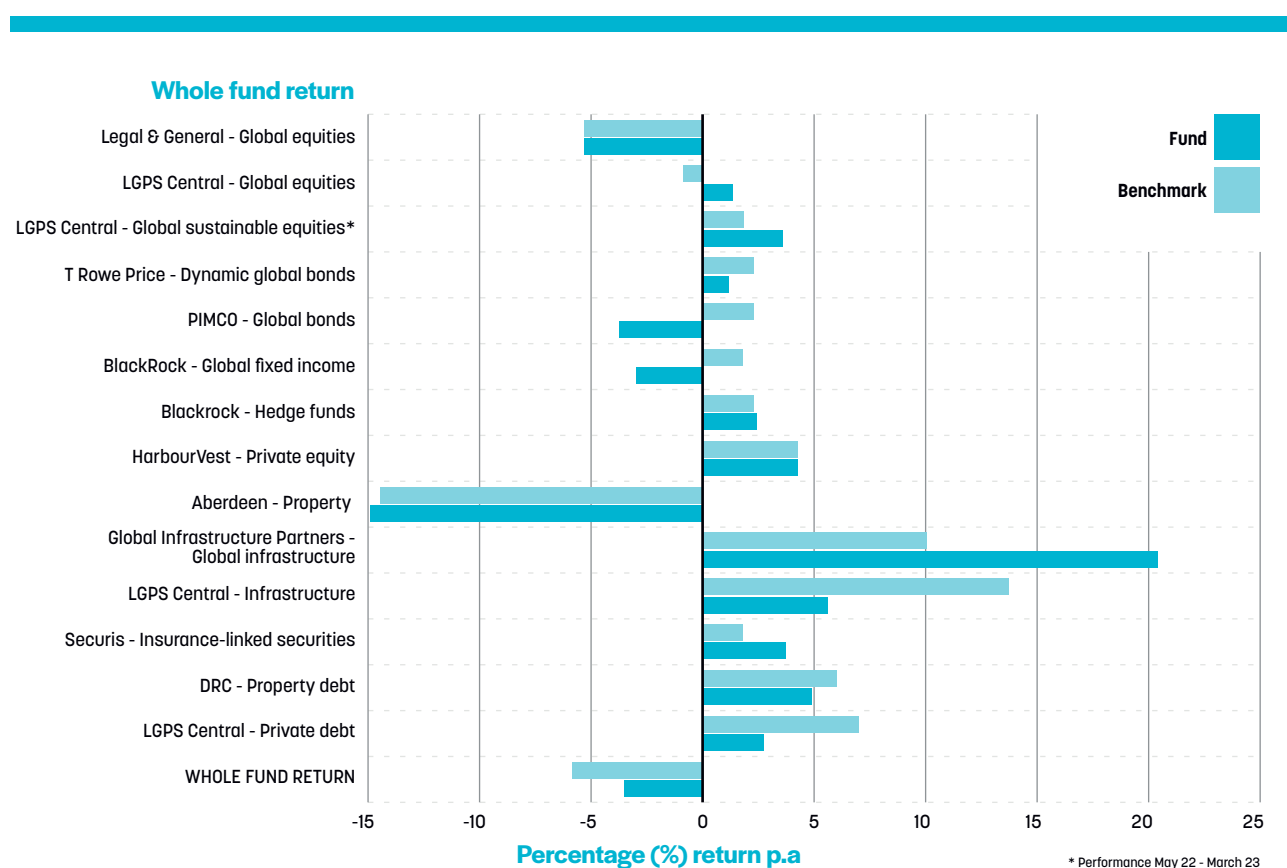
Graph 02: Individual fund manager performance

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

Graph 01: Whole fund performance



Graph 02: Individual fund manager performance



> Corporate governance & socially responsible engagement

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



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

The Shropshire County Pension Fund does not restrict its investment managers in the companies in which they can invest. To do so would be contrary to the overriding financial responsibility of the Pensions Committee. The Pensions Committee believe it is more effective to influence company behaviour from the inside as a shareholder.

Pension Committee meetings

LGPS Central – Climate risk reporting

In 2022 the fund received its third commissioned climate risk report from its pooling company, LGPS Central Limited. The climate risk report describes the way in which climate-related risks are currently managed by the fund. The report was presented to the Pensions Committee in December 2022, with all recommendations in the report receiving approval by the committee. In the interests of being transparent with the fund's beneficiaries and broader stakeholder base, the fund published its third Task Force on Climate-related Financial Disclosures (TCFD) aligned report in December 2022. A summary of the TCFD report is provided below.

Climate strategy

One of the main recommendations from the 2020 climate risk report was for the fund to develop a climate strategy. The aim of such a strategy is to detail the fund's governance, beliefs, objectives, strategic actions, and targets in relation to climate-related risks. The fund developed a climate strategy in June 2021, which was approved by the Pensions Committee in September 2021. The climate strategy recognises the importance of climate change and draws together the fund's climate related policies, objectives and statements into one consolidated document. The strategy considers: more detailed investment beliefs related to climate change; integration of climate risks into asset allocation and asset selection; a climate stewardship plan and strategic actions. The climate strategy was established to run from September 2021 to September 2024 but is reviewed on an annual basis, to ensure it reflects the dynamic characteristics of climate change. No changes were made to the climate strategy in 2022. The climate stewardship plan was updated at the March 2023 Pensions Committee to reflect the recommendations in the December 2022 climate risk report.

Governance

The Pension Committee ('the committee') is responsible for preparing the investment strategy statement (ISS) and the climate strategy. The committee meet four times a year, with quarterly engagement reports included as a standing item on the committee's agenda. Both the committee and the Pension Board have received regular training on responsible investment topics.

The Head of Pensions and the Pensions Investment

and Responsible Investment Manager, in conjunction with our investment advisor, have primary day-to-day responsibility for the way in which climate-related investment risks are currently managed and provide updates to Pension Committee. As detailed in the climate strategy, the fund leverages partnerships and initiatives – including the Institutional Investors Group on Climate Change (IIGCC) – to identify and manage climate risk. As a primarily externally managed fund, the implementation of much of the management of climate-related risk is delegated onwards to portfolio managers. External portfolio managers are monitored on a regular basis by officers and the Pension Committee.

Strategy

The fund considers climate-related risks and opportunities over the short, medium and long term. Examples of short and medium-term risks include policy tightening and technological change, while long-term risks include sea level rise and resource scarcity. The fund has further identified two specific risks which could impact the fund's investment and funding strategy:

- Physical risks are the risks associated with the physical impacts of climate change on companies' operations. It is expected that these will manifest more strongly over the medium to long-term.
- Transition risks are those associated with the transition towards a low-carbon economy.

In 2022 the fund engaged the expertise of an external contractor to understand the extent to which the fund's risk and return characteristics could come to be affected by a set of plausible climate scenarios. This analysis covered all asset classes across three climate scenarios: rapid (1.5°C), orderly (1.6°C) and failed (4.3°C). The results of the climate scenario analysis indicated that over the shorter time frame transition risk tends to dominate, while over longer time frames physical risk is expected to be the key driver of climate impacts. The report reached four key conclusions:

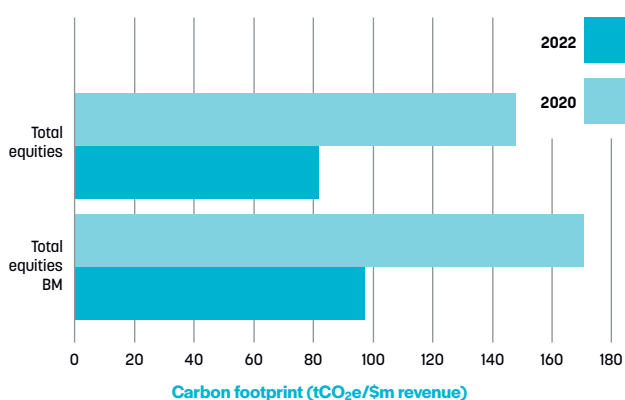
1. A successful transition is imperative.
2. Sustainable allocations protect against transition risk, growth assets are highly vulnerable to physical risk.
3. Sector and regional exposures should be monitored to understand impact on return levels
4. Be aware of future pricing shocks and the impact upon the portfolio.

Risk management

The fund seeks to identify and assess climate-related risks at the total fund level and at the individual asset level. Engagement activity is conducted with investee companies through selected stewardship partners including LGPS Central Limited, EOS at Federated Hermes, Columbia Threadneedle Investments and LAPFF (Local Authority Pension Fund Forum). Based on its climate risk report, the fund has developed a climate stewardship plan which, alongside the widescale engagement activity undertaken by our stewardship partners, includes targeted engagement at investee companies of particular significance to the fund's portfolio. The climate stewardship plan includes ten companies across five sectors: energy, industrials, materials, mining and utilities.

Metrics and targets

The fund's carbon risk metrics cover its listed equities portfolios, which represent 50% of the fund's total assets. The scope of the analysis comprises the total equities portfolios as at 30 June 2022 and covers five out of five equity strategies and 1,324 individual companies. The carbon footprints are provided below:



Between 31 March 2020 and 30 June 2022, the carbon footprint of the total equities portfolio reduced by 46%. This reduction has been driven by shift from the LGIM World Developed Equity Index to the LGIM Solactive fund and the transition of the fund's UK equity portfolio to LGPS Central Global Sustainable Equity fund. The change in funds has reduced the respective benchmark accordingly but at June 2022, the total equities portfolio remains 17.8% more carbon efficient than its revised blended benchmark.

Climate risk training

Throughout the year, the Pension Committee and officers have received training from LGPS Central on climate change and investment stewardship; Mercer on climate risk reporting and responsible engagement presented by Columbia Threadneedle. During the year the Pension Committee and officers also responded to various public questions and freedom of information requests on fossil fuel divestment and climate change.

Shareholder voting

Shropshire County Pension Fund has been actively voting at the annual general meetings and extraordinary general meetings of the companies in which it invests for more than 19 years. The individual fund managers vote on the fund's behalf on all equity portfolios.

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

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

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

UK stewardship code

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

Stewardship Code and signatories to the Principles for Responsible Investment.

In 2020, the FRC revised its UK Stewardship Code incorporating a set of twelve principles for asset owners and asset managers. The code sets high expectations of how investors, and those that support them, invest and manage money. The fund is in the process of working towards implementing these changes and submitted an application for signatory status in May 2023.

Socially responsible engagement

Shropshire County Pension Fund is addressing its social responsibility through a strategy of responsible engagement with companies. As a shareholder, the fund is a part owner in a large number of companies and by entering into dialogue with these companies it is felt that there is potential to achieve change from the inside.

Given that the fund does not have the resources to regularly visit the companies itself, an external advisor has been employed to develop an engagement programme. Columbia Threadneedle Investments (CTI) provide this responsible engagement overlay on the fund's equities portfolios. CTI enter into dialogue with companies on the fund's behalf to put to them the case for improved financial performance through better management of the negative impacts they might have on the environment and society in general.

CTI view engagement not only as a tool to identify and manage environmental, social and governance (ESG) risks, but also as a route to create positive impact for the environment and society by supporting the achievement of the United Nations Sustainable Development Goals (SDGs).

CTI are an active supporter of Climate Action 100+, either co-leading or supporting 48 of the individual company engagements. They also contribute to the strategic direction of CA100+ via the new Institutional Investors Group on Climate Change (IIGCC) Corporate Programme Advisory Group.

Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. A total of 166 companies that are critical to the transition to a low carbon global economy are being engaged. The three pre-agreed challenges to these

companies are: to implement a strong governance framework on climate change; take action to reduce greenhouse gas emissions across the value chain; and provide enhanced corporate disclosure. CTI had 1560 engagement meetings in 2022 with 688 companies. This resulted in the achievement of 242 key milestones at companies with which they were engaged. Examples of some of the themes reviewed in 2022 are shown below:

Coal Phase Out

This project was launched several years ago to engage companies in key countries on the importance of phasing out coal in the energy system. CTI engaged with companies planning on expanding coal mining or power capacity. As renewable energy costs continue to fall and the urgency of phasing out coal grows, identifying companies planning new coal projects in particular is key to avoid locking in high-carbon future stranded assets which hinder global efforts to align with a 1.5C pathway. They have seen success with major mining companies pulling away from plans for future thermal coal projects. CTI continue to push for coal phase out plans to be directly linked to 1.5C alignment as well as net zero emissions.

Given coal phase out is intrinsically linked to all climate engagement with coal-linked issuers, the subject arises across engagements through Climate Action 100+ and bilateral climate calls with utilities, miners and infrastructure firms. During 2022 CTI had more than 50 CA100+ engagement meetings. A couple of major developments arising from these include, BP strengthened their net zero commitment to include lifecycle (Scope 1-3) emissions from all energy produced. Glencore increased their medium term absolute emissions target to 50% by 2050 and introduced a 2026 target.

Emissions and plastic waste

This new project was aimed at the promotion of a sustainable transition within the chemicals industry. At the very core of this are two interconnected issues:

1. Reducing GHG (green house gas) emissions
2. Product stewardship

Whilst the industry still has a long way to go to achieve our desired outcome, receptiveness to CTI's engagement has been, on the whole, positive, with calls held with many of CTI's target companies. As well as conducting one-to-one engagement, CTI also

engaged collaboratively through initiatives such as ShareAction's Chemicals Working Group – targeting decarbonisation within the European chemicals sector – and ChemSec's ChemScore initiative – looking to promote the sustainable management of hazardous chemicals.

Protecting biodiversity

The biodiversity project started off covering 21 companies across the materials, extractives, finance, consumer staples and transportation, identified as high impact to gain better understanding of risks, impacts and best practices across the issue, before expanding the scope of the work. This expansion occurred rapidly, with CTI conducting 661 engagements with 409 issuers on nature issues from January-December 2022. Insights from engagements have been used to develop a best practice framework which will be used to guide future engagements and the evolution of our modelling capabilities.

As a natural progression from the biodiversity project and Environmental Stewardship approach CTI have also been part of the Lead Investor Group setting up the Nature Action 100 collaborative engagement initiative, which had a soft launch at COP15. Nature Action 100 aims to drive greater corporate ambition and action on tackling nature loss and biodiversity decline. Investors intend to engage companies in key sectors that are deemed to be systemically important to the goal of reversing nature and biodiversity loss by 2030, ensuring companies are taking timely and necessary actions to protect and restore nature and ecosystems, whilst simultaneously engaging policymakers on the outcomes of COP15.

Local Authority Pension Fund Forum

Shropshire remains a committed member of the Local Authority Pension Fund Forum (LAPFF). The LAPFF brings together more than 80 public sector pension funds (as at 31 March 2023) and is the UK's leading collaborative shareholder engagement group with combined assets of over £350 billion. LAPFF exists to promote the highest standards of corporate governance to protect the long-term value of local authority pension funds. It maximises their influence as shareholders in promoting corporate social responsibility and high standards in corporate governance among the companies in which they invest.

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

Environmental and climate risk

Climate change is a significant and urgent investment risk. Academics and investment experts put the price of inaction in the trillions of dollars. To safeguard the investments of our members and the pensions of their beneficiaries, LAPFF's main engagement objectives are for companies to align their business models with a 1.5 degrees scenario and to push for an orderly net-zero carbon transition. LAPFF have been petitioning companies to submit climate transition plans for shareholder approval to allow pension funds to make informed investment decisions and understand the climate value at risk of investing in individual companies, based on disclosed data on emissions and carbon targets.

A major focus of LAPFF's work is improving company approaches to climate change to reduce the related financial risks. To strengthen the approach, LAPFF started a new voting initiative. The ongoing initiative extends the coverage of LAPFF voting alerts on climate-related proxy proposals. Proposals are assessed on whether companies are meeting the expectations LAPFF has of companies, including those within LAPFF's responsible investment policy guide. The alerts focused on climate lobbying, risk and transition reporting, and target setting.

Spotlight on responsible mineral resourcing

With increased global levels of production for electric vehicles (EVs), there is an accompanying uptick in the level of minerals required to create the batteries that power these vehicles. The International Energy Agency (IEA) published a report in 2021 estimating that the total mineral demand for clean energy technologies is set to be six times the demand in 2020 by 2040. As history and previous LAPFF engagements have shown, mining is fraught with human rights issues. As the demand for minerals goes up, and with it the mining operations to supply this demand, it is essential that human rights are respected and that the transition to net zero is done so in a fair and just manner. To this effect, LAPFF sought to engage EV manufacturers to discuss their approaches to responsible mineral sourcing.

LAPFF met with representatives from BMW, Mercedes and Ford during the year to discuss their approaches to responsible mineral sourcing, human rights and supply chain due diligence. A core point of discussion in all of these meetings was the companies' membership of the Initiative for Responsible Mining Assurance (IRMA) an organisation which aims to create a global audit standard for the mining industry. The standard set by IRMA has received input from a wide range of stakeholders. Companies are citing membership of this initiative as a positive step towards securing minerals in a responsible manner, but none engaged by LAPFF thus far have been able to quantify how many of their suppliers had signed up to IRMA, or what timeline they have for ensuring their suppliers were IRMA members.

LAPFF is seeking meetings with senior company representatives involved in the supply chains at some of the companies it met during the year. LAPFF is also seeking meetings with those companies that failed to respond to the first round of correspondence. In addition to EV manufacturers, heavy goods vehicles manufacturers will also be included in this next round of communications. Transparent reporting of supply chains will be essential to ensure that companies are taking appropriate action on responsible mineral sourcing.

Social risk

LAPFF believes that social risk is every bit as important as environment and governance risk when it comes to long-term shareholder returns. The nature of the risk tends to differ from the other two in that its assessment is highly reliant on qualitative, rather than quantitative, indicators. Therefore, the forum engages in an innovative process of speaking directly to affected workers and communities to identify and address social risk. The forum's view is that this approach leaves it well-placed to deal with risk in a comprehensive way, as the just transition agenda gains traction.

Governance risk

The forum's view is that without effective corporate governance, companies can neither mitigate risk nor maximize opportunities to create shareholder value. Therefore, good governance is a sign of good business. It also facilitates the effective implementation of good social and environmental practices so mitigates risk on all fronts. As a result,

many of LAPFF's engagements, both at the corporate and policy levels, focus on corporate governance.

Reliable accounting risk

As problems with accounts and auditing escalate, LAPFF continues to focus on problems with the product of what is audited by virtue of a defective accounting standards framework. The LAPFF continues to use freedom of information requests and parliamentary questions to highlight the issues of vested interests and processes that are not committed to public interest. A sub group has been formed to take this process forward.

LGPS and stewardship

LAPFF has a central role in the LGPS landscape, liaising with members and others on responsible investment and shareholder activism. The forum has been prominent in unifying local authority pension scheme concerns across three areas:

All-Party Parliamentary Group

The All-Party Parliamentary Group (APPG) on Local Authority Pension Funds – set up by LAPFF – includes leading parliamentarians in discussions about local authority pension issues and the forum's work.

LGPS pooling

LAPFF remains in touch with pool companies ensuring clear sight of work programmes and activities of both parties to align mutual interests.

Stewardship

LAPFF fully supports the position set out in the regulations and guidance that active stewardship by pension funds leads to long-term success of the companies in which they invest.

Scheme administration report

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

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

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

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

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

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

As at 31 March 2023, the Shropshire County Pension Fund had 16,825 active members, 18,448 deferred members, 14,316 pensioners and survivors, and 224 employers all looked after by 30 members of staff in the Pensions Administration Team.

Value for money statement

To ensure the effectiveness of the fund the administration service is monitored and reviewed through external and internal audits. To demonstrate the efficiency of the administration, the fund takes part in the Annual CIPFA (Chartered Institute of Public Finance and Accountancy) benchmarking club, results for 2021/22 can be found on page 34. This provides a comparison of key performance indicators over time against a national average.

The fund has always invested in new technology, staff training and projects to improve the data held and the systems making payments to ensure a high-quality service is provided to scheme members and employers.

In 2022/23, the fund took part in the Transformative Member Experience (TME) with the pension administration system provider. Feedback was provided on demonstrations of a new member

self-service platform, set to be rolled out in 2023. Team members also attended research sessions to feedback on various features being considered in the new platform and to consider the onboarding process when the upgrade becomes available.

In 2022/23, a procurement exercise was held for the pensions administration system with the current contract running until May 2023. Colleagues from Shropshire Council's procurement, IT, finance, legal and audit teams supported fund officers. The exercise resulted in the contract being let to Aquila Heywood.

An online Hymans Learning Academy is now embedded and all officers and most of the board and committee members have now completed all six modules. This ensures the knowledge and skills within the fund are kept up-to-date.

Processes are continually monitored. The admitted body process in particular, required streamlining. The fund now digitally produces admission agreements, reducing officer time.

The fund's actuarial valuation was undertaken in 2022 with the results being implemented from 1 April 2023. Data scores of a high standard were continued to be reported to the Pension Regulator.

Events continued during the year, with webinars held for both members and employers. Officers also attended in-person events run by the Local Government Association and other external providers as well as attending webinars by key stakeholders such as Mercer, Aon and the LGA (Local Government Association).

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

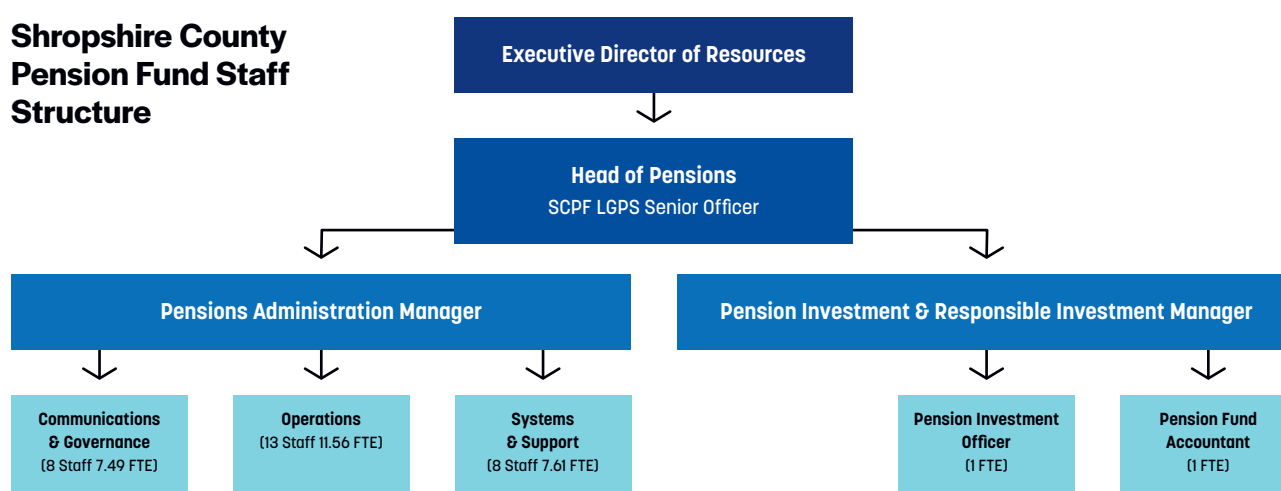
Officers from this group also attended a virtual training session in May 2022 on how to make PDF documents published to the fund's website accessible. This included (but was not limited to) improving published documents so they can be viewed by people with low or no vision, people with dyslexia, colour blindness or motor disabilities. This follows the publication of the Public Sector Bodies Accessibility Regulations and is the second training session organised by the team within twelve months.

Summary of activity in 2022/23

Over the last twelve months, the Pensions Administration Team continued to work hard to ensure the benefits it looks after for scheme members are paid accurately, on time and according to scheme regulations. Fundamental in achieving this aim is to ensure accurate and timely data is received from scheme employers, robust internal controls are in place, innovative technology is used, and the fund delivers excellent communication standards.

In 2022/23, the team initiated a project to contact all scheme members with historic frozen refunds. These members are not entitled to a benefit in the fund and did not claim the refund at the time of leaving the pension fund. Scheme members, where an address

Shropshire County Pension Fund Staff Structure



is held, were contacted first along with members whose refunds are accruing interest. This project may increase the number of records the fund has registered as 'gone away', if it is established that the address held is not up to date. Address checking will be undertaken with a third party.

Service delivery and staffing update

The administration team is made up of 30 posts across three teams: Operations, Communications and Governance and Systems.

A new post of Responsible Investment and Investments Manager was created in the Investments Team and successfully recruited to and the opportunity was taken to more closely align this area of work with the rest of the Pensions Team. Investment Team officers now attend the monthly Pension Team meetings, and they give updates to the wider team, ensuring better knowledge of the fund's investment work.

New posts were successfully recruited to in 2022/23 with inductions and training plans underway.

In 2022/23 the team continued to work from home predominantly as hybrid workers since Shropshire Council announced that office-based working for whole teams will not recommence. Desks are available for staff to book but the administration team will not return to the office space previously occupied. All key administration tasks are performed while remote working and the team have continued to deliver an effective service throughout the year. Monthly team meetings have continued virtually but there has been a need to bring staff together occasionally in person to work collaboratively or to induct new team members. A team training day was held in November 2022 which enabled new team members to meet and better know their colleagues and how to work effectively remotely. Continued home working brings challenges in how to embed new members of staff and grow individual knowledge, therefore e-learning training and online knowledge hubs have been used.

Updated policies during 2021/22

Throughout 2022/2023 reviews have been undertaken of all the fund's policies and updates made where needed.

Due to the changes in the pension fund structure from September 2022, when Justin Bridges was appointed as the LGPS Senior Officer and James Walton relinquished his role as Pension Scheme Administrator, changes were made to the reporting breaches policy, communications policy, training policy, employer events policy and Pensions Board terms of reference.

In December 2022, amendments were made to the governance compliance statement to state how the standard items and topics which have historically been presented at an in-person annual meeting, will now be delivered in a different way. Changes were made to the administration strategy statement to clarify the fund's turnaround times when dealing with certain types of casework, confirm how the fund treats employer requests when a discretions policy has not been received and to confirm that the legal and actuarial costs are passed onto the relevant fund employer during an outsourcing exercise.

Actuarial valuation results were provided at the Employer Meeting in November 2022 and a consultation commenced with fund employers, the funding strategy statement was updated in March 2023. The employers events policy was also updated to take into consideration the results of the 2022 actuarial valuation. The reporting breaches policy and training policy will next be reviewed in March 2024 or when a regulatory change occurs.

Data quality

The fund updated its data improvement plan with revised priorities and, unlike in previous years, this plan has been set to cover a two-year period until 2023/24, as some of the objectives are set against long-term projects. The objectives cover the two main areas of work for the team and the LGPS nationally: The McCloud remedy and the Government's National Pensions Dashboard programme. Some of the work for both projects are still unquantifiable due to legislation still being worked on nationally.

Data scores are required by The Pensions Regulator on an annual basis as part of the scheme return each autumn. The scores which have been submitted for the past two years are shown in the table below:

Data category	2021 score %	2022 score %	Aim %
Common data	98.07	98.50	100%
Scheme specific data	98.02	98.72	100%

Common data relates to data such as name, address, national insurance number etc. The fund has lost contact with a number of members who have not notified us of a change in address, which largely account for why the data score is not 100%. Member address tracing takes place when benefits are due into payment.

Working with employers

To effectively administer the Local Government Pension Scheme for members, the monthly data provided by employers is essential. As well as monthly and year-end data quality verification, additional checks are in place during the year using the data collection software, mortality screening and address verification to continue to improve the data held, to ensure member benefits are accurate.

Employers must pay their contributions by the 19th of the month and accompanying data must also be submitted via i-Connect by this date. A summary of the amount of member data received during 2022/23 is below:

- **Address updates:** 3,443
- **Contributions postings:** 197,022
- **Pay data postings:**
CARE – 193,999
Salary – 204,948
- **Notification of starters:** 6,547
- **Notification of leavers:** 5,338

Any employers who did not adhere to the regulations and provide the contributions or data on time were recorded as a breach of the scheme regulations and, if deemed materially significant, could be reported to The Pensions Regulator.

There were 273 breaches recorded for 2022/23 whereas 183 breaches were recorded in 2021/22. This is actually an increase of 90 breaches which is due to improved reporting of late leavers forms from the Operations Team.

Scheme employers have also been reminded that the team will support in-person presentations at their workplace, followed by member one - to - ones should there be a local need. Employer updates were sent monthly throughout the year via email bulletins to all registered contacts at participating employers within the fund, providing updates on administration issues affecting scheme employers.

Actuarial valuation 2022

Scheme employers have been issued with their individual results following the 2022 valuation. An Employers' Meeting was held online to discuss the whole fund and individual results. Employers were invited to subsequently book an online one - to - one meeting with the actuary to discuss their own results. All committee and board members were invited to join. 103 individuals virtually attended the 2022 meeting compared to 88 who attended the 2021 virtual meeting. Employers were reminded of their agreed revised contribution rates and asked to ensure their payroll teams deduct the new employer contribution rate from April 2023 payroll.

Communications

The retired members biannual newsletter InTouch was sent to the home addresses of pensioner members at the end of November 2022 and via email in April 2022. The postal copies were used to check member address details were correct and returns resulted in any pensions paid being stopped until this was resolved.

The LGA Communications Working Group have produced a guide on digital engagement for LGPS funds. The fund was an early adopter of a member self-service site, originally launching a portal in 2010 and upgrading this in 2019. A project group is currently in place within the team to look at how this can be developed further with some functionality not yet being utilised. The guide developed by the LGA is a useful reference for this group.

The fund no longer holds an annual meeting; however, key fund investment issues and pension administration updates were available to members on the fund's website, which were the main topics due to be covered at the annual meetings.

In March and April 2023, the Communications and Governance Team hosted four webinars; 'Get to know your pension'. Active scheme members were invited to join one of the hour-long webinars to find out more about the Local Government Pension Scheme and the benefits of being a member.

An increase in registration numbers for 'My Pension Online' in March and April was experienced following the webinars.

The fund uses a bulk email functionality to email

scheme members the latest fund news. The open rate for member bulk emails was consistently above 50% over the 2022/23 year.

Notes and two newsletters were produced to accompany the 2022 annual benefit statement. They were produced collaboratively with other LGPS funds in a project led by Shropshire. The Plain English Crystal Mark was applied to both documents.

Annual benefit statements Pensions savings statements (PSS)

Pensions savings statements (PSS) were issued by the deadline of 6 October 2022 to 70 scheme members compared to 51 in 2021. A pensions tax information webinar was organised with the fund's actuary, Mercer, on October 18 2022 which provided information on annual and lifetime allowance tax limits and members were also offered one to one sessions with the actuary. Sessions were for information purposes only and no formal advice was provided as members need to purchase this for themselves.

Annual benefit statements

The fund issued annual benefit statements to both active and deferred members by the statutory deadline of the 31 August 2022. A total of 34,662 statements were produced. 16,433 actives and 18,229 deferred statements were released to 'My Pension Online'. 180 active and 307 deferred statements were issued in paper format. Four active statements were unable to be produced automatically by the pensions administration system, due to an error, and the affected members were contacted.

Cyber security

The team take cyber 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.

In June 2022, it was reported to members that fund officers had created a cyber security action plan on the next steps for the fund in this area.

The fund undertook a successful disaster recovery (DR) exercise with Shropshire Council IT on 11 and 12 January 2023 to ensure business continuity on the Altair system should an issue or disaster occur at the Shirehall data centre.

The exercise proved that the system could move quickly to an external server if required. Both IT and pensions administration team found the exercise to be extremely beneficial.

Annual training is undertaken by officers each year and there have been frequent reminders to all officers to remain vigilant during a time when LGPS funds are increasingly becoming targets for malicious cyber activity.

McCloud update

During 2022/23, the fund has continued its work on the McCloud project including its work with the fund actuary, Mercer, to data check using a bespoke tool. The tool tests the data held by the fund for reasonableness in order to place employers in three employer categorisation grades. Employers will be asked to sign a statement to return to the fund as acknowledgement of the work undertaken on behalf of the employer, and with agreement, where appropriate, to liaising further with the fund on any next steps required.

Pensions dashboard

The fund will need to be appropriately resourced to deal with the implementation and on-going participation in the pension dashboards. Until more information is known, the fund is unable to assess the full implementation and on-going costs to administer the Pensions Dashboard.

Key monthly data collection facts for 2022/23

3,443



address
updates

197,022



contribution
postings

204,948



pay data
postings

6,547



notifications
of starters

5,338



notifications
of leavers

Performance indicators

Key performance data

CIPFA point	Outstanding at period start	Created in period	Total cases	Complete at end of period	Outstanding at end of period	% complete
Deaths - initial letter acknowledging death of member	16	548	564	533	31	94.5%
Deaths - letter notifying amount of dependants pension	29	390	419	387	32	92.4%
Totals	45	938	983	920	63	93.5%
Retirements - letter notifying estimate of retirement benefits active	6	657	663	648	15	97.7%
Retirements - letter notifying estimate of retirement benefits deferred	5	356	361	350	11	97.0%
Totals	11	1,013	1,024	998	26	97.4%
Retirements - letter notifying actual retirement benefits active	22	418	440	423	17	96.1%
Retirements - letter notifying actual retirement benefits deferred	73	836	909	785	124	86.4%
Totals	95	1,254	1,349	1,208	141	91.3%
Retirements - process and pay pension benefits on time active	8	396	404	395	9	97.8%
Retirements - process and pay pension benefits on time deferred	84	710	794	696	98	87.7%
Totals	92	1,106	1,198	1,091	107	92.7%
Deferment - calculate and notify deferred benefits	125	1,630	1,755	1,314	441	74.9%
Transfers in - letter detailing transfer quote	3	370	373	356	17	95.4%
Transfers in - letter detailing transfer	31	276	307	273	34	88.9%
Transfers out - letter detailing transfer quote	17	171	188	176	12	93.6%
Transfers out - letter detailing transfer	43	280	323	263	60	81.4%
Refund - Process and pay a refund	16	562	578	551	27	95.3%
Divorce quote - letter detailing cash equivalent value and other benefits	5	73	78	68	10	87.2%
Divorce Settlement - Letter detailing implementation of cash equivalent value and application of pension sharing order	0	0	0	0	0	N/A
Joiners - Send notification of joining The LGPS to scheme member	0	3,922	3,922	3,922	0	100.0%
Aggregation - Send notification of aggregation options	56	1,636	1,692	1,425	267	84.2%

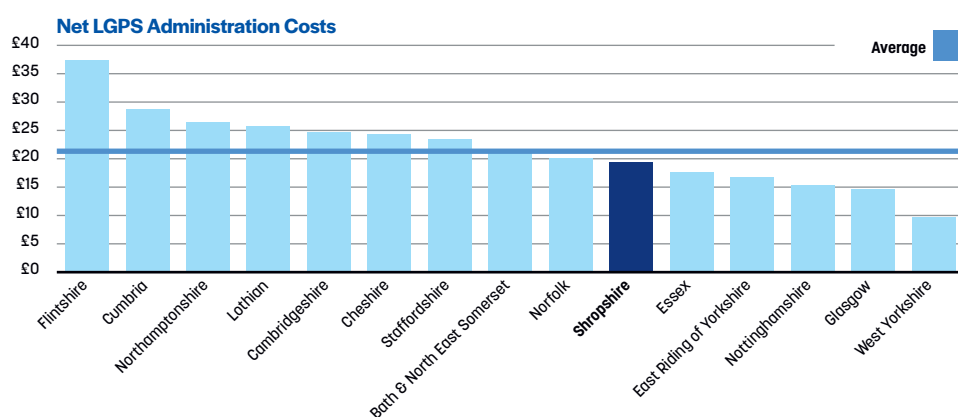
CIPFA point	CIPFA recommended fund KPI days	Within KPI	Outside KPI	Total	% complete within KPI target	Legal months	Within legal	Outside legal	Total	% complete within legal target
Deaths - initial letter acknowledging death of member	5	321	212	533	60.2%	2 Mnths	511	22	533	95.9%
Deaths - letter notifying amount of dependants pension	10	321	66	387	82.9%	2 Mnths	359	35	387	92.8%
Retirements - letter notifying estimate of retirement benefits active	15	626	22	648	96.6%	2 Mnths	647	1	648	99.8%
Retirements - letter notifying estimate of retirement benefits deferred	15	331	19	350	94.6%	2 Mnths	349	1	350	99.7%
Retirements - letter notifying actual retirement benefits active	15	396	27	423	93.6%	2 Mnths	420	3	423	99.3%
Retirements - letter notifying actual retirement benefits deferred	15	616	169	785	78.5%	2 Mnths	765	20	785	97.5%
Retirements - process and pay pension benefits on time active	15	389	6	395	98.5%	2 Mnths	395	0	395	100.0%
Retirements - process and pay pension benefits on time deferred	15	365	331	696	52.4%	2 Mnths	686	10	696	98.6%
Deferment - calculate and notify deferred benefits	30	800	514	1314	60.9%	2 Mnths	1028	286	1314	78.2%
Transfers in - letter detailing transfer quote	10	310	46	356	87.1%	2 Mnths	351	4	355	98.6%
Transfers out - letter detailing transfer quote	10	62	114	176	35.2%	2 Mnths	120	19	139	97.2%
Refund - Process and pay a refund	10	501	50	551	90.9%	2 Mnths	439	15	454	97.6%
Divorce quote - letter detailing cash equivalent value and other benefits	45	66	2	68	97.1%	3 Mnths	67	1	68	98.5%
Divorce settlement - letter detailing implementation of pension sharing order	15	0	0	0	N/A	3 months	N/A	N/A	0	N/A
Joiners - Notification of date of enrolment	40	3922	0	3922	100.0%	2 Mnths	3922	0	3922	100.0%

Key financial data

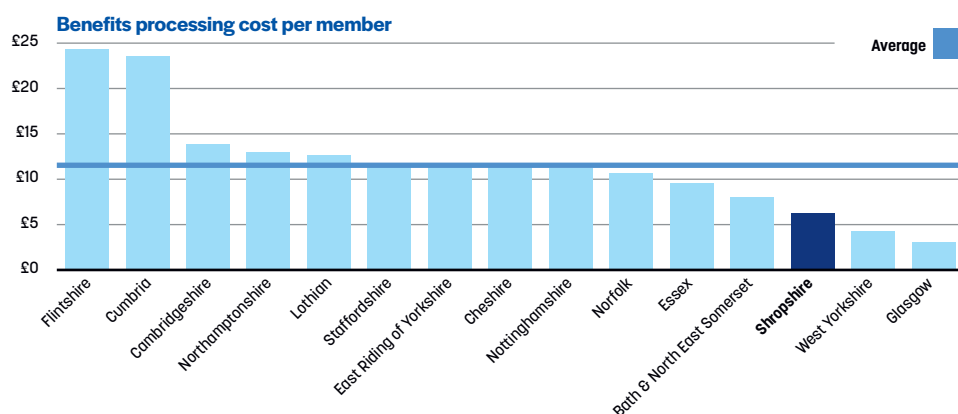
The fund continues to participate in the Chartered Institute of Public Finance and Accountancy (CIPFA) annual benchmarking survey. The results of the survey in comparison to other funds participating were published in 2023 and show data from 2021/22.

The fund has continued to remain under the average net cost per member for pension administration (graph 1). For the specific area of benefit processing

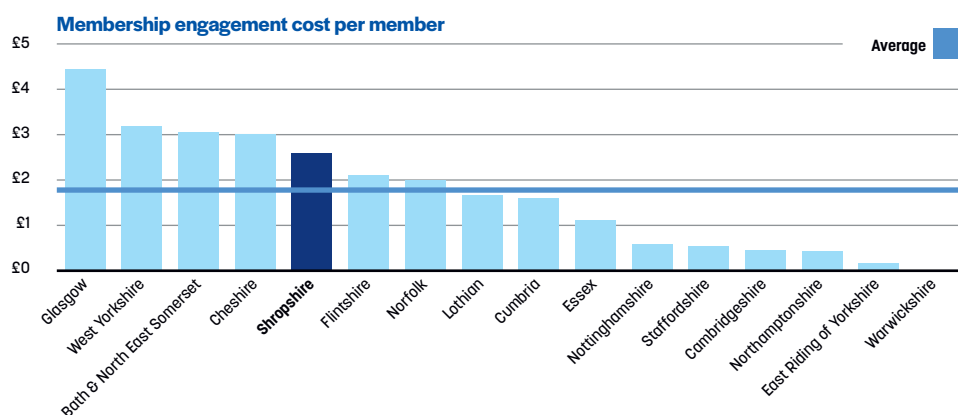
(graph 2), the fund is under the average cost per member, which demonstrates that investment in technology has ensured that processing costs remain low. For member engagement, the fund is above average (graph 3) and shows the commitment that the fund has made in this area, in particular, the importance of the member self-service platform to allow scheme members to view their pensions accounts and perform benefit quotations.



Graph 1. Illustrates the net cost per member of providing a service to active, retired and deferred members. In 2021/22, the fund had a net cost of £19.29 per member. The average cost per member for all authorities taking part in the survey was £21.41.



Graph 2. In 2021/22, the benefit processing cost was £6.23 per member, which was below the average of the group of £11.58.



Graph 3. In 2021/22, the membership engagement cost per member was £2.59, which was above the average of the group of £1.79.

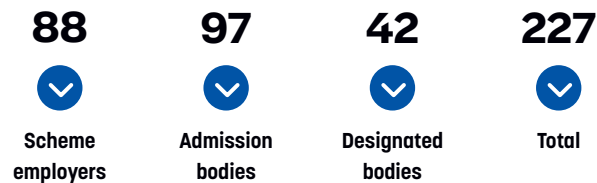
Staffing



New pensioners in year 2022/23 by type of retirement

Retirement type	Number of cases
Early	579
Ill health	92
Late	33
Normal	126
Total	830

Employer summary as at 31 March 2023



A summary of the number of employers in the fund analysed by scheme employers, admission bodies and designated bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities) as at 31 March 2023.

Employers	Active	Ceased	Total
Scheme employers	60	28	88
Admission bodies	59	38	97
Designated bodies	40	2	42
Total			227

Feedback from members and employers

- 4 complaints received in 2022/23
- 15 compliments received in 2022/23

‘Just to say thank you for your kind support and time, really appreciated’

‘Thanks ever so much for helping me yesterday and giving such great detailed information which really helped again.’

‘Thank you for clearly explaining how my pension is worked out. I understand now. You’re a legend!’

‘I am very impressed with the efficiency of the pensions department in their responses and information given.’

‘You have made the retirement process run so smooth for me and speaking to you made everything very clear for me to understand.’

‘A widow, who although very emotional, wanted to share her heartfelt thanks and gratitude to the pensions team for the prompt service we have offered her. From early communication to setting up her pension the member felt we couldn’t have been more helpful at such a challenging time.’

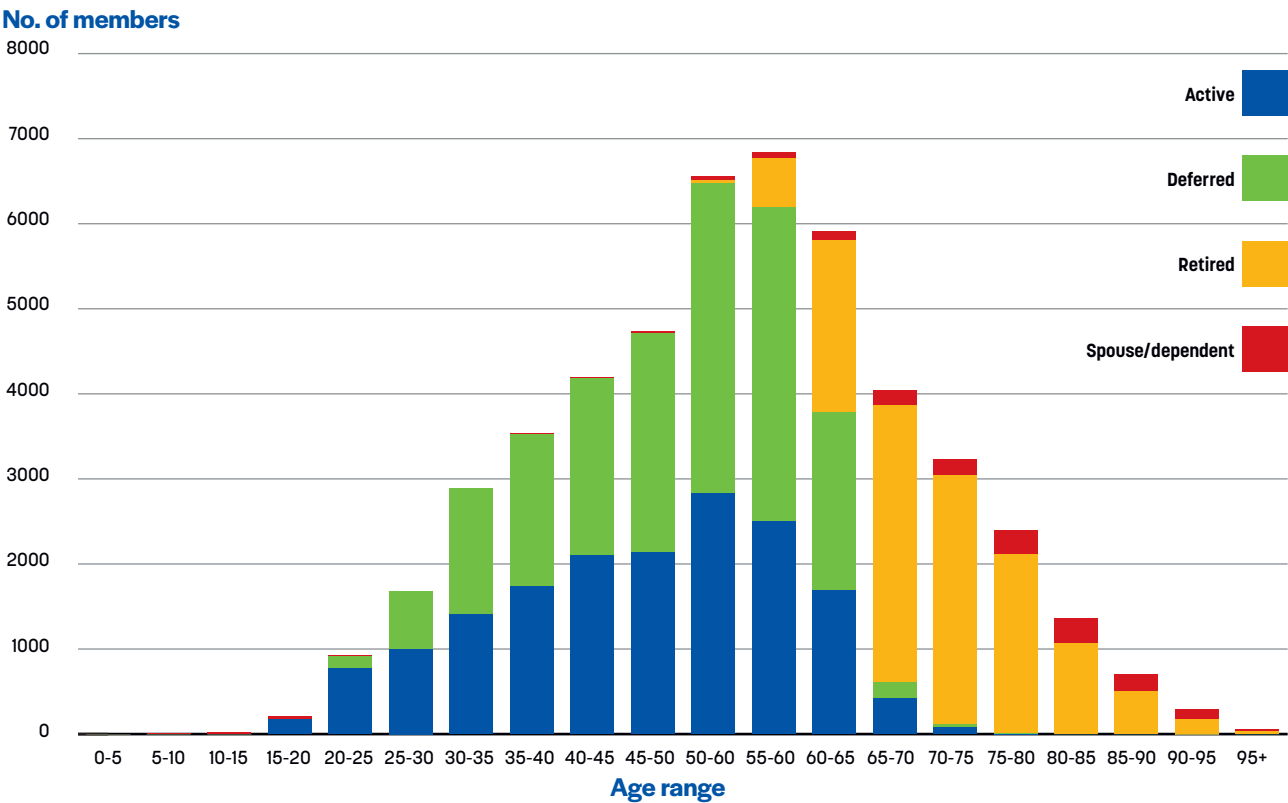
In 2022/23, we also held four webinars for members, the first one was on pension tax and members impacted were invited to attend, and three more generic ones on Get to Know Your Pension which any active member was invited to join.

These were all well received by attendees and some comments were:

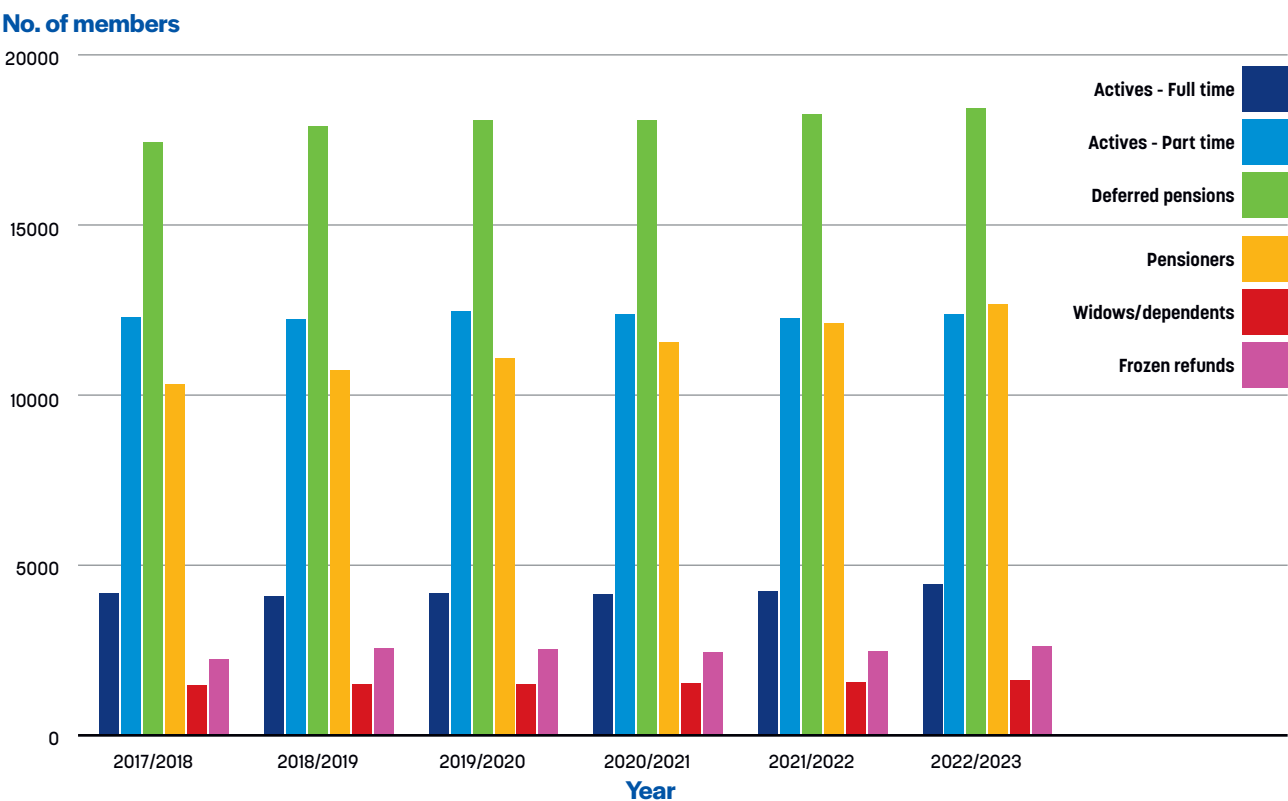
‘Could I take this opportunity to comment how informative and valuable I found the webinar. I hope this will continue to run as I do think more people in our organisation would benefit from attending.’

‘I thought the webinar was well organised and informative.’

Age profile of membership as at 31 March 2023



Membership numbers and trends as at 31 March 2023



How our service is delivered

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

The communications policy statement sets out the fund's formal policy concerning communications with its stakeholders including the format and frequency of information provided. Following any amendments, this document is passed for approval to Pensions Committee and is published on the fund website. The most recent statement in place can be found in appendix 07. Officers in the fund are part of a regional communications working group (CWG) where communication officers from different funds in England and Wales meet on a quarterly basis to develop items of communication for scheme members in the LGPS. The fund also has representation on the national communications group organised by the Local Government Association (LGA).

Use of technology:

Website

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

The website holds scheme guides, forms and information for members and employers to view. Employer responsibilities are set out in the employer's section of the website. All participating employers in the fund are encouraged to use this area to ensure they meet their responsibilities. The fund also hosts videos for both members and employers to view on the website.

Pension administration system

The fund uses Altair, a pension's administration software provided by Heywood Ltd.

Electronic data transfer

The fund has continued to use a service called i-Connect which allows employers to transfer their data to the fund. Member data is transferred from

an employer's payroll system monthly into the pension administration system. The fund engages with all employers to ensure good quality, accurate and timely data. Training is also provided to all new employers joining the fund on how to use the i-Connect service.

'My Pension Online'

To help deal with increasing incoming post, the team have recently launched a facility in 'My Pension Online' which allows members to upload their own documents to their member record. They also launched a facility for employers to submit leavers forms securely via i-Connect. By continuing to review the statistics of the Helpdesk and employ the use of technology to automate some stages of the administrative duties of the helpdesk, it allows the team to focus on resourcing the priority area of responding to complex incoming queries.

The team tested a virtual assistant function to be placed on the fund's website to signpost key information in response to general queries and looking at the current functionality of the pensions general inbox. It is hoped this will save officer time by it being able to answer basic queries automatically.

As at 31 March 2023:

- 49% active members
- 42% deferred members
- 47% pensioners; registered for 'My Pension Online'
- 46% of all scheme members access their pension information online

Email updates

The fund has continued to utilise email to provide scheme updates to members and employers. Emails were sent on a regular basis to both members and employers during 2022/23 to inform them of the latest news and events.

Internal dispute resolution procedure

Despite our best efforts we do, sometimes, receive complaints from our members when they have not been satisfied with scheme decisions. Members have the right to ask for scheme decisions to be looked at again under the formal complaints procedure and they also have the right to use the procedure if a decision should, but has not been made by their employer or the fund. The complaint procedure's official name is the internal dispute resolution procedure (IDRP) and the procedure is outlined in regulation 72 of the LGPS Regulations 2013. An active scheme member, pensioner, deferred pensioner or potential beneficiary can all make an appeal under the IDRP procedure.

There are two stages to IDRP, with the first stage of the dispute going to the body that made the original decision, requesting a review of that decision. If a member is dissatisfied with the outcome of the stage 1 decision, they may apply to the administering authority for a review at stage 2 of the IDRP within six months of the stage 1 decision. If, after the stage 2 decision, the member or beneficiary is still dissatisfied, they can contact The Pensions Ombudsman. The member or beneficiary has three years in which to apply to The Pensions Ombudsman who can investigate any type of complaint about a member's or beneficiary's pension. The member or beneficiary must have been through stages 1 and 2 of the IDRP before they contact the Ombudsman. Fortunately such instances are few and far between.

The following table is a summary of the IDRP cases the fund has received.

IDRP cases raised directly to the fund in 2022/23

Stage	Cases submitted	Dismissed	Upheld	Ongoing
1st	3	1	2	0
2nd	0	0	0	0

The Pensions Ombudsman

www.pensions-ombudsman.org.uk

0800 917 4487

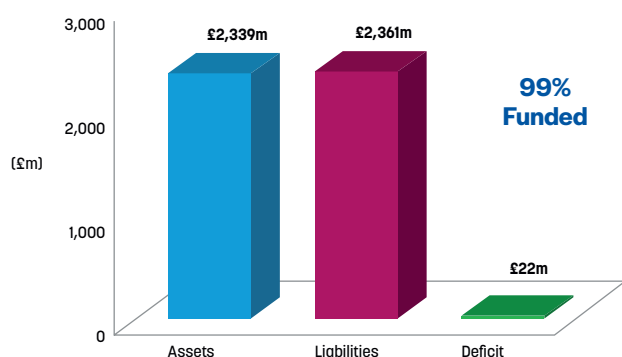
> Statement by the consulting actuary

Accounts for the year ended 31 March 2023

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

An actuarial valuation of the Shropshire County Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund's assets of £2,339 million represented 99% of the Fund's past service liabilities of £2,361 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £22 million.



The valuation also showed that a Primary contribution rate of 18.4% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target).

In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it may be appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the actuarial valuation the average recovery period adopted was 16 years for employers in deficit and 12 years for the employers in surplus, and the total initial recovery payment (the "Secondary rate" for 2023/26) was an addition of approximately £1.7m per annum in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2023.

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

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the funding strategy statement

(FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process. The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate):		
Standard rate	4.80% per annum	5.20% per annum
Low risk	4.55% per annum	4.70% per annum
Rate of pay increases (long term)	4.35% per annum	4.35% per annum
Rate of increases in pensions in payment (in excess of GMP)	3.10% per annum	3.10% per annum

The assets were assessed at market value. The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2026.

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2023 (the 31 March 2022 assumptions are included for comparison):

	31 March 2022	31 March 2023
Rate of return on investments (discount rate)	2.80% per annum	4.80% per annum
Rate of CPI Inflation / CARE benefit revaluation	3.40% per annum	2.70% per annum
Rate of pay increases	4.65% per annum	3.95% per annum
Increases on pensions (in excess of GMP) / Deferred revaluation	3.50% per annum	2.80% per annum

The demographic assumptions are the same as those used for funding purposes:

- the start of period assumptions are based on

the 2019 actuarial valuation assumptions (but updated to the 2021 CMI future improvement tables)

- the end of period assumptions are based on the updated assumptions adopted for the 2022 actuarial valuation.

Full details of the demographic assumptions are set out in the formal reports to the respective valuations.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

Key factors leading to actuarial gains above are:

- Change in financial assumptions:** Corporate bond yields increased significantly over the year, with a corresponding increase in discount rate to 4.8% p.a. from 2.8% p.a. In addition, there has been a reduction in long-term assumed CPI to 2.7% p.a. from 3.4%. In combination, these factors lead to a significant reduction in liabilities
- Change in demographic assumptions:** As noted above, the assumptions have been updated to reflect the 2022 actuarial valuation assumptions. This acts to reduce the liabilities
- Pension increases / high short-term inflation:** The figures allow for the impact of the April 2023 pension increase of 10.1%, along with the high levels of CPI since September 2023 (which will feed into the 2024 pension increase). As current inflation is higher than the long term assumption, this increases the liabilities
- 2022 actuarial valuation:** The year-end liabilities allow for the final 2022 valuation results, and so will allow for the difference between the assumptions and actual member experience over 2019/22. This will include factors such as the impact of actual pay increases awarded, actual rates of ill-health retirement, etc.

Michelle Doman

Fellow of the Institute and Faculty of Actuaries

Mark Wilson

Fellow of the Institute and Faculty of Actuaries

Mercer Limited

May 2023

Governance structure

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

Outline of the governance structure

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

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

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

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

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

The latest version of the governance compliance statement was approved by the Pensions Committee in December 2022. Please see appendix 1 on page 82 for the latest copy.

Pensions Board report 2022/23

Thanks to board members for their time and expertise. Since 2015 Shropshire County Pension Fund have operated a Pensions Board. The board have the role of assisting the administering authority (Shropshire Council) in ensuring they are compliant with all the relevant legislation and regulations of the Local Government Pension Scheme (LGPS).

I was elected as chair of the Pensions Board in July 2022, having previously spent seven years sitting on the Pensions Committee which has given me a lot of LGPS experience. Since being chair, I have been impressed by the pension team and their unstinting commitment and professionalism as well as the pride they take and the service they provide to members and employers. Board meetings have returned to being held in person following the lifting of Covid-19 restrictions, but they continue to be filmed and available on the council's website which enables board members to attend remotely if they need to and allows members and employers to watch the public part of the meeting online. To be in a room together again has been welcomed as it has definitely generated more discussion (and made the meetings longer!). Looking back over the past year, a number of key issues have dominated our discussions: preparation for the investment strategy review, environmental issues, cyber security and fraud.

We have received regular reports on cyber security, an increasingly concerning threat for all, not just the fund. The fund holds data on behalf of its members as well as information from employers. Breaches of confidentiality could result in fines from the Information Commissioner, and ransomware attacks could disrupt the administration of the scheme. Maintaining cyber-secure systems is essential and constant improvement is pursued by the Pensions Administration Team and Shropshire Council's IT team.

Pension scams are a risk to members, and the team have developed new procedures to protect them – especially those who may be more vulnerable to

scammers. There is an effective protocol to ensure that those seeking to move their pension are clear about what they are doing and that those they are dealing with are legitimate operators.

I do appreciate that for employers, and some members, thinking about and acting on pension legislation is not always at the top of your to do list. However, it is vital when asked for information that employers provide it in a timely fashion so that employees do not miss out or have their pension payments delayed.

The Pensions Committee work hard in providing the right strategy for investment so that our fund is at 100% funded or better and the team backing them work hard to conform to the strategic plan. We on the board have no administration or management actions of the scheme but we do oversee the decisions that are made by the committee and officers and we can and do make recommendations for improving effectiveness and sometimes efficiency.

The Pensions Board meets four times a year. Members do have to understand the pension regulations, so they must also complete compulsory training and ad hoc training at the request of officers and the Pensions Committee.

Currently the board consists of three member representatives and three employer representatives. The open part of the meeting is recorded so members and employers can see what we are discussing on our agenda. All meetings are formal, and minutes and actions from the open meetings are recorded and visible on the council's website.

2022 was the year of the actuarial valuation by our actuary Mercers and this dominated a lot of meetings during the year. The scheme is valued every three years to assess how its assets – equities, bonds and other investments, compare against its liabilities – the cost of paying current and future pensioner benefits. The valuation has proved challenging in 2022 due

to the impact of inflation on existing and future pensions, together with extreme inflation and volatility in financial markets.

We have seen the continuation of the war in Ukraine and Russia, an increase in inflation to more than 10%, an unprecedented cost of living crisis, interest rate rises and the fear of global recession. However, the valuation looks over the next 20-25 years so, although there would be a short-term impact of inflation and increasing interest rates, this will all be factored in when making investment decisions.

With each new budget we see changing rules to the pension scene (lifetime and annual allowance, McCloud 2015 Remedy and Pensions Dashboards). We are also still awaiting the implementation of The Pension Regulator's Single Code of Practice and the England & Wales Scheme Advisory Board, Good Governance Project, the recommendations from which are expected to put more emphasis on cyber controls, preventing scams and workforce planning. We are therefore expecting 2023/24 to continue to be another interesting year for the Pensions Board in supporting the fund.

Continual development for the Pension Board is vital. But, like in all sectors, we do have Pension Board members moving on and I would like to thank all those who have served on the board in the past year. I thank them for their time and expertise which they have brought to their roles on the board and wish them well for the future.

Dave Wright
Pensions Board chair
15 September 2023

The Pensions Board members 2022/23



Dave Wright (Chair)

Member representative



Mike Morris

Member representative



Helen Woodvine

Employer representative
Coverage Care



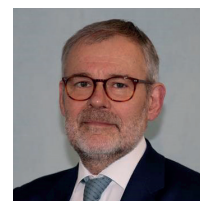
Liz Furey

Employer representative
Harper Adams University College



Clare Charlesworth Jones

Employer representative
Severn Bridges Multi
Academy Trust



John Hall

Member representative

> Committee members 2022/23



Thomas Biggins (Chair)

Shropshire Council
VOTING



Roger Evans

Shropshire Council
VOTING



Simon Harris

Shropshire Council
VOTING



Brian Williams

Shropshire Council
VOTING



Carolyn Healy

Telford and Wrekin Council
VOTING



Rae Evans

Telford and Wrekin Council
VOTING



Jean Smith

Pensioner Representative
NON-VOTING



Lindsay Short

Employee Representative
Shropshire Council



Byron Cooke

Employee Representative
Telford and Wrekin Council

Overall responsibility for the Shropshire County Pension Fund lies with Shropshire Council, however, this responsibility has been delegated to Justin Bridges, Head of Pensions - LGPS Senior Officer.

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

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

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

➤ Training policy

(members & officers)

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

Training policy

The fund has adopted a training policy which sets out how the fund intends to meet its training responsibilities. The current training policy can be found in appendix 09.

Pensions Committee

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

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

- Actuarial valuation 2022
- Market outlook
- Equity protection
- Responsible Engagement Overlay service (REO)
- LGPS Central Limited update
- Investment strategy & equity protection update
- Targeted return fund
- Audit findings for SCPF
- Climate risk report
- Equity protection and markets update

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

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

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

The following information is also available on the fund's website e.g. annual report & accounts, investment performance, actuarial valuation reports, administration updates, climate strategy & stewardship plan, climate risk reports, TCFD reports, responsible investment information, LGPS pooling updates/information, general policies and newsletters with regular scheme updates. In addition, all Pension Committee and Pension Board meetings are now live streamed and recorded and available

on the council's website for scheme members and the public to view. The Pension Committee has a pensioner representative and scheme member representative on it for any scheme member queries and the Pension Board also consists of three scheme member and three employer representatives which can be contacted, all details are provided in the annual report on the fund's website. The Pension Investment & Administration Team are also available for one-to-one meetings with scheme members and employers and can be contacted directly via email or over the phone for any scheme member specific concerns or queries. This has been agreed with the Chair and Head of Pensions – LGPS Senior Officer.

The employers meeting was held virtually and live recordings and presentations can be found on the Shropshire County Pension Fund's website. The annual report and accounts for 2022/23 can also be found at www.shropshirecountypensionfund.co.uk.

Hymans Learning Academy: In November 2022, the fund purchased this online learning platform for officers, board and committee members. The platform covers six modules and was completed by all officers and board members.

Topics covered included:

1. Role of elected members on committee
2. Governance & regulators
3. Business planning
4. Administration & management
5. Policies and procedures
6. Public procurement
7. Additional voluntary contributions
8. Accounting & audit
9. Introduction to funding strategy
10. LGPS actuarial valuations
11. LGPS employers
12. Investment strategy
13. Performance monitoring
14. Pooling (England and Wales only)
15. Responsible investment
16. MiFID II
17. McCloud
18. Goodwin
19. Cost-sharing
20. Cyber security
21. GAD Section 13
22. Pensions Dashboards

A refresher course for officers on PENGuide, a specialist online resource on all aspects of the LGPS regulations past and present, was also held in March 2023, highlighting updates that have been made to the system which is used as both a training resource and to assist with queries.

Officer attendance at conferences, seminars and networking groups:

LGC investment conferences, LAPF strategic investment conferences, LAPFF RI Conference, PLSA LG Investment Conference, LGPS Central RI Summit, Pensions Managers Conference, LGA Governance conference, CIPFA Pensions Audit & Accounting workshop, Shrewsbury Pensions Officers Group (SPOG) were attended in person this year after COVID-19 restrictions were lifted. The LGA National Communications Working Group and Regional Communications Working Group continued to meet virtually in 2022/23.

As Head of Pensions – LGPS Senior Officer for Shropshire County Pension Fund I confirm that the officers and members charged with the financial management of and decision making for the pension fund collectively possessed the requisite knowledge and skills necessary to discharge those duties and make the decisions required during the reporting period.

Justin Bridges
LGPS Senior Officer

Shropshire Council
15 September 2023

> Pension fund account

Pension fund account for the year ended 31 March 2023

2021/22 £m		Notes (pages 50-69)	2022/23 £m	
	Contributions and benefits			
	Contributions			
41,967	Employers	7	57,110	
17,320	Employees	7	19,208	
10,170	Transfers In from other pension funds	3,7	9,525	
69,457	Total income			85,843
	Benefits payable			
(66,544)	Pensions	7	(70,888)	
(11,080)	Commutation of pensions and lump sum retirement benefits	7	(12,633)	
(1,322)	Lump sum death benefits	7	(2,522)	
	Payment to and on account of leavers			
(0,220)	Refund of contributions	7	(0,216)	
(4,942)	Transfer to other funds	3,7	(8,128)	
(84,108)	Total expenditure			(94,387)
(14,651)	Net additions/(withdrawals) from dealings with scheme members			(8,544)
(17,492)	Management expenses	8		(18,809)
(32,143)	Net additions/(withdrawals) including fund management expenses			(27,353)
	Returns on investments			
15,862	Investment Income	3,9	8,188	
47,334	Gain/(loss) on cash and currency hedging		21,364	
(0,135)	Taxes on income	10	(0,098)	
114,349	Profits and losses on disposal of investments and changes in value of investments	11a	(97,301)	
177,410	Net return on investments			(67,847)
145,267	Net increase/(decrease) in the net assets available for benefits during the year			(95,200)
2,194,020	Opening net assets of the scheme			2,339,287
2,339,287	Closing net assets of the scheme			2,244,087

> Net assets statement

Net assets statement as at 31 March 2023

31 March 2022 £m		Notes (pages 50-69)	31 March 2023 £m	%
	Long term investments			
1.315	Equities	11	1.315	0.06
	Investment assets			
109.022	Equities	11	0.010	0.00
	Pooled investment vehicles			
2203.838	Other managed funds	11	2221.038	98.97
	Other investment balances			
0.685	Loans	11	0.685	0.03
	Cash deposits			
17.436	Deposits	11	12.683	0.57
2.500	Temporary investments	27	2.600	0.12
2334.796	Total investment assets		2238.331	99.75
	Long term debtors			
1.055	Lifetime and annual tax allowances	18a	1.551	0.07
	Current assets			
5.653	Contributions due from employers/employees	18b	6.463	0.29
1.061	Other current assets	18b	1.609	0.07
0.026	Cash balances	27	0.060	0.00
	Current liabilities			
(0.422)	Unpaid benefits	19	(0.352)	(0.02)
(2.882)	Other current liabilities	19	(3.575)	(0.16)
2339.287	Net assets of the scheme - Available to fund benefits as at 31 March		2244.087	100.00

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

> Notes

To the Shropshire County Pension Fund accounts for the year ending 31 March 2023

Note 1: Description of fund

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

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

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

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

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

Organisations participating in the Shropshire County Pension Fund include:

- Scheduled bodies, which are automatically entitled to be members of the fund.
- Admitted bodies, which participate in the fund under the terms of an admission agreement between the fund and the employer. Admitted

bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 227 employers within the Shropshire County Pension Fund including Shropshire Council itself, as detailed below.

Shropshire County Pension Fund	31 March 2023	31 March 2022
No of employers with active members	159	157
Number of employees in the scheme		
Shropshire Council	5,898	5,807
Other employers	10,927	10,683
Total	16,825	16,490
Number of pensioners in the scheme		
Shropshire Council	5,994	5,805
Other employers	6,688	6,311
Total	12,682	12,116
Number of deferred pensioners in the scheme		
Shropshire Council	8,556	8,456
Other employers	9,892	9,797
Total	18,448	18,253

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was as at 31 March 2022. Currently, employer contribution rates range from 5.8% to 27.6% of pensionable pay.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby

members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

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

Note 2: Basis of preparation

The statement of accounts summarises the fund's transactions for the 2022/23 financial year and its financial position at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2022/23

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

Note 3: Summary of significant accounting policies

Fund account – revenue recognition

Contribution income

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

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

the period to which they relate. Contributions received earlier than the due date are accounted for on receipt and are recognised as contributions received within the pension fund account statement.

- Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than due date.

Transfers to and from other schemes

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

Investment income

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

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

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

Fund account – expense items

Benefits payable

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

Taxation

The fund is a registered public service scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas

investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Management expenses

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

Administrative expenses	All staff costs relating to the pensions administration team are charged direct to the fund. Council recharges for management, accommodation and other overhead costs are also accounted for as administrative expenses of the fund.
Oversight and governance	All costs associated with governance and oversight are separately identified, apportioned to this activity and charged as expenses to the fund.
Investment management expenses	Investment fees are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off returns by investment managers, these expenses are grossed up to increase the change in value of investments. Fees charged by external investment managers and custodian are set out in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. In addition, the fund has negotiated with BlackRock (Hedge Fund) that an element of their fee will be performance related. Total performance related fees for all managers in 2022/23 £0.097m (2021/22 £0.807m). Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2022/23, £0.497m of fees is based on such estimates (2021/22 £0.147m).

Net assets statement

Financial assets

The share capital investment in LGPS Central Limited is valued at transaction price i.e. cost. LGPS Central Limited began to trade on 3 April 2018. The pension fund's view is that the market value of this investment at 31 March 2023 cannot be reasonably assessed and that cost is therefore an appropriate estimate of fair value.

All other investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in note 11a.

Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

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

Foreign currency transactions

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

Cash and cash equivalents

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

Loans and receivables

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

Financial liabilities

A financial liability is recognised in the net asset statement on the date the fund becomes legally responsible for that liability. The fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

Contingent liabilities

Shropshire County Pension Fund has guaranteed a

share of the pension liability relating to employees of LGPS Central Ltd that transferred into the company on creation. More details are disclosed in note 21 related party transactions.

The fund has no other contingent liabilities.

Additional voluntary contributions

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

Note 4: Critical judgments in applying accounting policies

Investment in LGPS Central

The share capital investment has been valued at cost on the basis that fair value as at 31 March 2023 cannot be reliably estimated. Management have made this judgment because:

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (December 2018). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £197.4 million. There is a risk that this investment may be under or overstated in the accounts. A 5% movement in the valuation would equate to a £9.9 million adjustment to the value of these assets.
Infrastructure	Infrastructure investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	The infrastructure investments in the financial statements are £148.2 million. There is a risk that this investment may be under or overstated in the accounts. A 5% movement in the valuation would equate to a £7.4 million adjustment to the value of these assets
Property debt	Investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	The total property debt investments in the financial statements are £27.5 million. There is a risk that this investment may be under or overstated in the accounts. A 5% movement in the valuation would equate to a £1.4 million adjustment to the value of these assets
Private debt	Investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	The total private debt investments in the financial statements are £33.9 million. There is a risk that this investment may be under or overstated in the accounts. A 5% movement in the valuation would equate to a £1.7 million adjustment to the value of these assets
Insurance linked securities	Investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	The total insurance linked securities investments in the financial statements are £34.7 million. There is a risk that this investment may be under or overstated in the accounts. A 5% movement in the valuation would equate to a £1.7 million adjustment to the value of these assets
Hedge funds	Some hedge fund investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	The total hedge fund value in the financial statements is £147.3 million. There is a risk that this investment may be under or overstated in the accounts. A 5% movement in the valuation would equate to a £7.4 million adjustment to the value of these assets

Note 6: Events after the reporting date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. There have been no events between 31 March 2023, and when these accounts were authorised, that require any adjustments to be made.

Guaranteed minimum pensions (GMP) equalisation remedy in LGPS is still to be legislated on. GMP reconciliation has ensured that data is up to date for when any changes required are known.

The McCloud remedy in LGPS is still to be legislated

for. The fund is not aware of any cases affected by the Goodwin test cases.

Note 7: Analysis of the main revenue account transactions

The following table provides further analysis of contributions received and benefits paid between the administering authority (Shropshire Council), designated bodies and scheme employers (unitary, town and parish councils) and admission bodies (private bodies carrying out former Local Government functions or bodies providing a public service on a non-profit making basis).

	Administering authority £m	Admission bodies £m	Designation bodies / Scheme employers £m	Total £m
2022/23				
Contributions received				
Employees	7.141	1.849	10.218	19.208
Employers	19.114	5.446	32.550	57.110
Transfers in	5.297	0.228	4.000	9.525
Total income	31.552	7.523	46.768	85.843
Payments made				
Pensions	39.028	9.271	22.589	70.888
Lump sums	4.477	2.295	5.861	12.633
Death benefits	0.842	0.554	1.125	2.521
Refunds	0.070	0.009	0.137	0.216
Transfers out	*5.738	0.092	2.298	8.128
Total expenditure	50.155	12.221	32.010	94.386
2021/22				
Contributions received				
Employees	6.289	1.909	9.122	17.320
Employers	17.319	5.470	19.178	41.967
Transfers in	5.102	0.750	4.318	10.170
Total income	28.710	8.129	32.618	69.457
Payments made				
Pensions	37.499	8.737	20.308	66.544
Lump sums	4.268	2.115	4.697	11.080
Death benefits	0.338	0.249	0.735	1.322
Refunds	0.058	0.028	0.134	0.220
Transfers out	2.140	0.517	2.285	4.942
Total expenditure	44.303	11.646	28.159	84.108

* 2022/23 Transfers out figure includes £3.899m bulk transfers out.

This table shows a breakdown of the employers contributions above:

2021/22 £m	Employers contribution breakdown	2022/23 £m
**34.604	Employers normal contributions	49.983
6.215	Employers deficit contributions	6.075
1.148	Employers augmentation contributions	1.052
41.967		57.110

** Employers normal contributions figure for 2022/23 includes normal contributions for Telford & Wrekin Council. The comparative figure for 2021/22 excludes normal contributions paid upfront in 2020/21 for Telford & Wrekin Council

Note 8: Management expenses

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

2021/22 £m	Management expenses	2022/23 £m
1.148	Administrative costs	1.457
15.046	Investment management expenses	15.822
1.298	Oversight and governance costs	1.530
17.492		18.809

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

The investment management expenses shown below includes £0.097m (2021/22 £0.807m) in respect of performance related fees paid/payable to the fund's investment managers.

It also includes £4.305m in respect of transaction costs (2021/22 £3.670m).

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

2021/22 £m	Investment management expenses	2022/23 £m
8.865	Management fees	8.521
0.807	Performance fees	0.097
1.682	Other fees	2.875
3.670	Transaction costs	4.305
0.022	Custody fees	0.024
15.046		15.822

The costs incurred by the fund in administering the fund totalled £1.457m for the year ended 31 March 2023 (2021/22 £1.148m).

2021/22 £m	Administrative costs	2022/23 £m
0.777	Employee costs	1.074
0.245	IT	0.278
0.050	Consultants	0.013
0.026	Printing, postage and design	0.029
0.014	Office accommodation	0.019
0.014	Subscriptions	0.017
0.022	Other costs	0.027
1.148		1.457

The costs incurred by the fund in oversight and governance totalled £1.530m for the year ended 31 March 2023 (2021/22 £1.298m).

2021/22 £m	Oversight and governance costs	2022/23 £m
0.269	Investment advice	0.249
0.220	Employee costs (pensions investment)	0.251
0.086	Actuarial advice	0.262
0.532	LGPS Central pooling costs	0.567
0.050	Responsible engagement overlay	0.040
0.041	External audit	0.043
0.032	Performance analysis	0.035
0.017	Internal audit	0.017
0.021	Legal and Committee	0.022
0.030	Other costs	0.044
1.298		1.530

Note 8a: Investment management expenses

The tables below show a breakdown of investment management expenses by investment type.

2022/23	Total £m	Management fees £m	Performance related fees £m	Transaction costs £m	Other costs £m
Equities	0.008	0.008	0.000	0.000	0.000
Pooled investments vehicles					
Global equity	2.803	1.237	0.000	1.526	0.042
Fixed income	4.334	1.754	0.000	2.493	0.085
Hedge fund of funds	1.121	0.833	0.027	0.000	0.261
Infrastructure	1.749	1.501	0.000	0.000	0.248
Pooled property investments	1.318	0.662	0.070	0.251	0.335
Private equity	3.740	1.988	0.000	0.000	1.752
Private debt	0.018	0.009	0.000	0.000	0.009
Property debt	0.376	0.278	0.000	0.000	0.098
Insurance linked securities	0.331	0.251	0.000	0.035	0.045
	15.798	8.521	0.097	4.305	2.875
Custody fees	0.024				
Total	15.822				

2021/22	Total £m	Management fees £m	Performance related fees £m	Transaction costs £m	Other costs £m
Equities	0.618	0.434	0.000	0.184	0.000
Pooled investments vehicles					
Global equity	2.711	1.266	0.000	1.392	0.053
Fixed income	3.112	1.816	0.000	1.204	0.092
Hedge fund of funds	1.865	0.803	0.807	0.000	0.255
Infrastructure	1.955	1.855	0.000	0.000	0.100
Pooled property investments	1.116	0.259	0.000	0.857	0.000
Private equity	2.744	1.781	0.000	0.000	0.963
Private debt	0.014	0.014	0.000	0.000	0.000
Property debt	0.585	0.410	0.000	0.000	0.175
Insurance linked securities	0.304	0.227	0.000	0.033	0.044
	15.024	8.865	0.807	3.670	1.682
Custody fees	0.022				
Total	15.046				

Note 9: Investment income

The table below analyses the investment income received by the fund over the last twelve months.

2021/22 £m	Investment income	2022/23 £m
4.235	Dividends from equities	0.555
11.593	Income from pooled investment vehicles	7.437
0.034	Interest on cash deposits	0.108
0.000	Other	0.088
15.862		8.188

Note 10: Taxes on income

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

2021/22 £m	Taxes on income	2022/23 £m
0.044	Withholding tax - equities	0.000
0.091	Withholding tax - pooled	0.098
0.135		0.098

Note 11: Investments

The table below analyses investment assets by type of investment.

2021/22 £m	Investments	2022/23 £m
	Investment assets	
109.022	Equities	0.010
	Pooled funds	
1069.331	Global equity	1149.555
511.499	Fixed income	409.028
143.746	Hedge fund of funds	147.259
106.817	Infrastructure	148.204
90.509	Pooled property investments	73.538
195.854	Private equity	197.376
48.346	Property debt	27.477
33.463	Insurance linked securities	34.709
4.273	Private debt	33.891
	Other investments	
0.685	Loans	0.685
	Cash deposits	
17.436	Deposits	12.684
2.500	Temporary investments	2.600
2333.481		2237.016
	Long-term investments	
	UK unquoted equities	
1.315	Shares in LGPS Central asset pool	1.315
2334.796	Total investment assets	2238.331

Note 11a: Reconciliation of movements in investments

2022/23	Value as at 1 April 2022	Purchases at cost	Sale proceeds	Transition	Other cash transactions	Change in market value	Value as at 31 March 2023
Investment type	£m	£m	£m	£m	£m	£m	£m
Equities	110.337	0.045	(0.293)	(109.472)		0.708	1.325*
Pooled investment vehicles - Other managed funds	2203.838	116.886	(99.400)	109.472	(11.780)	(97.978)	2221.038*
Other investment balances	0.685						0.685
	2314.860	116.931	(99.693)	0.000	(11.780)	(97.270)	2223.048
Cash deposits - with managers	17.436	4.861	(5.123)		(4.460)	(0.031)	12.683
Temporary investments	2.500				0.100		2.600
	2334.796	121.792	(104.816)	0.000	(16.140)	(97.301)**	2238.331

* Within the pooled investment vehicles - other managed funds total of £2221.038m are £588.916m of level 3 investments as at 31 March 2023. Within the equities figure of £1.325m are £1.315m of level 3 investments as at 31 March 2023. The value of the level 3 investments was £533.814m as at 1 April 2022 which increased to £590.231m as at 31 March 2023. The increase in value is due to purchases of £98.586m, sales of £55.715m and change in market value of £13.546m. // ** The total change in market value for 2022/23 as per the table above is (£97.301m). This figure is made up of loss on sales of (£29.280m), market value gains offset by directly charged fees of £14.785m and also the difference between book cost and market value for the whole fund which for 2022/23 was (£82.806m).

2021/22	Value as at 1 April 2021	Purchases at cost	Sale proceeds	Transition	Other cash transactions	Change in market value	Value as at 31 March 2022
Investment type	£m	£m	£m	£m	£m	£m	£m
Equities	105.363	35.246	(33.198)		(0.183)	3.109	110.337*
Pooled investment vehicles - Other managed funds	2063.901	86.912	(43.673)		(14.510)	111.208	2203.838*
Other investment balances	0.685						0.685
	2169.949	122.158	(76.871)	0.000	(14.693)	114.317	2314.860
Cash deposits - with managers	16.950	1.157	(0.387)		(0.316)	0.032	17.436
Temporary investments	3.500				(1.000)		2.500
	2190.399	123.315	(77.258)	0.000	(16.009)	114.349**	2334.796

* Within the pooled investment vehicles - other managed funds total of £2203.838m are £532.499m of level 3 investments as at 31 March 2022. Within the equities figure of £110.337m are £1.315m of level 3 investments as at 31 March 2022. The value of the level 3 investments was £409.372m as at 1 April 2021 which increased to £533.814m as at 31 March 2022. The increase in value is due to transfers into level 3 of £69.301m, purchases of £86.207m, sales of £43.410m and change in market value of £12.344m. // ** The total change in market value for 2021/22 as per the table above is £114.349m. This figure is made up of profit on sales of £11.138m, market value gains offset by directly charged fees of £12.956m and also the difference between book cost and market value for the whole fund which for 2021/22 was £90.255m.

Note 12: Stock lending

The fund participated in a stock lending programme with its custodian, Northern Trust to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Collateral is restricted to AAA sovereign debt (the highest rated collateral available). This programme ended in April 2023 with the closure of the segregated UK equities portfolio.

Collateralised lending generated income of £116 in 2022/23 (2021/22 £0.006m) and this is included within investment income in the pension fund account. At 31 March 2023 no stock was on loan (via the custodian) (2021/22 £5.522m).

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

There are no liabilities associated with the loaned assets.

Note 13: Analysis of derivatives

Currently, Legal & General, who manage the global equity passive portfolio, hedge 100% of their foreign currency exposure back to sterling. The global equity passive portfolio also has an equity protection strategy in place.

Note 14: Fair value - basis of valuation

Unquoted equities in LGPS Central are valued using the cost approach / considering fair value at initial recognition approach as these methodologies provide viable approaches to valuing this shareholding, and they both generate consistent valuations at historic cost less any adjustment for impairment. This will be the approach used for valuing this holding until any change in circumstances creates an alternative approach.

All other investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

The valuation basis for each category of investment asset is set out below:

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted equities and pooled fund investments	Level 1	The published bid market price on the final day of the accounting period	Not required	Not required
Quoted fixed income bonds	Level 1	Quoted market value based on current yields	Not required	Not required
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Pooled property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV based pricing set on a forward pricing basis	Not required
Pooled equity fund investments	Level 2	Index tracking funds & valuations are based on the market quoted prices of the respective underlying securities	Evaluated price feeds	Not required
Pooled fixed income fund investments	Level 2	Average of broker prices	Evaluated price feeds	Not required
Infrastructure	Level 3	Discounted cash flows, Market valuations of comparable companies & binding sale agreements	Enterprise Value / EBITDA multiple, Discount Rate	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Shares in LGPS Central asset pool	Level 3	Valued using cost approach and considering fair value at initial recognition approach	No market for shares in LGPS Central and no immediate plans to pay dividends. Cost approach generates a figure similar to the original cost of investment when LGPS Central was created	Valuation reviewed on an annual basis to ascertain if there is any reason that this valuation may have been impaired
Insurance linked securities	Level 3	Closing single price. Investments are fair valued using earned net assets value method	NAV based pricing set on a forward pricing basis. NAV based pricing based upon either 3rd party broker marks or independent Milliman valuations using available industry loss assumptions and 3rd party reports.	Valuations could be affected by any changes to underlying values of the invested portfolio. Value appreciation/depreciation is typically dependent on and contingent on specific insurance events/triggers not occurring.
Private debt	Level 3	Valuations received directly from the manager of the underlying investment and comply with revised International Private Equity and Venture Capital Valuation Guidelines 2018	Inputs are unobservable and are dependent on the valuations provided by the manager of the underlying investment	Valuations could be affected by changes to the valuation of the underlying investment portfolio arising from changes to estimates and differences between unaudited and audited accounts

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Property debt	Level 3	Valued using amortised cost and considering fair value at initial recognition approach	Underlying property value, projected future cashflows, cash available, indicative market interest rates for similar products	Valuation reviewed on a quarterly basis to ascertain if there is a reason that this valuation may have been impaired
Private equity and other unquoted	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020) or other appropriate guidelines	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Hedge funds	Level 3	Valuations received directly from the third party hedge funds with which the fund of hedge fund manager invests	Valuations/prices of the investments held are not publicly available. NAV based pricing set on a forward pricing basis	Valuations are affected by any changes to the value of the financial instrument being hedged against

Sensitivity of assets valued at level 3:

The fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023 and 31 March 2022:

Asset	Potential variation in fair value	Value as at 31 March 2023	Potential value on increase	Potential value on decrease
	(+/-)	£m	£m	£m
Private equity	5%	197,376	207,245	187,507
Hedge funds	5%	147,259	154,622	139,896
Insurance linked	5%	34,709	36,444	32,974
Infrastructure	5%	148,204	155,614	140,794
Private debt	5%	33,891	35,586	32,196
Property debt	5%	27,477	28,851	26,103
Unquoted UK equity	5%	1,315	1,381	1,249
Total		590,231	619,743	560,719

Asset	Potential variation in fair value	Value as at 31 March 2022	Potential value on increase	Potential value on decrease
	(+/-)	£m	£m	£m
Private equity	5%	195,854	205,647	186,061
Hedge funds	5%	143,746	150,933	136,559
Insurance linked	5%	33,463	35,136	31,790
Infrastructure	5%	106,817	112,158	101,476
Private debt	5%	4,273	4,487	4,059
Property debt	5%	48,346	50,763	45,929
Unquoted UK equity	5%	1,315	1,381	1,249
Total		533,814	560,505	507,123

Note 14a: Fair value hierarchy

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

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

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

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

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

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are undertaken quarterly.

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

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

Asset type 2022/23	Investment manager	Investment type	Market value £m	Quoted market price - Level 1 £m	Using observable inputs - Level 2 £m	With significant unobservable inputs - Level 3 £m
Equities	LGPS Central Ltd*	UK equities (unquoted)	1.315			1.315
Pooled investment vehicles	Pimco Europe Ltd	Global bonds	132.149		132.149	
	HarbourVest Partners Ltd	Private equity	196.556			196.556
	Aberdeen Property Investors	Property unit trusts	73.538		73.538	
	Blackrock	Hedge fund	147.259			147.259
	Global Infrastructure Partners	Infrastructure	109.228			109.228
	Legal & General	Global equities	664.879		664.879	
	Blackrock	Fixed interest	134.677		134.677	
	T.Rowe Price	Global dynamic bonds	142.203		142.203	
	BMO**	LDI	0.000	0.000		
	Securis	Insurance linked securities	34.709			34.709
	DRC	Property debt	27.477			27.477
	LGPS Central Ltd	Global equities	484.676	484.676		
	LGPS Central Ltd	Private debt	33.891			33.891
	LGPS Central Ltd	Infrastructure	38.976			38.976
	LGPS Central Ltd	Private equity	0.820			0.820
Cash deposits & other (including net current assets)			21.734	21.734		
			2244.087	506.410	1147.446	590.231

Asset type 2021/22	Investment manager	Investment type	Market value £m	Quoted market price - Level 1 £m	Using observable inputs - Level 2 £m	With significant unobservable inputs - Level 3 £m
Equities	Majedie Asset Management	UK equities	109.014	109.014		
	LGPS Central Ltd*	UK equities (unquoted)	1.315			1.315
Pooled investment vehicles	Majedie Asset Management	UK pooled fund	8.151	8.151		
	Pimco Europe Ltd	Global bonds	137.299		137.299	
	HarbourVest Partners Ltd	Private equity	195.854			195.854
	Aberdeen Property Investors	Property unit trusts	90.509		90.509	
	Blackrock	Hedge fund	143.746			143.746
	Global Infrastructure Partners	Infrastructure	88.473			88.473
	Legal & General	Global equities	701.925		701.925	
	Blackrock	Fixed interest	149.154		149.154	
	T.Rowe Price	Global dynamic bonds	150.456		150.456	
	BMO**	LDI	74.590	74.590		
	Securis	Insurance linked securities	33.463			33.463
	DRC	Property debt	48.346			48.346
	LGPS Central Ltd	Global equities	359.255	359.255		
	LGPS Central Ltd	Private debt	4.273			4.273
	LGPS Central Ltd	Infrastructure	18.344			18.344
Cash deposits and other (including net current assets)			25.120	25.120		
			2339.287	576.130	1229.343	533.814

* Share Capital investment in LGPS Central Ltd has been carried at cost // ** Investment closed in 2022/23

Note 14b: Reconciliation of fair value measurements within level 3

	Value as at 1 April 2022	Transfers into	Transfers out of	Purchases at cost and derivative payments	Sale proceeds and derivative receipts	Other cash transactions	Unrealised gains and losses	Realised gains and losses	Value as at 31 March 2023
	£m	Level 3	Level 3	£m	£m	£m	£m	£m	£m
Equities (unquoted)	1,315								1,315
Private equity	195,854			22,816	(18,732)	(1,218)	(6,869)	5,525	197,376
Infrastructure	106,817			41,818	(10,725)	(1,749)	9,297	2,746	148,204
Hedge fund	143,746					(1,121)	1,825	2,809	147,259
Insurance linked securities	33,463					(0,331)	(0,487)	2,064	34,709
Property debt	48,346			0,734	(22,484)	(0,376)	0,880	0,377	27,477
Private debt	4,273			33,218	(3,774)	(0,018)	0,174	0,018	33,891
	533,814	0.000	0.000	98,586	(55,715)	(4,813)	4,820	13,539	590,231

Note 15: Financial instruments

Note 15a: Classification of financial instruments

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

31 March 22			31 March 2023		
Fair value through profit & loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Fair value through profit & loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£m	£m	£m	£m	£m	£m
Financial assets					
110,337			Equities	1,325	
2203,838			Pooled investment vehicles - Other managed funds	2221,038	
	0,685		Other investment balances - Loans		0,685
	19,962		Cash		15,343
	7,769		Debtors		9,623
2314,175	28,416	0,000		2222,363	25,651
Financial liabilities					
		(3,304)	Creditors		(3,927)
0,000	0,000	(3,304)		0,000	0,000
2314,175	28,416	(3,304)		2222,363	25,651

Note 15b: Net gains and losses on financial instruments

2021/22 £m	Financial instruments	2022/23 £m
Financial assets		
114,349	Fair value through profit and loss	(97,301)
0,000	Loans and receivables	0,000
0,000	Financial liabilities measured at amortised cost	0,000
Financial liabilities		
0,000	Fair value through profit and loss	0,000
0,000	Loans and receivables	0,000
0,000	Financial liabilities measured at amortised cost	0,000
114,349		(97,301)

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

Risk and risk management

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

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

Market risk

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

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

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

Other price risk

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

The fund is exposed to share and derivative price risk. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

Other price risk – sensitivity analysis

In consultation with its investment advisors, the fund has determined that the following movements in market price risk are reasonably possible for the 2023/24 reporting period, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same.

Asset type	Potential market movements (+/-)
Global unconstrained equities	20.3%
Global equities (passive)	19.2%
Unconstrained bonds	5.9%
UK property	12.5%
Private equity	28.3%
Hedge funds	9.3%
Infrastructure	19.2%
Property debt	7.7%
Insurance-linked securities	4.7%
Private debt	8.5%

Should the market price of the fund investments increase/decrease in line with the above, the change in the net assets available to pay benefits would be as follows:

Asset type	Value as at 31 March 2023 £m	Potential market movement £m	Value on increase £m	Value on decrease £m
Net assets including cash and other	23.040	0.000	23.040	23.040
Investment portfolio assets				
Global equities (unconstrained)	484.686	98.391	583.077	386.295
Global equities (passive)	664.879	127.657	792.536	537.222
Unconstrained bonds	409.028	24.133	433.161	384.895
Property	73.538	9.192	82.730	64.346
Private equity	197.376	55.857	253.233	141.519
Hedge funds	147.259	13.695	160.954	133.564
Infrastructure	148.204	28.455	176.659	119.749
Property debt	27.477	2.116	29.593	25.361
Insurance-linked securities	34.709	1.631	36.340	33.078
Private debt	33.891	2.881	36.772	31.010
Total assets available to pay benefits	2,244.087	364.008	2,608.095	1,880.079

Asset type	Value as at 31 March 2022 £m	Potential market movement £m	Value on increase £m	Value on decrease £m
Net assets including cash and other	26.427	0.000	26.427	26.427
Investment portfolio assets				
UK equities	107.579	20.440	128.019	87.139
Global equities (unconstrained)	368.849	74.876	443.725	293.973
Global equities (passive)	701.925	134.770	836.695	567.155
Unconstrained bonds	436.909	24.904	461.813	412.005
Property	90.509	11.314	101.823	79.195
Private equity	195.854	55.427	251.281	140.427
Hedge funds	143.746	13.368	157.114	130.378
Infrastructure	106.817	20.509	127.326	86.308
Property debt	48.346	3.578	51.924	44.768
Insurance-linked securities	33.463	1.506	34.969	31.957
LDI	74.590	18.200	92.790	56.390
Private debt	4.273	0.346	4.619	3.927
Total assets available to pay benefits	2,339.287	379.238	2,718.525	1,960.049

Interest rate risk

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

The fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2022 is set out below:

Asset type	As at 31 March 2023 £m	As at 31 March 2022 £m
Cash and cash equivalents	15.284	19.936
Cash balances	0.060	0.026
Fixed Income	409.028	511.499
Total	424.372	531.461

The following analysis shows the effect in the year on the net assets available to pay benefits of a plus or minus 1% change in interest rates assuming all variables, in particular exchange rates, remain constant. This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Exposure to interest rate risk	Value as at 31 March £m	Potential movement on 1% change in interest rates £m	Value on increase £m	Value on decrease £m
As at 31 March 2023				
Cash and cash equivalents	15.284	0.000	15.284	15.284
Cash balances	0.060	0.000	0.060	0.060
Fixed income	409.028	4.090	413.118	404.938
Total	424.372	4.090	428.462	420.282

Exposure to interest rate risk	Value as at 31 March £m	Potential movement on 1% change in interest rates £m	Value on increase £m	Value on decrease £m
As at 31 March 2022				
Cash and cash equivalents	19.936	0.000	19.936	19.936
Cash balances	0.026	0.000	0.026	0.026
Fixed income	511.499	5.115	516.614	506.384
Total	531.461	5.115	536.576	526.346

During 2022/23 the fund received £0.061m (2021/22 £0.002m) in interest from surplus pension fund revenue cash. This was either invested in call accounts which are classified as a variable rate investment or a fixed term deposit. A 1% change in interest rates throughout the year would have increased or decreased the amount of interest earned on these investments by £0.030m. In addition, the fund earned £0.047m (2021/22 £0.032m) in interest on its loan to LGPS Central Ltd.

The impact of a 1% change in interest rates would have increased or decreased interest earned on this loan by £0.007m.

Currency risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. Following analysis of historical data in consultation with the fund investment advisors, the fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%. A 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency risk – sensitivity analysis

Assets exposed to currency risk	Asset value as at 31 March 2023 £m	Potential market movement £m 10%	Value on increase £m 10%	Value on decrease £m 10%
Overseas equities	451,908	45,191	497,099	406,717
Overseas private equity	196,955	19,696	216,651	177,259
Overseas private debt	13,290	1,329	14,619	11,961
Overseas pooled property	0,082	0,008	0,090	0,074
Overseas Infrastructure	130,761	13,076	143,837	117,685
Cash balances	3,671	0,367	4,038	3,304
Total change in assets available to pay benefits	796,667	79,667	876,334	717,000

Assets exposed to currency risk	Asset value as at 31 March 2022 £m	Potential market movement £m 10%	Value on increase £m 10%	Value on decrease £m 10%
Overseas equities	338,057	33,806	371,863	304,251
Overseas private equity	195,854	19,585	215,439	176,269
Overseas private debt	2,891	0,289	3,180	2,602
Overseas pooled property	0,093	0,009	0,102	0,084
Overseas infrastructure	95,528	9,553	105,081	85,975
Cash balances	10,036	1,004	11,040	9,032
Total change in assets available to pay benefits	642,459	64,246	706,705	578,213

Credit risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the fund to incur a financial loss. Assets potentially affected by this risk are investment assets, cash deposits and third-party loans. The selection of high-quality counterparties, brokers and

financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

Credit risk may also occur if an employing body not supported by central government does not pay contributions promptly, or defaults on its obligations. The pension fund has not experienced any actual defaults in recent years and the current practice is to obtain a guarantee before admitting new employers so that all pension obligations are covered in the event of that employer facing financial difficulties. All contributions due at 31 March 2023 and 31 March 2022 were received in the first two months of the financial year.

In January 2018 the fund advanced a loan of £0.685m to LGPS Central asset pool on commercial rates, repayable in 2027. LGPS Central have not defaulted on any annual loan interest repayments to date. The credit risk at 31 March 2023 is therefore not considered to be significant and no credit loss adjustment has been made.

The fund has set limits on the maximum sum placed on deposit with individual financial institutions.

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

The main criteria for determining the suitability of investment counterparties is outlined in the administering authority's creditworthiness policy which the pension fund has also adopted and approved as part of the annual pension fund treasury strategy.

The fund's lending list is reviewed continuously in conjunction with the administering authority's treasury advisor. The total permitted investment in any one organisation at any one time varies with the strength of the individual credit rating. The maximum amount is currently limited to £4,000,000. With security of capital being the main priority, lending continues to be restricted to highly credit rated

institutions, part nationalised institutions and other local authorities. In addition to credit ratings the administering authority continually monitors the financial press and removes institutions from its approved lending list immediately if appropriate.

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

	Rating	As at 31 March 2023 £	As at 31 March 2022 £
Handelsbanken instant access account	AA	1,800,000	1,500,000
Barclays	A+	800,000	1,000,000
TOTAL		2,600,000	2,500,000

Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due i.e. that cash is not available when required. The pension fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The fund's cash holding under its treasury management arrangements at 31 March 2023 was £2.6m (31 March 2022 £2.5m).

The fund has immediate access to cash through two instant access accounts which at any one time could have up to £6 million available in total. The fund also has the ability to access immediate cash held by Northern Trust which as at 31 March 2023 was £9.245m (31 March 2022 £9.543m). The fund does not have access to an overdraft facility.

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

Note 17: Funding arrangements

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022 and the next valuation will take place as at 31 March 2025.

The key elements of the funding policy are:

- To ensure the long-term solvency of the fund,

i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment

- To ensure that employer contribution rates are as stable as possible
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- To reflect the different characteristics of employing bodies in determining contribution rates where it considers it reasonable to do so
- To use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its pension obligations

The aim is to achieve 100% solvency over a period of 16 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. For each individual employer, the funding objective, method and assumptions depend on a particular employer's circumstances and different approaches have been adopted where applicable, in accordance with the funding strategy statement.

At the 2022 actuarial valuation, the fund was assessed as 99% funded (94% at the March 2019 valuation). This corresponded to a deficit of £22 million (2019 valuation was £132 million) at that time. Revised contributions set by the 2022 valuation will be introduced in 2023/24 and the common contribution rate (i.e. the average employer contribution rate in respect of future service only) is 18.4% of pensionable pay (16.6% at the March 2019 valuation).

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

Financial assumptions	31 March 2022	31 March 2019
Discount rate	4.8% p.a.	4.25% p.a.
Assumed long term CPI inflation	3.1% p.a.	2.4% p.a.
Salary increases - long term	4.35% p.a.	3.65% p.a.
Salary increases - short term	No allowance	No allowance
Pension increases in payment	3.1% p.a.	2.4% p.a.

The assumed life expectancy from age 65 is as follows:

Demographic assumptions	Gender	31 March 2022	31 March 2019
Current pensioners (at age 65)	Males	22.1	22.8
	Females	24.4	24.9
Future pensioners (assumed current age 45)	Males	23.4	24.1
	Females	26.2	26.6

It is assumed that, on average, retiring members will take 75% of the maximum tax-free cash available at retirement. (80% 2019)

Note 18a: Long term debtors

Details of long-term debtors outstanding as at 31 March 2023 is shown below:

2021/22 £m	Long term debtors	2022/23 £m
1.055	*Lifetime and annual tax allowances	1.551
1.055		1.551

* The HMRC annual allowance limits the tax relief on pension contributions each year and the lifetime allowance limits the total amount of savings in a pension pot without facing a tax charge when drawing it. The pension fund pays the tax charge upfront on behalf of those members affected and who elect for 'scheme pays'. The fund is reimbursed by the members via pension deductions over time.

Note 18b: Analysis of debtors

Provision has been made for debtors known to be outstanding as at 31 March 2023. An analysis of debtors outstanding as at 31 March 2023 is shown below:

2021/22 £m	Debtors	2022/23 £m
1.510	Contributions due - employees	1.442
4.143	Contributions due - employers	5.021
1.061	Other entities and individuals	1.609
6.714		8.072

Note 19: Analysis of creditors

Provision has also been made for creditors known to be outstanding at 31 March 2023. An analysis of creditors outstanding as at 31 March 2023 is shown below:

2021/22 £m	Creditors	2022/23 £m
0.709	Central Government bodies	0.789
1.470	Other local authorities	1.845
1.125	Other entities and individuals	1.293
3.304		3.927

Note 20: Additional voluntary contributions

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

Contributions are invested in with-profit, unit linked or deposit funds of the scheme member. At present there are around 504 scheme members with AVC policies. These policies are held either by Utmost or Prudential.

During 2022/23 contributions to schemes amounted to £0.538m (2021/22 £0.538m). The combined value of the AVC funds as at 31 March 2023 was £5.061m (31 March 2022 £5.985m).

Note 21: Related party transactions

Shropshire Council

The Shropshire County Pension Fund is administered by Shropshire Council. Shropshire Council incurred costs of £1.843m (2021/22 £1.465m) in relation to the administration and management of the fund and all these costs were recharged to the pension fund.

Shropshire Council is also the single largest employer of members of the pension fund. At the year end, a balance of £2.186m (2021/22 £1.606m) was due to the fund from the council relating to contributions which became due in March but were paid in April and other payments due.

Several employees of Shropshire Council hold key positions in the financial management of the Shropshire County Pension Fund. The Executive Director of Resources (s151 Officer), the Head of Pensions (LGPS Senior Officer), the Pensions Investment & Responsible Investment Manager, the Treasury Accountant, the Investment Officer and the Pensions Administration Manager are all active members of the fund.

Under the Local Government Pension Scheme 1997 Regulations, councillors were entitled to join

the scheme. Legislation which came into force on 1 April 2014 meant the LGPS was only available to councillors and elected mayors of an English county council or district council who elected to join before 31 March 2014. From 1 April 2014 access to the LGPS for councillors was removed and those councillor members who were in the scheme on the 31 March 2014 could only remain in the scheme until the end of their current term of office. The remaining active councillor members were removed from the scheme in May 2017 at the end of their individual office. All councillor members who sit on the Pensions Committee who joined the LGPS before 31 March 2014 are now either deferred or pensioner members of the fund.

LGPS Central

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

The fund invested £1.315m in share capital and £0.685m in a loan to LGPSC in 2017/18. These remain the balances at 31 March 2023. The fund was owed interest of £0.047m (31 March 2022 £0.032m) on the loan to LGPSC at 31 March 2023. The rate of interest applied to the LGPSC loan is Bank of England Base Rate plus 4.5% margin. This loan is due to be repaid to the fund in 2027.

In addition, the fund has now invested in several LGPSC sub-funds (global equity, global sustainable equity, infrastructure, private debt & private equity). The fund incurred investment management costs totalling £1.525m in respect of investments held with LGPS Central of which £0.011m was payable to LGPSC at 31 March 2023.

The fund incurred costs totalling £0.556m (2021/22 £0.519m) in respect of governance, operator running and product development in connection with LGPSC in 2022/23 of which £0.139m (31 March 2022 £0.123m) was payable to LGPSC at 31 March 2023.

Shropshire Council as the administering authority of the Shropshire County Pension Fund has guaranteed a share of the pension liability relating to employees of LGPS Central Ltd that transferred into the company on creation. If this guarantee is called this will be

funded by the pension fund.

The fund's share of the guarantee relating to LGPS Central's IAS 19 pension liability of £0.665m amounts to £0.083m although all partner funds are jointly and severally liable. The guarantee only comes into effect following certain events which (directly or indirectly) cause LGPS Central to cease to be a scheme employer or fail to pay amounts due. This is not anticipated to be a likely event. The amount of the liability calculated under IAS 19 is subject to the specific assumptions required for the calculation of such a figure under accounting standards. In the event of an exit payment being required this would be calculated by the actuary based on the best estimates of the actual liability at the time.

Note 21a: Key management personnel

The posts of Executive Director of Resources (s151 Officer) and Head of Pensions (LGPS Senior Officer) are deemed to be key management personnel with regards to the fund. The financial value of their relationship with the fund (in accordance with IAS24) is set out below:

2021/22 £m	Key management personnel	2022/23 £m
0.113	Short-term benefits*	0.111
0.035	Post-employment benefits**	0.068
0.148		0.179

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

Note 22: Contractual commitments

The fund has a 6.25% (£140 million) strategic asset allocation to both private equity and infrastructure, a 3.5% (£78 million) strategic allocation to property debt & a 4% (£90 million) strategic allocation to private debt. It is necessary to over commit the strategic asset allocation because some of these investments will mature and be repaid before the committed capital is fully invested.

As at 31 March 2023 £334m has been committed to investments in private equity via a fund of funds manager, HarbourVest Partners (£304m) and a separate investment through LGPS Central (£30m). Investment in this asset class will be made as opportunities arise over the next two to three years. As at 31 March 2023 the fund's private equity

investments totalled £197.376m (31 March 2022 £195.854m).

As at 31 March 2023 £211m has been committed to investment in infrastructure via global infrastructure partners (£146m) and LGPS Central Add/ Opportunistic infrastructure partnership (£65m). Investment in this asset class will be made as opportunities arise over the next two to three years. As at 31 March 2023 the fund's infrastructure investments totalled £148.204m (31 March 2022 £106.817m).

As at 31 March 2023 £47m has been committed to investment in property debt via DRC & £120m committed to investment in private debt via LGPS Central. Investments will be made as opportunities arise over the next two to three years. As at 31 March 2023 the fund's property debt and private debt investments totalled £27.477m & £33.891m (31 March 2022 £48.346m & £4.273m respectively).

Note 23: Contingent assets

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

Note 24: Value added tax

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

Note 25: Custody of investments

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

Note 26: Fund auditors

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

Note 27: Pension fund bank account

Since April 2010 all income received for the pension fund has been paid into a separate pension fund bank account. The balance on this account is monitored daily and surplus cash balances invested and as at 31 March 2023 £2.6 million was invested (31 March 2022 £2.5m). The cash balance in the pension fund account as at the same date was £0.060m (31 March 2022 £0.026m).

Note 28: Fund structure update

In March 2021 following several investment strategy workshops the Pension Committee agreed the fund's new strategic asset allocation which is detailed below:

Asset	% of fund
Targeted return funds (e.g. absolute return bonds, hedge funds, insurance linked securities)	25
Property debt	3.5
Equities	50
Private debt	4
Indirect property	5
Private equity	6.25
Infrastructure	6.25

The revised strategy has been delayed following the delay in the launch of the LGPS Central targeted return fund which had not been launched at 31 March 2023. Investments currently reside with individual managers in this sector.

In September 2017, an equity protection strategy was implemented with Legal & General, one of the fund's existing managers. The strategy is currently being used to reduce equity risk while the fund considers making allocations to other investments. Just over 30% of total global equities are being protected at this time. The equity protection strategy was decreased during 2021/22 to c.£390 million following the strong bounce back in global equity markets following the pandemic. During June 2022

and December 2022 due to the continued impact of the war in Ukraine and volatility in financial markets, the equity protection options were rolled for a further year with Legal and General and now expire in June 2023 and December 2023. Full updates are provided to Pension Committee each quarter on the equity protection strategy.

During the financial year, following agreement from the Pension Committee in March 2022 a redemption request was submitted to Majedie. Funds from the Majedie UK Equity Fund were transitioned in full to the LGPS Central global sustainable equity fund in May 2022. In addition, the fund also terminated its liability driven investment mandate with Columbia Threadneedle in October 2022, to fund existing commitments to LGPS Central private debt and infrastructure investments as agreed in the previous financial year.

The balance between property debt and private debt was changed in 2021/22 following agreement by the Pension Committee to reflect the commitment of £120m to the LGPS Central private debt fund in that year. The total proportion of the fund to debt investments remains at 7.5% but this is now reflected as 1.5% to property debt and 6% to private debt.

The delay in the launch of the LGPS Central targeted return fund has meant there have been no further structural changes to the fund in 2022/23.

In June 2023 a revised investment strategy statement was agreed based on the outcome of the 2022 actuarial valuation. This strategy statement is included at appendix O4 and will start to be implemented in the 2023/24 financial year.

> Pooling report

The information request set out below reflects the information required by partner funds to meet the CIPFA Annual Report Pooling Disclosures in 2022/23. Please note that the information request reflects the start-up nature of LGPSC, and the level and complexity of the disclosures required will increase in later years.

The analysis provided by LGPSC relates to Shropshire County Pension Fund. The provision of the information by LGPSC to each partner fund ensures consistent reporting across partner funds, and allows LGPSC to aggregate, and reconcile back the individual partner fund disclosures, to the company's financial statements.

1. Set-up costs

£000	2018/19 direct	2018/19 indirect	2018/19 total	Cumulative 2014/15 to 2018/19 total
Set-up costs				
Recruitment	-	-	-	27
Procurement	-	-	-	2
Professional fees	-	-	-	187
IT	-	-	-	97
Staff costs	-	-	-	142
Other costs (provide details)				
Premises	-	-	-	49
Staffing-related costs	-	-	-	5
Travel and expenses	-	-	-	1
Training and events	-	-	-	1
FCA fees	-	-	-	1
General admin costs	-	-	-	2
Set-up costs before funding	-	-	-	514
Share capital	-	-	-	1,315
Debt	-	-	-	685
Other costs	-	-	-	-
Set-up costs after funding	-	-	-	2,514
Transition fees				
Taxation (seeding relief)				
Other transition costs				
Transition costs				

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

£000	2014/15	2015/16	2016/17	2017/18	2018/19	Cumulative total
Set-up costs before funding	-	-	95	419	-	514
Set-up costs after funding	-	-	95	2,419	-	2,514
Transition costs						

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

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

£000	At 1 April 2018	Recharges in year	Settled in year	At 31 March 2019
Set-up cost recharges	502	-	(502)	-

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

£000	At 1 April 2022	Charges in year	Settled in year	At 31 March 2023
Governance costs	-	257	-	-
Operator costs	-	260	-	-
IMMC (*)	-	103	-	-
Product development costs	-	48	-	-
Total	131	668	(501)	298

(*) Please note that this is expected to relate to IMMC charges in respect of any discretionary and/or advisory services provided by LGPSC to a partner fund. Any IMMCs (both internal and external charges) which are charged directly to a product (e.g., ACS sub-funds and SLP private equity) should be disclosed through information request (5) and (6) below.

4. Other transactions between partner funds and LGPSC

£000	At 1 April 2022	Charges in year	Settled in year	At 31 March 2023
Interest payable	32	46	(32)	46
Item 2				
Item 3				
Total	32	46	(32)	46

5. LGPSC investment management expenses charged to partner funds

	£000	Direct	Indirect	Total	BPS charge
1	Ad valorem	1,090		1,090	18.29
2	Performance	-		-	-
3	Research	-		-	-
4	PRIIIPS compliance	-		-	-
5	Other (provide details)	-		-	-
	Management fees	1,090	-	1,090	18.29
6	Commissions	130		130	2.18
7	Acquisition/issue costs	-		-	-
8	Disposal costs	-		-	-
9	Registration/filing fees	-		-	-
10	Taxes and stamp duty	146		146	2.45
11	Other (provide details)	-		-	-
	Implicit costs	857		857	14.38
	Transaction costs	1,133	-	1,133	19.01
12	Custody/depositary	46		46	0.77
13	Other (provide details)				-
	Fund accounting	14		14	0.23
	Transfer agent	1		1	0.02
	External audit	4		4	0.07
	Performance reporting	7		7	0.12
	Transaction charges	9		9	0.15
	MACS fees	-		-	-
	Total costs	2,304		2,304	38.66

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

6. Investment management expenses by product/service

£000	1	2	3	4	5	6	7	8	9	10	11	12	13	Total 2022/23 costs	AUM at 31 March 2023 £m	2022/23 BPS charge
Global multi-manager	746					122				140	792	35	12	1,847	364	51.59
Sustainable broad	212					3				1	10	8	18	252	91	28.97
Sustainable target	89					5				5	55	3	5	162	29	60.00
ACS sub-funds	1,047	-	-	-	-	130	-	-	-	146	857	46	35	2,261	484	
Private equity 2021 V'tage	12													12	30	15.00
Private debt	14													14	120	1.69
Infrastructure	17													17	65	5.15
Alternative vehicles	43	-	-	-	-	-	-	-	-	-	-	-	-	43	215	
Discretionary mandate 1														-		
Discretionary mandate 2														-		
Discretionary mandates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Advisory mandate 1														-		
Advisory mandates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Execution only 1														-		
Execution only	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other 1														-		
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	1,090	-	-	-	-	130	-	-	-	146	857	46	35	2,304	699	38.66

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

7. Asset under management & performance by product/service

£000	AUM at 1 April 22 £m	AUM at 31 March 23 £m	One year gross performance %	One year net performance %	Passive benchmark used	One year passive index %
Global multi-manager	359	364	1.57%	1.36%	FTSE All World Index	-0.88%
Sustainable broad	-	91	3.94%	3.60%	FTSE All World Index	1.87%
Sustainable target	-	29	3.87%	1.87%	FTSE All World Index	1.87%
ACS sub-funds	359	484				
Private equity 2021 V'tage	30	30				
Private debt	120	120				
Infrastructure	65	65				
Alternative vehicles	215	215				
Discretionary mandate 1						
Discretionary mandate 2						
Discretionary mandates	-	-				
Advisory mandate 1	-	-				
Advisory mandates	-	-				
Execution only 1						
Execution only						
Other 1						
Other	-	-				
Total	574	699				

8. Transition costs

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

£000	Other 1	Other 2
Starting unit price (A)		
Manager hand-over unit price (B)		
Change in unit price (B-A/A = C)		
Index performance (D)		
Out/under performance (C-D)		
Total transition costs = Financial impact of out/under performance calculated above		
Out/under performance comprised of:		
1. Out/under-performance between assets entering sub-fund and point of transition		
2. Transition costs/implementation shortfall as reported by the Transition Manager		
• Commissions		
• Taxes		
• Market impact		
• Spread		
• Forex		
• Opportunity cost		
• Transfer taxes		
• Other (provide details)		
3. Out/under-performance between transition commencement and manager handover		
Total transition costs using above methodology		

Audit opinion & certificate

Audit opinion currently unavailable



Audit opinion currently unavailable

> Statement of responsibilities

For the statement of accounts

Responsibilities of Executive Director of Resources (section 151 Officer) as Chief Financial Officer

Shropshire Council's responsibilities

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

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

Approved by Pensions Committee

The statement of accounts was approved at a meeting of the Pensions Committee on 15 September 2023.

Thomas Biggins
Chair of Pensions Committee
15 September 2023

The Executive Director of Resources (section 151 Officer) is responsible for the preparation of the Shropshire County Pension Fund's statement of accounts in accordance with proper practices as set out in the CIPFA code of practice on local authority accounting in the United Kingdom ("the code of practice").

In preparing this statement of accounts, the Executive Director of Resources (section 151 Officer):

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

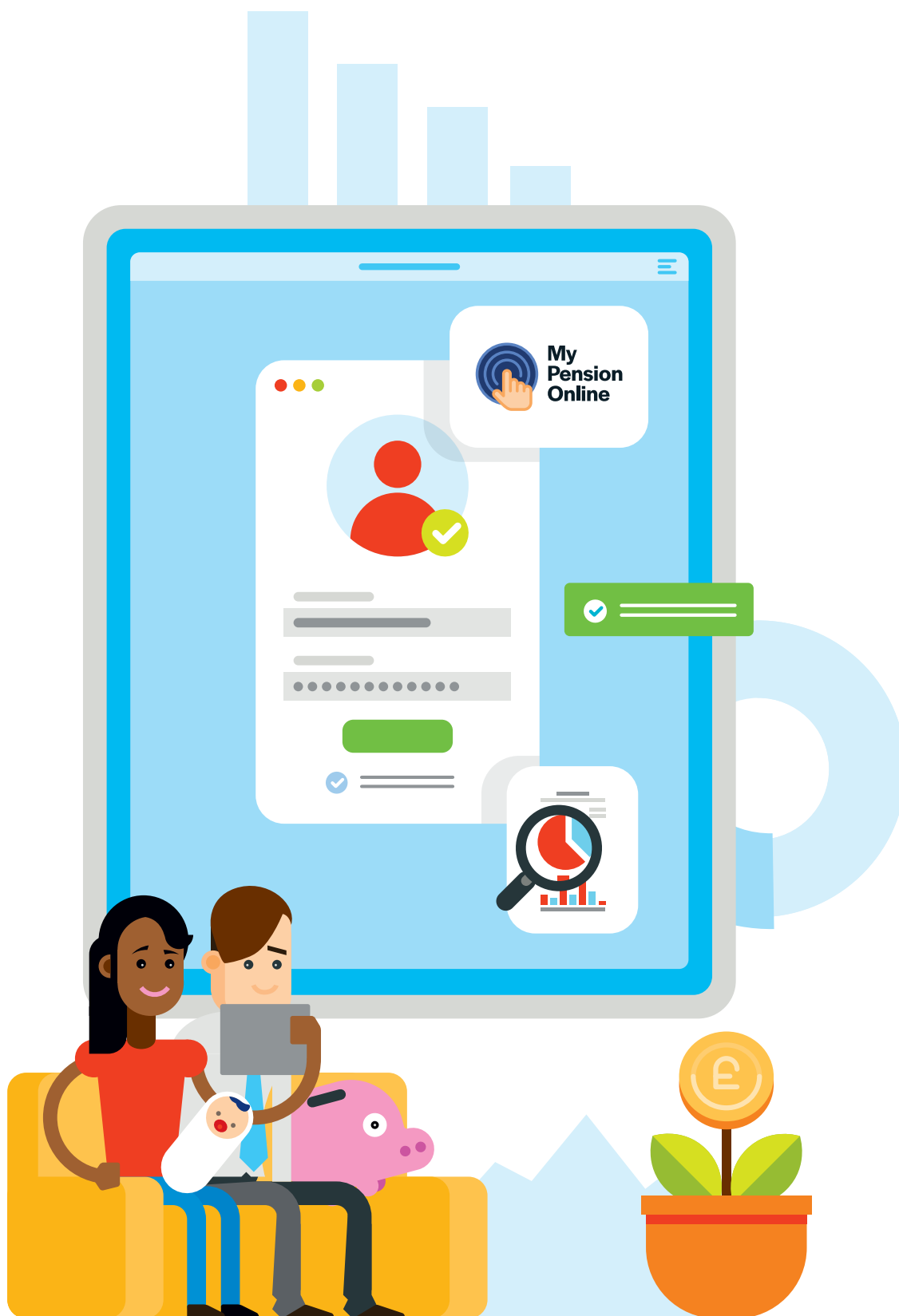
The Executive Director of Resources (section 151 Officer) has also:

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

Certificate of the Chief Financial Officer

I hereby certify that the Shropshire County Pension Fund statement of accounts presents a true and fair view of the financial position and the income and expenditure of the fund for the year ended 31 March 2023 and also that the statement of accounts complies with the requirements of the Accounts and Audit Regulations 2015.

James Walton
Executive Director of Resources
(Section 151 Officer)
15 September 2023



Fund policies

**All fund policies can be found on the website
www.shropshirecountypensionfund.co.uk**

Governance compliance statement

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

The latest copy of this document can be found in appendix 1 on page 82.

Pensions administration strategy report

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

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

The latest copy of this document can be found in appendix 2 on page 95.

Funding strategy statement

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

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.

The results of the 2022 valuation show the liabilities to be nearly 100% covered by the assets, with a funding deficit of £10m on the fund’s standard funding assumptions.

Please see appendix 3 on page 105 for the latest copy of this document.

Investment strategy statement

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

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

Please see appendix 4 on P125 for the latest copy of this document.

Climate change strategy

The fund's climate change strategy explains the fund's approach to addressing the risks and opportunities related to climate change.

Responsibility for the implementation of this strategy, prepared in alignment with the final recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD"), is held by the scheme administrator and Head of Pensions – LGPS Senior Officer and it is reviewed annually.

Please see appendix 5 on page 136 for the latest copy of this document.

Climate stewardship plan

The fund's climate stewardship plan identifies specific companies and portfolio managers in which stewardship techniques can be leveraged to further understand and manage climate-related risks within the fund. The climate stewardship plan aligns with and is supportive of the Task Force on Climate-related Financial Disclosures (TCFD) and focuses specifically on climate change and complements ongoing stewardship activities on other environmental, social and governance factors.

The latest copy of this document can be found in appendix 6 on page 141.

Glossary of terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Private debt: lending outside of the traditional banking network to private corporates, new and developing companies.

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

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

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

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

Stakeholders: Scheme members who have a financial interest in the fund's investments. Council tax payers who are not fund members are not considered to be either beneficiaries or stakeholders.

Stewardship code: A code requiring institutional investors to be transparent about their investment processes, engage with investee companies and vote at shareholders' meetings.

Task force on climate related financial disclosures (TCFD): A global standard to develop and communicate climate strategies.

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

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

Governance compliance statement

Appendix

01

Agreed by Pensions Committee December 2022

■ Introduction

This statement has been prepared by Shropshire Council (the administering authority) to set out the governance compliance statement for the Shropshire County Pension Fund (the fund), in accordance with The Local Government Pension Scheme Regulations 2013 (regulation 55 refers) as amended. It has been prepared by the administering authority and in consultation with appropriate interested persons when a material change to the fund's policy is identified.

■ Purpose of governance compliance statement

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

- a. whether it delegates its functions, or part of its functions, in relation to maintaining a pension fund to a committee, sub-committee or officer of the authority;
- b. and, if so, it must state:
 - The terms of reference, structure, and operational procedures of the delegation;
 - The frequency of any committee/sub-committee meetings;
 - Whether the committee/sub-committee includes representatives of employing authorities (including non-scheme employers) or scheme members and, if there are such representatives, whether they have voting rights.
- c. The extent to which delegation, or the absence of a delegation, complies with guidance by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.
- d. Details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 (local pension boards: establishment).

■ Governance of Shropshire County Pension Fund

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

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

governance structure listed in Shropshire Council's Constitution.

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

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

■ Pensions Committee

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

Terms of reference

- a. To advise the council on the arrangements for the proper administration of the Shropshire County Pension Fund in accordance with the Local Government Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and any other relevant legislation;
- b. To advise employing organisations and employees within the fund of their benefits, contributions, and the financial performance of the fund;
- c. To advise and assist the council on the determination of any matters of general policy relating to the investment of the pension fund;
- d. To approve the annual report and accounts of the fund.

Operational procedures

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

- Admission of employing organisations to the fund where discretion is permitted;
- Appointment of external advisors and actuaries to assist with the administration of the fund,

and of external managers (mainly procured by LGPS Central) for the management of the fund's portfolio of assets;

- Approval of the periodic formal actuarial valuation of the fund;
- Consideration of the advice of the fund's external investment advisers and of the Head of Pensions - LGPS Senior Officer;
- Determination of the objectives and general investment approach to be adopted by external fund managers;
- Review and monitoring of investment transactions and the overall investment performance of the fund;
- To develop and implement shareholder policies on corporate governance issues;
- To review and approve on a regular basis the content of the investment strategy statement and to monitor compliance of the investment arrangements with the statement;
- To review the investment strategy statement in detail ahead of the actuarial valuations being carried out and assist the valuation process;
- To review and approve on a regular basis the communications policy, administration strategy statement, funding strategy statement, investment strategy statement and any other regulatory policy adopted by the fund.

Structure of the Pensions Committee

Organisation	Allocation
Shropshire Council	four members
Borough of Telford and Wrekin Council (co-opted)	two members
Employees (co-opted)	two (non-voting) members
Retired members (co-opted)	one (non-voting) member

Shropshire Council always holds either the chairmanship or vice chairmanship. The position of chairman and vice chairman are held by Shropshire Council and the Borough of Telford & Wrekin members and are agreed on an annual basis.

The committee is supported by the advice from an independent advisor and investment consultant. The independent advisor advises on strategic issues and overall investment approach. The investment consultant provides analysis and advice of a technical nature in relation to portfolio construction, interpretation of performance measurement and the monitoring of investment managers. The committee can delegate implementation of investment decisions

to the officers as they see fit. The officers and investment consultant meet separately on a quarterly basis at technical meetings to support this.

The role of scheme administrator is held by the Head of Pensions – LGPS Senior officer and provides financial (non-investment) advice to the committee. This includes advice on financial management, issues of compliance with internal regulations and controls, budgeting and accounting, and liaison with independent advisers. Legal advice is provided by either Shropshire Council's Legal and Democratic Services or using a third-party company. Formal statutory responsibility for the LGPS and fund investment lies with the administering authority who are answerable for the effective and prudent management of the scheme.

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

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

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

However, a Shropshire Council vice-chairman can deputise for the co-opted member chairman. Only Shropshire Council members can represent the fund at LGPS Central meetings.

Pension Board

Introduction and role

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

Terms

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

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

Structure

The Pension Board should consist of a minimum of four voting members, currently set at six voting members and be constituted as follows:

- Three employer representatives
- Three scheme member representatives.

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

Employer representatives shall be office holders or senior employees of employers of the fund or have experience of representing scheme employers in a similar capacity. Subject to restrictions as set out in the LGPS regulations, employer representatives can also include elected members. Member representatives shall be scheme members of the Shropshire County Pension Fund and have the capacity to represent scheme members of the fund. An independent member and substitute members may also be included in the structure of the Pension Board at the discretion of the appointment panel. Substitute members for employer and scheme member representatives will have voting rights, but an independent member, or any other members appointed to the Pension Board by the appointment panel will not.

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

- Employer representatives – each employer will be invited to nominate one representative to

represent employers on the Pension Board.

- Scheme member representatives – all active, deferred, and retired scheme members will be invited to submit applications to join the Pension Board.

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

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

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

Operational procedures

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

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

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

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

Regulator's code of practice previously reported to the Pensions Committee but not rectified in reasonable time.

- The requirement of members to be able to demonstrate their appropriate knowledge and understanding and to refresh and keep their knowledge up to date. In addition to the requirements under the Public Service Pensions Act, it includes compliance with the pension fund's training policy insofar as it relates to Pension Board members.

■ Governance guidelines

Myners principles

In 2001, a government sponsored review of Institutional Investment by Paul Myners set out 10 principles for best practice for UK pension fund investment aimed to enhance pension fund decision making. In October 2008 the Government revised the Myners Principles. In doing so, the Government opted for six (rather than 10) higher level principles and expects funds to report against these principles. The extent of the fund's compliance with each of the guidelines is set out in appendix A of investment strategy statement.

The Pensions Regulator (TPR)

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

Scheme Advisory Board (SAB)

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

Governance and administration standards issued by the SAB is used by the fund, Pensions Committee and the Pension Board.

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

■ LGPS Central limited

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

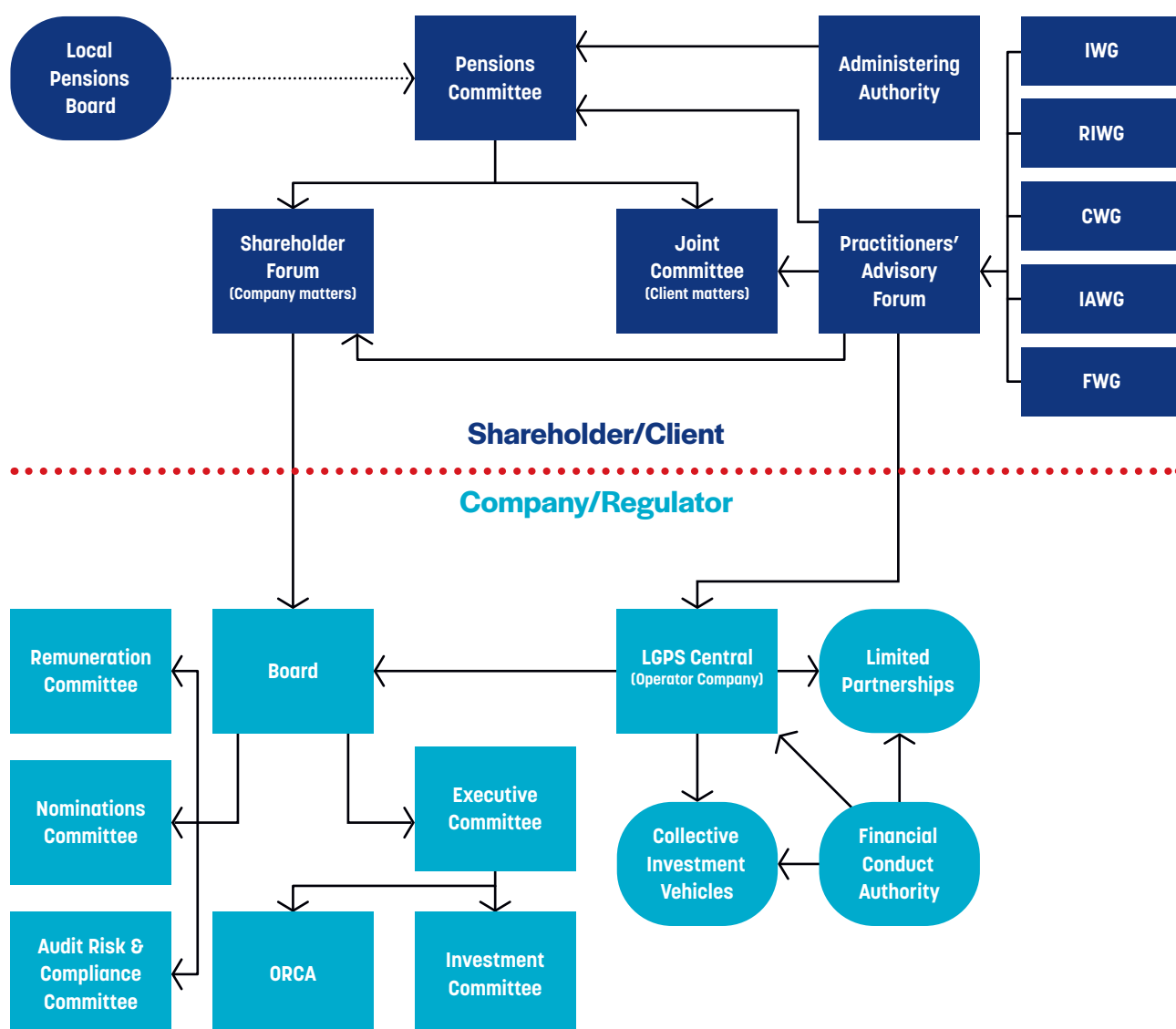
LGPS Central Limited is the company formed by the partner funds which is authorised as the operator of the Authorised Contractual Scheme (ACS), to provide investment services to the partner funds, by the Financial Conduct Authority (FCA). The company is therefore subject to the regulator's conduct of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

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

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

LGPS Central Limited was formed on 1 April 2018 and impacts the roles of the Pensions Committee. However, changes will be gradual as the transfer of the management activity to the new company progresses. Consequently, the existing governance

arrangements and terms of reference need to run concurrently with new terms required to facilitate changes.



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

The LGPS Central Joint Committee has been set up in accordance with provisions of the Local Government Act 1972 to provide oversight of the delivery of the objectives of the pool, the delivery of client service, the delivery against the LGPS Central business

case and to deal with common investor issues. The membership of the joint committee consists of one elected member from each council within the LGPS Central pool. A trade union representative is also appointed as a non-voting member of the joint committee to represent the scheme members across the councils' pension funds. Shropshire's representative on the LGPS Central Joint Committee is the chair or vice chair of the Pensions Committee (Shropshire Council member).

The primary role of the Shareholders' Forum is to oversee the operation and performance of LGPS Central Ltd and to represent the ownership rights and interests of the shareholding councils within the LGPS Central pool. The Shareholders' Forum is independent of the company and its meetings are distinct from company meetings, however, members of the Shareholders' Forum represent the councils at company meetings. The councils as individual investors in the company have in place local arrangements to enable their shareholder representatives to vote at company meetings.

The Shropshire Pension Fund, as a shareholder in LGPS Central has equal voting rights alongside the other partner funds and unanimous decisions are required on certain reserved matters before the actions can be implemented. These are specified in the company's shareholder agreement and articles of association. Other matters not directly related to the control of the company to manage its operation are subject to a majority approval (75%).

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

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

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

■ Delegation to officers

Under the Local Government Pension Scheme Regulations 2013 Shropshire County Pension Fund is required to formulate a policy on local discretions which can be found in appendix A. In line with regulation 105 (2) of the Local Government Pension Scheme 2013, the administering authority may delegate its functions where it deems it necessary to do so.

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

■ Arrangements outside of formal governance

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

■ With employing authorities

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

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

Organisation	Contributors %
Shropshire Council	47
Borough of Telford and Wrekin Council (co-opted)	24
Parish / town councils	1
Other scheme employers	19
Admitted bodies	9
TOTAL	100

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

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

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

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

Annual updates are provided on the pension fund website which scheme members can access. These include the annual report & accounts, climate strategy, administration updates, responsible investment, investment performance, other policies, newsletters etc. The Pension Administration and Investment teams are also easily contactable for specific issues that members wish to discuss. Pension Committee meetings are live streamed so members of the public and the scheme members are able to access.

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

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

The pension fund's website includes further information on:

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

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

Training policy

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

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

The training policy applies to:

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

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

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

The fund provides training to members of the committee and the board during meetings featuring presentations on topical issues, such as climate change, responsible investment, different investment asset classes such as hedge funds, property, private equity, equities, bonds, private market investments etc and on actuarial valuations.

■ The fund's climate change strategy

The Pension Committee ('the committee') is responsible for preparing the investment strategy statement (ISS) and the climate change strategy. The climate change strategy is premised on ten foundational evidence-based beliefs about climate risk (considering climate science, the energy transition, and climate stewardship). The climate change strategy is reviewed by the Pensions Committee on a three-year basis, with progress reviewed every twelve months.

The committee meet four times a year, or otherwise as necessary. The committee includes quarterly engagement reports from both their investment managers and their engagement provider as a standing item on the Pension Committee agendas. Both the committee and the Pension's Board have received regular training on responsible investment topics. The committee will continue to receive training on responsible investment, including climate change, every quarter.

The fund sets aside time each year for presentations on responsible investment, and environmental, social and governance issues generally. These presentations are made public by the fund on our website.

In order to support good decision-making, the fund applies the Myners Principles. Disclosure against the Myners Principles is made annually (please see appendix A of the fund's investment strategy statement).

The Head of Pensions – LGPS Senior Officer, in conjunction with the fund's investment advisor, have primary day-to-day responsibility for the way in which climate-related investment risks are currently managed and provide updates to Pension Committee. Where appropriate, the fund's pooling company, LGPS Central Ltd, assists in assessing and managing climate-related risks. As detailed in the climate change strategy, the fund leverages partnerships, and initiatives – including the Institutional Investors Group on Climate Change (IIGCC) – to identify and manage climate risk. The Head of Pensions – LGPS Senior Officer is accountable to the Pensions Committee for delivery of the climate change strategy.

As a primarily externally managed fund, the implementation of much of the management of climate-related risk is delegated onwards to portfolio managers. External portfolio managers are monitored on a regular basis by officers and the Pension Committee.

The Pension Committee are supported in this monitoring by the fund's investment adviser, Aon. Aon provides quarterly monitoring reports on the investment products that the fund invests in outside of LGPS Central. These reports include ratings on key criteria such as risk management, investment process, performance analysis and ESG ratings where applicable. Material developments in these areas are communicated to the Pension Committee, which considers whether further action is required.

Appendix A

Shropshire County Pension Fund discretions policies

List of discretionary policies applicable to members with membership under the following regulations:

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

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

Regulation	Discretion	Fund policy	Delegated to
B39 & T14 (13) R34 (1) (b) (c)	Commutation of small pensions.	To be commuted in all cases where capital value of the benefits is within HMRC limits other than in exceptional circumstances. The member/dependent must make a formal request including the exceptional circumstance they wish to be considered. Each formal request to not commute benefits will be assessed on its circumstances and merits.	Head of Pensions -LGPS Senior Officer
R71 (1)	Whether to charge interest on payments by employers which are overdue.	To be paid with employees' contribution by the 19th of month following the month to which they relate. If contributions are overdue by a month or more then interest may be charged depending on the individual circumstances.	Head of Pensions -LGPS Senior Officer
A28 (2) TP15 (1) (d)	Charge for estimate of transfer of AVC to main scheme to buy additional pension.	First calculation free thereafter £50 per estimate.	Head of Pensions -LGPS Senior Officer
LGPS 97 - 92	Recovery of contribution equivalent premium.	To be recovered in all cases permitted by the regulations.	Head of Pensions -LGPS Senior Officer
A83 (9) R100 (7)	Acceptance of transfer value.	To be refused if insufficient to meet guaranteed minimum pension liability.	Head of Pensions -LGPS Senior Officer
R100(6-8)	Extend normal time limit for acceptance of a transfer value beyond twelve months from joining the LGPS.	The fund will only extend the twelve-month time limit within which a scheme member must make an election to transfer other pension rights into the LGPS after joining the LGPS: - where the member asked for transfer investigations to be commenced within twelve months of joining the LGPS but a quotation of what the transfer value will purchase in the LGPS has not been provided to the member within eleven months of joining the LGPS. The time limit for such a member to make a formal election to transfer pension rights into the LGPS is the 3 months transfer guarantee period; - where the available evidence indicates the member made an election within twelve months of joining the LGPS, but the election was not received by the pension fund administering authority; - where the available evidence indicates the member had not been informed of the twelve-month time limit due to maladministration. - The fund's decision would also be to support the employer's decision where it is reasonable and evidenced that they are fully aware of the consequences and increased liabilities that will incur by agreeing this and it is not contradicting their own policy on this discretion.	Head of Pensions -LGPS Senior Officer
Financial Rules of the administering authority, Shropshire Council.	Overpayment of pension.	Should an overpayment of pension benefits occur as a result of the death of a scheme member, the fund will seek to recover overpayments that are greater than £150.00 (gross) in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part).	Head of Pensions -LGPS Senior Officer
R69 (1) (4) R80(1)(b) & TP22(1)	Decide the frequency and form of payments and information to accompany payments to be made over to fund (as listed in regulation R69) by employers and whether to make an admin charge.	All payments deducted from members must be paid to the fund by the 19th of the month following the month they were deducted. Any other payments must be paid immediately on receipt of the invoice. Further information on the formal procedures employers must adhere to are set out in the administration strategy statement.	Head of Pensions -LGPS Senior Officer
A60 (8) R76 (4) R79 (2)	Procedure to be followed by administration authority when exercising its stage two IDRP functions and whether administering authority should appeal against employer decision (or lack of a decision).	Full procedure is documented in the IDRP guide which can be found on the fund's website: www.shropshirecountypensionfund.co.uk	Head of Pensions -LGPS Senior Officer
TP3 (13) A70 (1) A71 (4) (c)	Abatement of pensions following re-employment.	From the 1 June 2006 the abatement and suspension of pension policy operated by the council changed and since this date no adjustments are required to funded pensions in respect of re-employment, regardless of the level of earnings. This policy applies to the funded element of the pension only and not the added year's compensation. This will still be subject to adjustment as per the regulations.	Head of Pensions -LGPS Senior Officer
B10 (2) TP3 (6) TP4 (6)(c) TP8 (4) TP10 (2) a TP17 (2)(b) Tschl L23(9)	Where a member dies before making an election of average of three years pay for final pay purposes or when a deceased member with a certificate of protection of pension benefits i.e., determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre-1 April 2008).	Election to be made by the fund on behalf of the deceased member.	Head of Pensions -LGPS Senior Officer
A52 A B27 (5) R83	Payments for persons (other than an eligible child) incapable of managing their affairs	If it appears that a person (other than an eligible child as defined in the appropriate regulations) is entitled to the payment of benefits under the scheme but is, by reason of mental disorder or otherwise, incapable of managing his or her affairs, taking regard to the circumstances of the case and medical guidance, where appropriate, the benefits, or any part of them, will be paid to a person having care of the person entitled, or such other person as the scheme administrator may determine, to be applied for the benefit of the person entitled. The fund's trivial commutation policy will be followed for small pensions. In all other cases, where there is a long-term annual pension payable the fund will require evidence of a either power of attorney or court of protection when the annual pension exceeds £1000; in cases where the annual pension benefit is below £1000, medical and documentary evidence will be required.	Head of Pensions -LGPS Senior Officer

Regulation	Discretion	Fund policy	Delegated to
B25 RSchl TP17 (9)(b)	Decide evidence required to determine financial dependence of co-habiting partner on scheme member or financial interdependence of cohabiting partner.	The fund's declaration form is required to be completed and signed confirming the regulatory requirements have been met and supported by the appropriate evidence.	Head of Pensions -LGPS Senior Officer
TSch 1 & L23 (9) B42 (1) (c) R49 (1) (c)	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under two or more regulations in respect of the same period of scheme membership.	Benefit which is more beneficial to member to be paid.	Head of Pensions -LGPS Senior Officer
31 (2)	Recharging payments to employers for annual compensation.	A 1% handling fee of the total recharge of compensation being paid on behalf of the employer, will be levied.	Head of Pensions -LGPS Senior Officer
R36 (3) A56 (2)	Approve medical advisors used by employers (for ill health benefits).	The medical advisors used by the employers for opinion on ill-health benefits must meet the requirements set out in the LGPS regulations and appropriate certificates supplied that prove required qualifications have been obtained.	Pensions Committee
R68 (2) TPSch 2, para 2 (1)(3)	Whether to require any strain on fund costs to be paid 'up front' by employing authority following flexible retirement or release of benefits before age 60.	All strain is required to be paid in full immediately on receipt of invoice. The process is outlined in the pensions administration strategy statement. The fund may agree on request from an employer to an alternative repayment period if exceptional circumstances are shown.	Head of Pensions -LGPS Senior Officer
R16 (1)	Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g.) where the sum being paid is very small and could be paid as a single payment).	Requests to pay an APC/SCAPC via a lump sum will be refused if cost is less than £50.	Head of Pensions -LGPS Senior Officer
Regulation 2 of the Registered Pension Schemes (Modification of Scheme Rules) Regulations 2011	Whether to offer 'voluntary scheme pays' to members and the circumstances when this would apply.	To offer the use of 'voluntary scheme pays' (VSP) where; - a member's pension savings within the fund are subject to the tapered annual allowance, and - the tax breach stems only from the member's Shropshire County Pension Fund LGPS benefits rather than via growth in multiple pension schemes, and - The application is received in writing by Shropshire County Pension Fund by 30 November in the tax year following the year to which the tax charge relates to, should the member wish the tax to be paid by 31 January to ensure no late payment penalties become due, if not then no later than the mandatory scheme pays deadline.	Head of Pensions -LGPS Senior Officer
R4(2)(b)	Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority or Care Quality Commission.	The fund will only agree an admission agreement providing the body meets the eligibility criteria laid down in the regulations; the admission is fully guaranteed so that no liabilities fall back on the fund and an admission agreement is signed by all relevant parties.	Pensions Committee
R3(1A), R3(5) & RSch 2, Part 3, para 1	Whether to agree to an admission agreement with a body applying to be an admission body.	The fund will only agree an admission agreement providing the body meets the eligibility criteria laid down in the regulations; the admission is fully guaranteed so that no liabilities fall back on the fund and an admission agreement is signed by all relevant parties.	Pensions Committee & Head of Pensions -LGPS Senior Officer
RSch2, Part 3, para 14	Whether to agree that an admission agreement may take effect on a date before the date on which it is executed.	The fund will allow admission agreements to be back dated so long as all contributions due are paid to the fund with appropriate interest.	Head of Pensions -LGPS Senior Officer
RSch 2, Part 3, para 9(d)	Whether to terminate an admission agreement in the event of: - insolvency, winding up or liquidation of the body, - breach by that body of its obligations under the admission agreement. - failure by that body to pay over sums due to the fund within a reasonable period of being requested to do so	The fund will terminate an admission agreement in any of these three events as covered in the admission agreement.	Head of Pensions -LGPS Senior Officer
RSch 2, Part 3, para 12(a)	Define what is meant by "employed in connection with".	Defined in the admission agreement as working for at least 50% of normal working time on the transferred service.	Head of Pensions -LGPS Senior Officer
R16(10)	Whether to require a satisfactory medical before agreeing to an application to pay an APC / SCAPC.	The fund does not require a satisfactory medical, but members are expected to sign a declaration confirming they are in reasonably good health before an application to pay an APC/SCAPC will be accepted.	Head of Pensions -LGPS Senior Officer
R16(10)	Whether to turn down an application to pay an APC / SCAPC if not satisfied that the member is in reasonably good health.	The fund would turn down an application if it was not satisfied that the member was in reasonably good health.	Head of Pensions -LGPS Senior Officer
R22(3)(c)	Pension account may be kept in such form as is considered appropriate.	The members care average revalued earnings (CARE) account will be kept in electronic form on the pension administration system.	Head of Pensions -LGPS Senior Officer

Regulation	Discretion	Fund policy	Delegated to
TP10(9)	Where there are multiple ongoing employments, in the absence of an election from the member within 12 months of ceasing a concurrent employment, decide to which record the benefits from the ceased concurrent employment should be aggregated.	The main ongoing employment, which would usually be the record with the greatest hours, is normally the record with which the ceased concurrent employment will be aggregated.	Head of Pensions -LGPS Senior Officer
R32(7)	Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement.	The fund would look at any request on an individual basis taking into account the exceptional circumstances raised by the member.	Head of Pensions -LGPS Senior Officer
R38(3) B31(4)	Where the employer has become defunct: Decide whether deferred beneficiary meets criteria of being permanently incapable of former job because of ill health and is unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is the sooner.	The fund will consider the relevant regulations and criteria following receipt of an opinion from the independent registered medical practitioner (IRMP).	Head of Pensions -LGPS Senior Officer
R38(6) B31(7)	Where the employer has become defunct: Decide whether a suspended ill health tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health.	The fund will consider the relevant regulations and criteria following receipt of an opinion from the independent registered medical practitioner (IRMP).	Head of Pensions -LGPS Senior Officer
R54(1)	Whether to set up a separate admission agreement fund.	The fund has not set up a separate admission agreement fund.	Head of Pensions -LGPS Senior Officer
R64(2ZA)	Whether to extend the period beyond 3 months from the date an employer ceases to be a scheme employer, by which to pay an exit credit.	The fund will look at each case on an individual basis taking into account the reason why the extension may be required.	Head of Pensions -LGPS Senior Officer
R64(2A)	Whether to suspend (by way of issuing a suspension notice), for up to 3 years, an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension.	The fund will look at each case on an individual basis taking into account the reason why the extension may be required.	Head of Pensions -LGPS Senior Officer
R64(4)	Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a scheme employer will become an exiting employer.	The fund may request a revision of employers contribution rate upon advice from the actuary.	Head of Pensions -LGPS Senior Officer
R70 & TP22(2)	Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance.	The fund will issue a notice to recover additional costs and in line with the Pensions administration strategy statement.	Head of Pensions -LGPS Senior Officer
R98(1)(b)	Agree to bulk transfer payment.	The fund will agree to a bulk transfer payment following actuary advice.	Head of Pensions -LGPS Senior Officer
TR15(1)(c) & TSchl & L83(5)	Extend time period for capitalisation of added years contract.	The fund will look at each case on an individual basis taking into account the reason why the extension may be required.	Head of Pensions -LGPS Senior Officer

Further information

For further information about anything in or related to in this policy please contact:

Email: pensions@shropshire.gov.uk

Website: www.shropshirecountypensionfund.co.uk

Tel: 01743 252130

Write: Pensions, PO Box 4826, Shrewsbury, SY1 9LJ

Office hours

Monday to Thursday 8.45am to 5.00pm

Friday 8.45am to 4.00pm

Administration strategy statement

Appendix

02

Agreed by Pensions Committee on December 2022

■ Introduction

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

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

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

■ Compliance

Developed in consultation with employers within the fund, this statement seeks to promote good working relationships, improve efficiency, and ensure agreed standards of quality in delivery of the pension administration service amongst scheme employers. A copy of this strategy is provided to all employers and is made available on the fund’s website.

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

■ Review

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

■ Regulatory framework

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

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

This document has been presented, considered, and ratified by the Pensions Committee on 2 December 2022 and, as such, the contents of which apply to all existing and future employers of Shropshire County Pension Fund from this date.

■ Scheme employer duties and responsibilities

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

Monthly/annual data transfer

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

Response to queries

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

Appointing a main contact

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

Their key responsibilities are:

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

Authorised signatories

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

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

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

Employer training

The fund holds annual training for employers where officers of the fund provide information on finances, investment performance, regulatory changes and

also administration performance. Attendance by each employer's nominated contacts is actively encouraged. In most instances the training is filmed and hosted on the pension fund website, to enable individuals unable to attend on the day to watch afterwards.

Discretions policy

Each employer is required by statute to prepare and publish a written statement as to how they wish to exercise the discretionary powers available to them as a scheme employer under the LGPS regulations. The policy statement must be kept under review and, where revisions are made, the revised policy statement must be sent to the fund and made readily available to all employees within the employing authority within one month of the effective date. The LGA has produced a list of all the discretions participating employers have in relation to the LGPS. This document can be found on the website: www.lgpsregs.org. If an employer does not have a discretions policy the fund can refuse to provide a quotation until it can be demonstrated that the employer intends to change its policy.

Notification of employee's rights: Internal disputes resolution procedure (IDRP)

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

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

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

Nominated person

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

Computer links

The fund can provide the links to the pensions administration system, where appropriate, to large employers for employing authority staff to view certain areas of their employees' records of membership. There is a charge for this access. The most current data protection legislation will be considered when providing this access.

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

Service standards to scheme members

Overriding legislation dictates the standards that pension schemes and employers should meet in providing certain pieces of information to various associated parties – not least of which includes the scheme member. The LGPS regulations also identifies a number of requirements for the fund and employers, which may not have all been covered in this document. It is important that employers make themselves familiar of the HR and payroll guides available on www.lgpsregs.org. An online employers guide is available on the fund's website, www.shropshirecountypensionfund.co.uk, which includes template forms and guidance for all scheme employers.

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

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

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

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

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

DIVORCE & OUTSOURCINGS ESTIMATES	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
To provide pay and other relevant information requested by the pensions team either on an individual basis within ten working days of the request, or for bulk/group requests by an agreed timescale with the pensions team. Staff transfers e.g. outsourcings To comply with the relevant regulations and statutory guidance to ensure continued membership of the LGPS for protected members affected by an outsourcing exercise. To provide advanced notification/liason with the pensions team when considering an outsourcing exercise which affects members/eligible members of the LGPS. See guidance on 'Becoming an employer or existing employer letting a contract' on the fund's website. To be aware that legal and actuarial costs associated with an outsourcing exercise will be passed onto the employer outsourcing the service.	Where a request for divorce information including a CETV is received from the member, or the court, this will be issued three months from the date of receipt of the signed form request from the member, or receipt of the court order. When a shorter timescale is requested /imposed or a request is made by a pensioner member, the pensions team will provide the member with the schedule of charges and issue an invoice accordingly. The quotation cannot be issued before payment is received. To provide guidance, arrange the relevant actuarial calculations to current employers participating in the fund who are considering outsourcing.

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

ILL HEALTH RETIREMENTS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
To determine whether an ill health benefit award is to be made, based on medical evidence and the criteria set in the current LGPS regulations, and after obtaining an opinion from a fund approved independent registered medical practitioner (IMRP) on the appropriate certificate. If an award is made, to then determine which tier 1, 2 or 3 is to be awarded. Arrange for completion of the PEN007 form and then submit to the fund with all related paperwork including IMRP certificate and a copy of the notice letter issued to the member confirming the level of ill health benefits awarded and the appeal information under IDPR. To keep a record of all tier 3 ill health retirements, particularly in regard to arranging the 18-month review. Arranging, if necessary, with an (IMRP) approved by the administration authority for a further medical certificate. To recover any overpayment of pension benefits following a discovery of gainful employment and notify the fund, where appropriate. To review all tier 3 ill health retirement cases at eighteen months. Further information on ill health retirements can be found on the employers' pages on our website www.shropshirecountypensionfund.co.uk	To calculate and pay the required benefits in line with actual retirement timescales. To assist the employer in performing their legislative responsibility to review tier 3 ill health cases at eighteen months.

MEMBERS LEAVING EMPLOYMENT BEFORE RETIREMENT	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
To notify the fund using the PEN007 form, ensuring all relevant information is included on the form, within four weeks of the members leave date.	To accurately record and update member records on the pension administration system. The regulatory target to inform members the options available to them upon leaving the scheme is two months following receipt of all the correct information from the employer via the PEN007 form. The fund's best practice target to calculate notify a member of their deferred benefit entitlement is 10 working days following receipt of correct information from the employer via the PEN007 form and confirmation that the member is a leaver via i-Connect data upload. To process and pay a refund on the next available payroll run date, this will usually be within 10 working days following receipt of all relevant documentation from the member/ employer.

FORMER MEMBERS WITH DEFERRED BENEFITS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
To keep adequate records of the following for members who leave the scheme with deferred benefits, as early payment of benefits may be required: • Name & last known address • National Insurance number • Payroll number • Date of birth • Last job information including job description • Salary details • Date and reason for leaving To determine, following an application from the former employee to have their deferred benefits paid early, as to whether or not they are eligible for early payment on ill health grounds in line with the criteria set in the relevant regulations and after seeking a suitable medical opinion from an (IRMP) approved by the administering authority, or to determine whether benefits should be released early and in some cases any actuarial reduction waived on compassionate grounds.	To record and update member records on the pensions administration system. To provide former members with an annual benefit statement of their deferred benefits, updated by the annual pensions increase award when applicable. To provide estimates of benefits that may be payable and any resulting employer costs within 10 working days of request upon request.

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

ADDITIONAL PENSION CONTRIBUTIONS (APCs) & SHARED COST APC's (SCAPCs)	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
To communicate to employees regarding the option of SCAPC's to cover periods of 'lost pension' and the timeframe they must elect to purchase a SCAPC. Members must elect within 30 days of returning to work following the absence, but employers have the discretion to extend this period. This should be laid out in the employer's Discretions Policy. To calculate and collect from the employee, payroll contributions and to arrange the prompt payment to the fund, according to the published schedule and to be no later than the 19th of the month following the deduction. More information can be found in the employer area on www.shropshirecountypensionfund.co.uk	To provide information on APCs to members/employers through www.shropshirecountypensionfund.co.uk, and direct employees to the national LGPS member website where a modeller can be found.

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

Standards of data

Overriding Legislation in performing the role of administering the LGPS.

The fund and employers will comply with the overriding legislation, including:

- the Occupational Pensions Schemes
- (Disclosure of Information) Regulations 2015;
- The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015;
- the Pensions Act 1995, 2004 and 2014;
- any Transitional Regulations currently in place;
- the Discretionary and Compensation Regulations 2006;
- the Data Protection Act 1998;
- the Freedom of Information Act 2000;
- the Disability Discrimination Act 1995;
- the Age Discrimination Act 2006;
- the Finance Act 2004;

- Health and Safety legislation;
 - Employment Rights Act 2010;
 - HMRC Legislation and Current GAD Guidance;
 - Public Service Pensions Act 2013;
- and any future amendments to the above legislation.

Data Protection Act 2018

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

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

Secure data transfer

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

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

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

Audit

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

Benchmarking

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

Employer performance reporting

As part of this pensions administration strategy, the fund will develop arrangements for reporting on key performance measures.

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

Poor performance/additional work

The fund will seek, at the earliest opportunity, to work closely with employers in identifying areas of poor performance, provide the necessary training and development, and to put in place appropriate processes to improve the level of service in the future. In the event of continued poor performance, or additional work imposed on the fund as a result of employer poor performance and a lack of any evidence of any measures being taken to achieve improvement by an employing authority, the fund will seek to recover any additional costs arising.

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

In dealing with poor performance the fund will:

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

administration report in the fund's published annual report.

Reporting breaches

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

- all members of the Shropshire Pension Board and Committee;
- all officers involved in the management of the pension fund including members of the Investments Team, Pensions Administration Team, Head of Pensions – LGPS Senior Officer and the Executive Director of Resources • Assistant Director of Finance, Governance and Assurance
- any professional advisers including auditors, actuaries, legal advisers, and fund managers; and
- officers of employers participating in the Shropshire County Pension Fund who are responsible for LGPS matters.

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

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

■ Associated policy statements and documents

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

Employer events policy

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

Communications strategy statement

The statement outlines the fund's policy on:

- information to members, representatives, and

employers;

- the format, frequency, and method of distributing such information;
- the promotion of the scheme to prospective members and their employing authorities.

Governance compliance policy

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

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

Employer discretions policy

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

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

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

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

■ Further information

For further information about anything in or related to in this policy please contact:

Email: pensions@shropshire.gov.uk

Website: www.shropshirecountypensionfund.co.uk

Tel: 01743 252130

Write: Pensions, PO Box 4826, Shrewsbury, SY1 9LJ

Office hours

Monday to Thursday 8.45am to 5.00pm

Friday 8.45am to 4.00pm

Funding strategy statement

Appendix

03

Agreed by Pensions Committee March 2023

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).

■ 1. Guide to the FSS and policies

The information required by overarching guidance and regulations is included in section 2 and section 3 of the funding strategy statement. This document also sets out the fund's policies in the following key areas:

Actuarial method and assumptions (appendix A)

The actuarial assumptions and approach used for assessing the funding position of the fund and the individual employers. This includes the contribution rates – the “primary” contribution rate covering new benefits earned, and any contribution variations due to underlying surpluses or deficits, known as the “secondary” rate. The assumptions, together with other factors that may impact an employer's contribution outcomes, are set out here.

Deficit recovery and surplus offset plans (appendix B)

The key principles when considering deficit recovery and surplus offset plans as part of the valuation are set out here.

Ill health insurance arrangements (appendix C)

The fund has implemented a captive insurance arrangement which pools the risks associated with ill health retirement costs for employers whose financial position could be materially affected by the ill health retirement of one of their members. The captive arrangement is reflected in the employer contribution rates (including on termination) for the eligible employers. More details are set out here.

Employer events framework policy document

The fund's employer events framework policy

provides detail on the following key areas of an employer's participation in the fund and the relevant sections of the policy document will be deemed to be part of this funding strategy statement:

- Joining the fund.
- Covenant monitoring and employer risk framework
- Inter-valuation contribution rate reviews.
- Exiting the fund

A copy of the policy document can be provided on request by the administering authority and can also be found on the fund's website here.

Glossary (appendix D)

A glossary of the key terms used throughout is available at the end of this document.

■ 2. Background

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 administering authority has taken advice from the actuary in preparing this statement.

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.

Integrated risk management strategy

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 to meet the objective for all employers over different periods. The funding strategy includes appropriate margins to allow for the possibility of adverse events (e.g. material reduction in investment returns, economic downturn and higher inflation outlook) leading to a worsening of the funding position which would result in greater volatility of contribution rates at future valuations if these margins were not included. This prudence is required by the regulations and guidance issued by professional bodies and Government agencies to assist the fund in meeting its primary solvency and long-term cost efficiency objectives. Individual employer results will also have regard to their covenant strength, where deemed appropriate by the administering authority.

The regulations

The Local Government Pension Scheme Regulations 2013 (“the 2013 regulations”), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the 2014 Transitional Regulations”) and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (all as amended) (collectively; “the regulations”) provide the statutory framework from which the administering authority is required to prepare a funding strategy statement (FSS).

The solvency objective

The administering authority’s long-term objective is for the fund to achieve a 100% solvency level over a reasonable time period. Contributions are set in relation to this objective which means that once 100% solvency is achieved, if assumptions are borne out in practice, there would be sufficient assets to pay all benefits earned up to the valuation date as they fall due.

However, because financial and market conditions/outlook change between valuations, the assumptions used at one valuation may need to be amended at the next in order to meet the fund’s objective. This in turn means that contributions will be subject to change from one valuation to another. This objective translates to an employer specific level when setting individual contribution rates so each employer has the same fundamental objective in relation to their liabilities.

The general principle adopted by the fund is that the assumptions used, taken as a whole, will be chosen with sufficient prudence for this objective to be reasonably achieved in the long term at each valuation.

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.

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.

3. Key funding principles

Purpose of the FSS

Funding is making advance provision to meet the cost of pension and other benefit promises. Decisions taken on the funding approach therefore determine the pace at which this advance provision is made. Although the regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the administering authority, acting on the professional advice provided by the actuary.

The purpose of this funding strategy statement is therefore:

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

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

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.
- 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 investment strategy statement ("ISS"), both after proper consultation with interested parties
- 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 scheme 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 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 regulations.

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 Sub-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

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
- undertake administration duties in accordance with the pension administration strategy.
- 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
- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the administering authority in this context
- notify the administering authority promptly of any changes to membership which may affect future funding.
- understand the pension impacts of any changes to their organisational structure and service delivery model, and
- understand that the quality of the data provided

to the fund will directly impact on the assessment of the liabilities and contributions. In particular, any deficiencies in the data would normally result in the employer paying higher contributions than otherwise would be the case if the data was of high quality.

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 its 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 the administering authority on the 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.

A guarantor should:

- notify the administering authority promptly of any changes to its guarantee status, as this may impact on the treatment of the employer in the valuation process or upon termination
- provide details of the agreement, and any changes to the agreement, between the employer and the guarantor to ensure appropriate treatment is applied to any calculations
- be aware of all guarantees that are currently in place
- work with the fund and the employer in the context of the guarantee, and
- receive relevant information on the employer and their funding position in order to fulfil its obligations as a guarantor.

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.

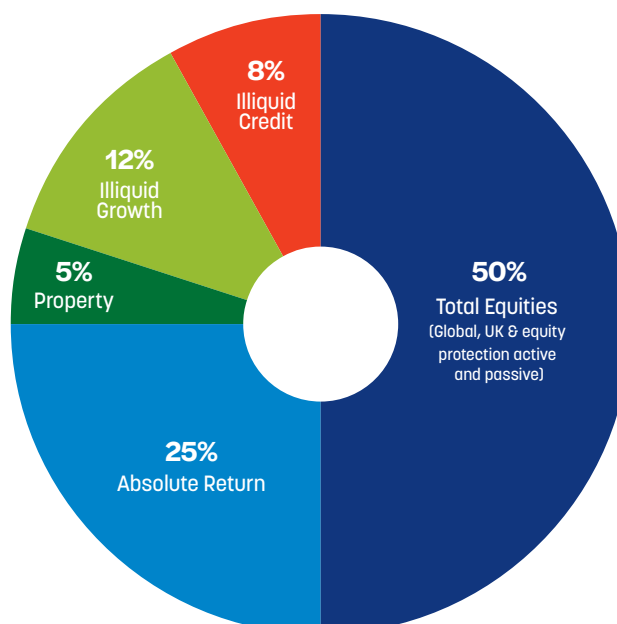
Each employer's contributions are set at such a level to achieve long-term cost efficiency and full solvency in a reasonable timeframe.

The results of the 2022 valuation show the liabilities to be nearly 100% covered by the assets, with a funding deficit of £10m on the fund's standard funding assumptions (rising to £22m after allowing for the reduced risk assumptions for the employers without a taxpayer guarantor that do not put a bond in place) with the funding deficit being covered by future deficit contributions.

Link to investment policy and the investment strategy statement (ISS)

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.

The overall strategic asset allocation is set out in the ISS. The current strategy is included below.



ASSET CLASS	ALLOCATION	CONTROL RANGES
Total equities (UK, global and passive)	50.0%	45.0% - 55.0%
Absolute return	25.0%	20.0% - 30.0%
Property	5.0%	2.5% - 7.5%
Illiquid growth (infrastructure and private equity)	12.5%	10.0% - 15.0%
Illiquid credit	7.5%	5.0% - 10.0%

The investment strategy set out above and individual return expectations on those asset classes equate to an overall best estimate average expected return of 2.7% per annum in excess of CPI inflation as at 31 March 2022 i.e. a 50/50 chance 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).

Risk management strategy

In the context of managing various aspects of the fund's financial risks, the administering authority will consider implementing investment risk management techniques where appropriate.

In particular, the fund has implemented an equity derivatives program with Legal and General Investment Management in order to manage the fund's exposure to equity markets over the short to medium term. In particular, the fund has implemented an equity derivatives program with Legal and General Investment Management in order to manage the fund's exposure to equity markets over the short to medium term. The strategy currently protects c30% of the fund's equity holdings, with protection options expiring in June 2023 and December 2023. The protection was funded by selling potential upside returns on the equity protected, with the amount of return retained by the fund varying by region. The position will be kept under review in the interim to the next valuation and beyond.

Further details will be set out in the ISS.

Climate change

An important part of the risk analysis underpinning the funding strategy will be to identify the impact of climate change transition risk (shorter term) and physical risks (longer term) on the potential funding outcomes. In terms of the current valuation there will be an analysis of different climate change scenarios

at the whole fund level relative to the baseline position (i.e. assuming that the funding assumptions are played out).

The analysis will consider a projection of the funding level under three different scenarios which are designed to illustrate the transition and physical risks, depending on what actions are taken globally on climate change. One of the scenarios will be consistent with global temperature increases of c1.5°C above pre-industrial levels, the second showing a more gradual transition and a c2°C increase, and the third covering higher increases of c4°C. (The scenarios are not meant to be predictors of what may happen and are only a small subset of a very wide range of scenarios that could arise depending on the global actions taken in relation to climate change.)

- 1. Rapid transition** - there is a sudden divestment across multiple securities in 2025 to align portfolios to the Paris Agreement goals, this will have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock. Average temperature increase stabilises at 1.5°C around 2050.
- 2. Orderly transition** - political and social organisations act quickly and predictably to implement the recommendations of the Paris Agreement to limit global warming to below 2°C. This scenario includes additional economic damage consistent with 1.8°C of average temperature rise – peaking in 2070.
- 3. Failed transition** - The world fails to meet the Paris Agreement goals and global warming reaches c4°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events.

Results will be considered over a period of 20 years to ensure there is sufficient recognition of the transition and physical risks of climate change. The key metrics are the relative impact on the funding level as this illustrates the impact of climate related market shocks on the funding plan and the analysis will provide the fund with additional information regarding the resilience of the funding strategy and adequacy of prudence margins. Whilst these scenarios are only two out of a considerable range of potential outcomes, it shows that climate change can have far reaching effect on the fund.

The analysis will compliment with the fund's wider work on climate change being undertaken alongside the LGPS Central pool, and so reflect the actions taken (both historically and in future) by the fund in relation to making its asset portfolio more sustainable. Details of this are set out in the separate Taskforce on Climate Related Financial Disclosures (TCFD) reports, and the fund's climate change strategy and climate stewardship plan.

The actuarial assumptions (versus the best estimate) include a level of prudence which implicitly allows for the climate risk and other risks to support future contribution stability and the actuary has concluded that the level of prudence is currently sufficient in the context of the scenarios considered. However, any climate related impacts will potentially put significant stress on the funding plan, especially when taken into account with other risk factors, and so the analysis will be further developed and monitored over time. A summary of the output of the analysis will be set out in the fund actuary's report on the valuation.

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 may 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. The actuary's formal valuation report includes quantification of some of the major risk factors.

Financial

The financial risks include:

- Investment markets fail to perform in line with expectations
- Protection and risk management policies 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 than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle
- An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the fund impacting on cashflow requirements.
- 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 include:

- Future changes in life expectancy (longevity) that cannot be predicted with any certainty. Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, potentially result in a greater liability for pension funds.
- Potential strains from ill health retirements, over and above what is allowed for in the valuation assumptions for employers (although the introduction of the ill health captive insurance arrangement will help to reduce this risk going forwards)
- Unanticipated acceleration of the maturing of the fund resulting in materially negative cashflows and shortening of liability durations. The administering authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy
- 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.

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 include the following:

- 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.
- An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the fund impacting on cashflow requirements.
- 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.

Regulatory

The key regulatory risks include the following:

- Changes to regulations, e.g. changes to the benefits package, retirement age, potential new entrants to the fund, typically these would be via the cost management process although in light of the McCloud discrimination case, there can be exceptional circumstances which give rise to unexpected changes in regulations.
- Changes to national pension requirements and/or HMRC rules
- Political risk that the guarantee from the Department for Education for academies is removed or modified along with the operational risks as a consequence of the potential for a large increase in the number of academies in the fund due to Government policy.
- Membership of the Local Government Pension Scheme 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.

Monitoring and review

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

The administering authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the 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 scheme 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
- if there have been material changes in the ISS

When monitoring the funding strategy, if the administering authority considers that any action is required, the relevant employers will be contacted. Further details on the circumstances in which the administering authority will review individual employer contribution rates in between actuarial valuations can be found in the employer events framework policy document on the fund's website [here](#).

> Appendix A

Actuarial method and assumptions

The key whole fund assumptions used for calculating the funding target and the cost of future accrual for the 2022 actuarial valuation are set out below.

Financial Assumptions		
	2022 valuation assumption	Description
Investment return / discount rate	Standard approach: 4.8% p.a. (past) and 5.2% p.a. (future) Reduced risk approach: 4.55% p.a. (past) and 4.7% p.a. (future)	Derived from the expected return on the fund assets based on the long-term strategy set out in the ISS, including appropriate margins for prudence. For the 2022 valuation, the standard approach is based on an assumed return of 1.7% p.a. above CPI inflation (past) and 2.1% p.a. above CPI inflation (future). The reduced risk approach adopts a lower discount rate (0.25% lower for past service and 0.5% lower for future service) and applies for employers that are not (directly or indirectly) tax payer backed and opt not to provide a bond based on the termination shortfall. The real investment 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. The investment market's expectation 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 whole fund's accrued liabilities).
Inflation (Consumer Prices Index)	3.10% p.a. (includes an adjustment of 0.80% p.a.)	RPI inflation (above) reduced to reflect the expected long-term difference between RPI and CPI measures of inflation (reflecting the profile and duration of the whole fund's accrued liabilities and 2030 RPI reform) and adjusted to incorporate an inflation risk premium ("IRP"). The adjustment to the RPI inflation assumption will be reviewed from time to time to take into account any market factors which affect the estimate of CPI inflation.
Salary increases (long-term)	4.35% p.a.	Pre 1 April 2014 benefits (and 2014 to 2022 McCloud underpin) - 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 CPI assumption as described above. This includes allowance for promotional increases.
Pension increases and deferred revaluation	Assumed to be in line with the CPI inflation assumption above (noting that pension increases cannot be negative as pensions cannot be reduced). At the 2022 valuation, an adjustment has been made to the liabilities to allow for the known inflation for the period 30 September 2021 to 31 March 2022, and where material, allowance will continue to be made for inflation as it emerges when assessing funding positions between valuations.	
Indexation of CARE benefits	Assumed to be in line with the CPI inflation assumption above. For members in pensionable employment, indexation of CARE benefits can be less than zero (i.e. a reduction in benefits).	
McCloud remedy	A reasonable estimate for the potential cost of the McCloud remedy has been included within the 2022 valuation results for each employer. This has been calculated based on the data provided for the 2022 valuation and in line with national guidance.	

Demographic assumptions

Mortality/life expectancy

The derivation of the mortality assumption is set out in separate advice as supplied by the actuary. 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), including a loading reflecting fund specific experience, and will make allowance for future improvements in longevity and the experience of the scheme. A specific mortality assumption has also been adopted

for current members who retire on the grounds of ill health.

For all members, it is assumed that the trend in longevity seen over recent time periods (as evidenced in the 2021 CMI analysis) will continue in the longer term and as such, the assumptions build in a level of longevity 'improvement' year on year in the future in line with the CMI 2021 projections and a long term long-term improvement trend of 1.5% per annum.

As an indication of impact, we have set out the life expectancies at age 65 based on the 2019 and 2022 assumptions:

	Male Life expectancy at 65		Female Life expectancy at 65	
	2019	2022	2019	2022
Pensioners	23.1	22.1	25.2	24.4
Actives aged 45 now	24.4	23.4	26.8	26.2
Deferreds aged 45 now	23.1	23.1	25.8	25.7

For example, a male pensioner, currently aged 65, would be expected to live to age 87.1. Whereas a male active member aged 45 would be expected to live until age 88.4. The difference reflects the expected increase in life expectancy over the next 20 years in the assumptions above.

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

The post retirement mortality tables adopted for this valuation are set out below:

Current status	Retirement type	Mortality table
Annuitant	Normal health	103% S3PMA_CMI_2021 [1.5%] 96% S3PFA_M_CMI_2021 [1.5%]
	Dependant	123% S3PMA_CMI_2021 [1.5%] 110% S3DFA_CMI_2021 [1.5%]
	Ill health	121% S3IMA_CMI_2021 [1.5%] 147% S3IFA_CMI_2021 [1.5%]
	Future dependant	123% S3PMA_CMI_2021 [1.5%] 110% S3DFA_CMI_2021 [1.5%]
Active	Normal health	107% S3PMA_CMI_2021 [1.5%] 96% S3PFA_M_CMI_2021 [1.5%]
	Ill health	231% S3IMA_CMI_2021 [1.5%] 305% S3IFA_CMI_2021 [1.5%]
Deferred	All	112% S3PMA_CMI_2021 [1.5%] 103% S3PFA_M_CMI_2021 [1.5%]
Future dependant (current active & deferred)	Dependant	121% S3PMA_CMI_2021 [1.5%] 111% S3DFA_CMI_2021 [1.5%]

using $sk=7.5$, zero initial improvements and no allowance for 2020 or 2021 data.

Other demographic assumptions	
Commutation	Following analysis undertaken by the actuary, it has been assumed that all retiring members will take 75% of the maximum tax-free cash available at retirement. 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	Alongside commutation, as part of the 31 March 2022 valuation, the actuary has carried out analysis to review the assumptions relating to the incidence of ill health retirements; withdrawal rates; the proportions married/civil partnership assumption; and also the probability of member's dying prior to retirement. Following the outcomes of this analysis, the assumptions for proportions married/civil partnerships and the pre-retirement mortality have been updated in line with the recommendations from the actuary. All other assumptions remain in line with the assumptions adopted for the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option. 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 three years.
Expenses	Expenses are met out of the fund, in accordance with the regulations. This is allowed for by adding 0.8% of pensionable pay to the contributions from participating employers. This 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.

Further details on the demographic assumptions are set out in the actuary's formal report.

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, alternative methods are adopted, which make 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.

The assumptions to be used in the calculation of the funding target are set out above. 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.

There will be a funding plan for each employer. In determining contribution requirements the administering authority, based on the advice of the actuary, will consider whether the funding plan adopted for an employer is reasonably likely to be successful having regard to the particular circumstances of that employer (potentially taking into account any material changes after the valuation date up to 31 March 2023).

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

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 solvency 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 primary rate 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.

Termination assumptions

For terminating employers where their liabilities will be subsumed by another fund employer, the termination position will be assessed using the standard funding assumptions described above.

A lower risk approach will apply on termination where liabilities are not being subsumed, to appropriately reflect the transfer of pension risk from the exiting employer to the fund as a whole. The assumptions applying under this lower risk approach are as follows:

- **Default discount rate (employers who joined the fund before 1 July 2012):** based on long dated Sterling AA Corporate Bond yield of appropriate duration for the employer, but with a cap of the employer’s nominal discount rate for funding purposes (as laid out above)
- **Default discount rate (employers who joined the fund from 1 July 2012):** based on government bonds of appropriate duration for the employer, but with a cap of the employer’s nominal discount rate for funding purposes (as laid out above)
- **CPI inflation:** market RPI inflation (of appropriate duration for the employer), reduced by 0.3% p.a. to reflect the average difference between RPI and CPI (allowing for RPI reform in 2030). No adjustment will be made for an “inflation risk premium” reflecting the fully hedged nature of the notional low-risk portfolio. This adjustment will be kept under review over time.
- **Mortality:** in line with the standard funding assumptions above, but with an adjustment to the assumed long-term improvements over time from 1.5% to 2% p.a. (to protect against future adverse demographic experience)
- **Other demographic assumptions:** in line with the standard funding assumptions above

The lower risk termination financial assumptions that applied at the actuarial valuation date (31 March 2022) are set out below, based on the fund’s overall profile (although please see the next section covering review of the low risk termination assumptions).

Low risk termination assumptions	31 March 2022
Discount rate (pre 01/07/2012 employers)	2.75% p.a.
Discount rate (post 30/06/2012 employers)	1.70% p.a.
CPI price inflation	3.60% p.a.
Pension increases/indexation of CARE benefits	3.60% p.a.

Review of the low risk termination assumptions

The principle of the termination policy and the assumptions used is to ensure (as far as possible) there is sufficient monies to pay all the benefits due in relation to the “orphan” members of the outgoing employer as otherwise the remaining employers would potentially have to fund this via their contributions at subsequent valuations. This is why the fund takes a more cautious view as set out above.

The assumptions will be reviewed as a matter of course at each actuarial valuation but will also be

reviewed following extreme events, such as a material shift in market conditions or economic/fiscal policy, which will affect the assets or liabilities of the exiting employer. This is to ensure that the approach remains appropriate, given the risk associated with funding the orphaned liabilities left behind by an exiting employer is being passed to other fund employers, and ultimately the tax payer. This means that the assumptions (both financial and demographic) can be changed if circumstances warrant it. Employers would be notified of any change (and the rationale for the change) and the policy would be updated. The fund would encourage such employers who might be approaching termination to engage with the fund as early as possible, so that guidance on the approach to apply can be provided.

The fund also has the discretion to apply a different approach on a case by case basis taking into account all factors (financial and non-financial) pertaining to the exiting employer.

The investment return assumption will be no greater than the prudent expected return on the actual portfolio in which the fund is reasonably expected to invest the assets of the terminating employer.

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. In addition, the asset share may be restated for changes in data or other policies.

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. More detail on the approach to assessing an employer's asset share is available on request.

Other factors affecting employer contribution outcomes

Notwithstanding the policies below, the administering authority, in consultation with the actuary where necessary, reserves the right to consider whether any exceptional arrangements should apply in particular cases.

Covenant: The strength of employer covenant will be considered as part of the funding approach, as detailed in the employer events policy which can be found on the fund website.

Stability: Subject to affordability considerations (and any change emerging to the primary rate) a key principle will be, where the fund's overall situation at a given valuation dictates, to maintain the deficit contributions at least at the expected monetary levels from the preceding valuation (including any indexation in these monetary payments over the recovery period) where deficits remain, unless there is a specific reason not to do so. As set out in appendix B, for those employers in surplus, surplus offset secondary contributions will only be permitted in certain circumstances.

Contribution increases and phasing:

Where total contributions are increasing, employers can choose to continue paying total contributions at the existing rate for 2023/24 before stepping up to the higher rate contributions from 2024/25. In certain circumstances, the employer may then be able to "phase in" the contributions over a maximum period of the next two years in a pattern agreed with the administering authority.

Where increases in contributions are material, the administering authority may in some cases be willing to use its discretion to accept an evidence based affordable level of contributions for the three years 2023/2026. Any application of this option is at the ultimate discretion of the fund in order to effectively manage risk. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment (where applicable) 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.

Pooling: Where agreed by the administering authority, the contribution rate outcomes for certain employers may be pooled together, with a single contribution rate being certified by the actuary in the rates and adjustments certificate e.g. for multi-academy trusts who have a number of different constituent academies within the fund. Further details are set out in employer events framework Policy Document, which can be found on the fund's website [here](#).

Insurance: 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.

Prepayments: Employers may also wish to make prepayments of contributions in exchange for a cash saving over the valuation certificate period. Further details of the potential savings will be set out in the rates and adjustments certificate produced by the actuary. Any employers who prepay primary rate contributions will also be required to make "top-up" payments should actual payroll be higher than that assumed when making the prepayment to ensure no underpayment emerges.

Early retirement strain costs: Any "strain" costs generated as a result of redundancy, efficiency or flexible retirements will be recovered by additional capital payments to the fund by the employer. These will be paid in full at the point of retirement.

Deaths: The extent to which any funding strain/profit emerges on the death of a member will depend on the profile of the member (status / age / whether any dependant's benefits become payable) and impacts can be material. Any funding strain/profit will typically emerge at the next actuarial valuation through increased/reduced deficit contributions, except where the employer is terminating, when it will be

taken into account when the actuary determines the termination position.

> Appendix B

Deficit recovery and surplus offset plans

Employer recovery plans – Key principles

If the funding level of an employer is below 100% at the valuation date (i.e. the assets of the employer are less than the liabilities), a deficit recovery plan needs to be implemented so that additional contributions are paid into the fund to meet the shortfall.

For open employers in deficit, the target recovery period will be three years shorter than the target recovery period from the previous valuation – i.e. a continuation of the current plan. For closed employers, the recovery period will be based on the average future working life of the membership. For new employers, the default recovery period will be as follows:

Category	Target recovery period
Academy / MAT	In line with ceding council
Closed employers	Based on average future working life of membership
All other employers	10 years
Pension increases/ indexation of CARE benefits	3.60% p.a.

For those employers in deficit, secondary rate contributions for each employer will be expressed as £s amounts increasing at 4.35% per annum (in line with the fund's long-term pay growth assumption). 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, based on the administering authority's view of the employer's covenant and risk to the fund.

Recovery periods will be set by the fund on a consistent basis across employer categories where possible and communicated as part of 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. Individual employer circumstances may dictate that a different recovery period is applied in specific cases.

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. 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.

Surplus offset plans

For those employers assessed to be in surplus at the valuation date, surplus offsets will be allowed only where there is no deficit on the termination basis. The recovery period will be as described above.

For those employers in surplus, the secondary rate contribution will be expressed as a percentage of pay.

Administering authority discretion

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 when determining deficit recovery/surplus offset plans.

> Appendix C

Ill-health insurance arrangements

Overview of arrangement

Ill-health retirements can be expensive for employers, particularly small employers where one or two costly ill-health retirements can take materially worsen the funding position and so increase contributions.

To address this, for certain employers in the fund (following discussions with the fund actuary) a captive insurance arrangement has been established to cover ill-health retirement costs arising from retirements from 1 April 2022. It applies only to ill-health retirements involving the early payment of pension and to the associated benefit costs.

The captive arrangement operates as follows:

- “Premiums” are paid by the eligible employers into the captive arrangement which is tracked separately by the fund actuary in the valuation calculations. The premiums are included in the employer’s primary rate (in place of the individual ill-health allowance that is included in the rate for employers not in the captive). The premium for 2023/26 is 0.5% of pay per annum
- The captive is then used to meet strain costs emerging from ill-health retirements in respect of active members i.e. there is no initial impact on the deficit position for employers within the captive and any subsequent impact should be manageable.
- The premiums are set with the expectation that they will be sufficient to cover the costs in the three years following the valuation date. If any excess premiums over costs are built up in the captive, these will be used to offset future adverse experience and/or result in lower premiums at the discretion of the administering authority based on the advice of the actuary.
- In the event of poor experience over a valuation period, any shortfall in the captive fund is effectively underwritten by the fund. However, the future premiums will be adjusted to recover any shortfall over a reasonable period with a view to keeping premiums as stable as possible for

employers. Over time the captive arrangement should therefore be self-funding and smooth out fluctuations in the contribution requirements for those employers in the captive arrangement.

- Premiums payable are subject to review from valuation to valuation depending on experience and the expected ill health trends. They will also be adjusted for any changes in the LGPS benefits. They will be included in employer rates at each valuation or on commencement of participation for new employers.

Employers covered by the arrangement

The fund has set an initial eligibility criteria of employers having less than 200 active members at the valuation date.

These employers have been notified of their participation. New employers entering the fund will also be included if they meet this criteria. In certain circumstances, the administering authority retains the discretion to include/exclude any employer from the arrangement.

For employers outside the captive arrangement, the current treatment of ill-health retirements will still apply, whereby an assumption for ill-health retirements is made within the calculation of employer contributions and any excess costs associated with ill-health retirements will emerge as part of the subsequent actuarial valuation assessment, and in any subsequent secondary rate contributions payable into the fund.

Employer responsibilities

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 ensure robust processes are in place to determine eligibility for ill health retirements.

The fund and the actuary will monitor the number of retirements that each captive employer is granting over time. If any employer has an unusually high incidence of ill health retirements, consideration will be given to the governance around the eligibility criteria applied by the employer and it is possible that some or all of the costs would fall on that employer if the governance was not deemed strong enough.

> 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.

Benefits

The benefits provided by the fund are specified in the governing legislation contained in the regulations referred to within the FSS. Benefits payable under the fund are guaranteed by statute and thereby the pensions promise is secure for members. The fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and career averaged revalued earnings (“CARE”) benefits earned thereafter. There is also a “50:50 scheme option”, where members can elect to accrue 50% of the full scheme benefits in relation to the member only and pay 50% of the normal member contribution.

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 Price Index) over the period to retirement.

CPI

Acronym standing for “Consumer Price 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.

CPIH

An alternative measure of CPI which includes owner occupiers’ housing costs and council tax (which are excluded from CPI).

Contingent assets

Assets held by employers in the fund that can be called upon by the fund in the event of the employer not being able to cover the debt due upon termination. The terms will be set out in a separate agreement between the fund and employer

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.

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.

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).

Deficit recovery period

The target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

Derivatives

Financial instruments linked to the performance of specific assets which can be used to magnify or reduce exposure to those assets

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.

Early retirement strain

The additional cost incurred by a scheme employer as a result of allowing a scheme member aged 55 or over to retire before normal retirement age and to receive a full pension based on accrued service at the date of retirement without full actuarial reduction.

Employer's future service contribution rate ("primary 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. See also "primary rate" below.

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.

Equity protection

An insurance contract which provides protection against falls in equity markets. Depending on the pricing structure, this may be financed by giving up some of the upside potential in equity market gains.

Exit credit

The amount payable from the fund to an exiting employer where the exiting employer is determined to be in surplus at the point of cessation based on a termination assessment by the fund actuary.

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. For example, these include councils, colleges, universities and academies

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.

Guarantee of last resort

For the purposes of the FSS, a guarantee of last resort refers to the situation where an employer has exhausted all alternative options for payment of an exit debt and so the debt is recovered from another employer in the fund, however the liabilities are not subsumed in this case.

Ill-Health captive

This is a notional fund designed to protect certain employers against excessive ill health costs in return for an agreed insurance premium.

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.

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.

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.

Long-term cost efficiency

This is a measure of the extent to which the fund's policies properly address the need to balance immediate budgetary pressures with the undesirability of imposing an excessive debt burden on future generations.

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.

McCloud judgment

This refers to the linked legal cases of Sargeant and McCloud, and which found that the transitional protections (which were afforded to older members when the public service pension schemes were reformed in 2014/15) constituted unlawful age discrimination.

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.

Primary contribution rate

The contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. It is expressed as a percentage of pensionable pay, 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. For any employer, the rate they are actually required to pay is the sum of the primary and secondary rates. See also "employer's future service contribution rate" above.

Profile

The profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

Prudent assumption

An assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and guidance requires the assumptions adopted for an actuarial valuation to be prudent.

Rates and adjustments certificate

A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the fund for the three-year period until the next valuation is completed.

Real return or real discount rate

A rate of return or discount rate net of (CPI) inflation.

Recovery plan

A strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the funding strategy statement.

SAB funding basis or SAB basis

A set of actuarial assumptions determined by the LGPS Scheme Advisory Board (SAB). Its purposes are to set out the funding position on a standardised approach so that comparisons can be made with other LGPS funds, and to assist with the "Section 13 review" as carried out by the Government Actuary's Department. As an example, the real discount rate over and above CPI used in the SAB Basis as at 31 March 2022 was [2.4% p.a.], so it can be substantially different from the actuarial assumptions used to calculate the fund's solvency funding position and contribution outcomes for employers.

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).

Secondary rate of the employer's contribution

An adjustment to the primary rate to reflect any past service deficit or surplus, to arrive at the rate 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 that in which the valuation date falls. The secondary rate is specified in the rates and adjustments certificate. For any employer, the rate they are actually required to pay is the sum of the primary and secondary rates.

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 2019 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.

Strain costs

The costs arising when members retire before their normal retirement date and receive their pensions immediately without actuarial reduction. So far as the fund is concerned, where the retirements are not caused by ill-health, these costs are invoiced directly to the retiring member's employer at the retirement date and treated by the fund as additional contributions, unless agreed with the administering authority. The costs are calculated by the actuary.

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, expressed as an expected out-performance over CPI in the long term by the fund's assets i.e. the "real rate".

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.

Further information

For further information about anything in or related to in this policy please contact:

Email: pensions@shropshire.gov.uk

Website: www.shropshirecountypensionfund.co.uk

Tel: 01743 252130

Write: Pensions, PO Box 4826, Shrewsbury, SY1 9LJ

Office hours

Monday to Thursday	8.45am to 5.00pm
Friday	8.45am to 4.00pm

Investment strategy statement

Appendix

04

Agreed by Pensions Committee June 2023

■ 1. Introduction

The Local Government Pension Scheme (“LGPS”), of which the fund is a part, is established under the Superannuation Act 1972 and is regulated by a series of regulations made under the 1972 Act.

All LGPS funds in England and Wales are required to have an investment strategy statement (“ISS” or “statement”). Regulation 7 of The LGPS (Management and Investment of Funds) Regulations 2016 governs the requirements of this statement. The Shropshire County Pension Fund (the “fund”) has complied with these requirements.

Under the regulations the Secretary of State has the power to intervene in the investment function of an administering authority if the administering authority does not have regard to the regulations, guidance or if other concerns are raised. This may include changing the ISS and, in the extreme, the transfer of investment powers to the Secretary of State or another nominated person.

Shropshire Council (the “authority”) is the administering authority for the fund.

This ISS has been prepared by the fund’s Pension Committee (the “committee”), following advice received from the fund’s consultant, Aon Solutions UK Limited (“Aon”).

The document takes account of the fund’s: Approach to pooling

- the authority’s approach to the pooling of investments, including the use of collective investment vehicles and shared services.

Asset allocation and risk

- to ensure that asset allocation strategies are sufficiently diversified;
- to include the authority’s assessment of the suitability of asset classes;
- set out the maximum percentage of the total value of all investments that it will invest in in particular asset classes;
- to include the authority’s approach to risk, the assessment of risks and how they are to be managed.

Policies regarding investments

- the authority’s policy on how social, environmental and corporate governance

considerations are taken into account in the selection, non-selection, retention and realisation of investments;

- the authority’s policy on the exercise of the rights (including voting rights) attaching to investments.

The ISS will be reviewed every three years after the investment strategy has been reviewed and is confirmed as fit for purpose. In addition, the ISS will be reviewed following changes to the investment strategy.

A copy of this ISS will be made available on request to any interested party.

■ 2. Governance

Shropshire Council has delegated responsibility for the management of the fund to the Pension Committee. The Pension Committee has responsibility for establishing investment policy and ongoing implementation.

The Pension Committee is made up of nine members comprising both elected councillors and a non-voting employee and pensioner representative.

Members of the Pension Committee recognise that they have a fiduciary duty to safeguard, above all else, the financial interests of the fund’s beneficiaries. Beneficiaries, in this context, are considered to be the fund members (pensioners, employees and employers), other stakeholders being local council taxpayers.

Decisions affecting the fund’s investment strategy are taken with appropriate advice from the fund’s advisers. Only persons or organisations with the necessary skills, information and resources take decisions affecting the fund. The members of the Pension Committee will ensure they receive training as and when deemed appropriate, to enable them to critically evaluate any advice they receive.

The committee receives independent investment advice from the following sources:

- Philip Hebson - strategic and overall investment approach advice.
- Aon Investments Limited (“Aon”) (the Investment Consultant) - analysis and advice of a technical nature in relation to all investment related aspects of the fund.

The fund's LGPS Senior Officer has responsibilities under the Local Government Act 1972 and provides financial (non-investment) advice to the committee, including advice on financial management, issues of compliance with internal regulations and controls, budgeting and accounting and liaison with independent advisers.

Local Pensions Board

The role of the Pensions Board is to assist in the good governance of the scheme through the monitoring of adherence to statutory duties.

The board consists of three employer and three member representatives.

The Pensions Board is not a decision-making body, nor does it hold a scrutiny function; its role is to assist in the compliance with scheme rules.

Investment principles

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

3. Approach to pooling

The fund is a participating member of the LGPS Central Pool. The proposed structure and basis on which the LGPS Central Pool (the "pool") will operate was set out in the July 2016 submission to Government.

Assets to be invested in the pool

The fund's intention is to invest its assets through the LGPS Central Pool as and when suitable pool investment solutions become available. An indicative timetable for investing through the pool was set out in the July 2016 submission to Government.

The majority of the fund's liquid assets have been transferred to the pool, although it will take some time for the pool to restructure the assets into appropriate sub-funds. The majority of the sub-funds were set-up between 2018-2022 with the remainder due to go live in 2023/24. The timing is dependent on market conditions and operational circumstances, and until such time as the appropriate sub-fund is set up the assets transferred into the pool will be overseen by

LGPS Central on behalf of the fund. It is not expected that any significant decisions (e.g. replacement of a manager) will be taken on the assets transferred over to the pool without prior consultation with the fund, unless it is part of the process that leads to the setting up of a sub-fund.

At present it is expected that the fund's low carbon transition passive equity management including currency hedging alongside options based equity protection and absolute return managers and transitory cash will be held outside the pool.

Structure and governance of the LGPS Central Pool

The eight administering authorities of LGPS Central will all be equal shareholders of the company. A Shareholders' Forum, comprising of one elected member from each administering authority, will fulfil the shareholders' role in ensuring that the company is managed efficiently and effectively and in the best interests of the funds.

A Joint Committee, also comprising one elected member from each administering authority, has been formed that will hold the company to account on all investment-related issues. The Joint Committee has no decision making powers and all actions that are felt to be appropriate will ultimately require approval at an individual fund level.

A Practitioners' Advisory Forum, comprising of officers of the administering authorities, has been set up. The intention of this forum is to provide support and guidance to elected members on some of the practical issues, and to act as a conduit between the Joint Committee and the committees of individual funds.

4. Asset allocation and risk

Strategic asset allocation

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

The committee regards the choice of asset allocation policy as the decision that has most influence on the likelihood of achieving their investment objective.

The committee retains direct responsibility for this decision which is made on the advice of their investment consultant with input from their fund actuary and in consultation with the employers within the fund.

The investment strategy will normally be reviewed every three years. The last review was undertaken in 2023. In addition, if there is a significant change in the capital markets, in the circumstances of the fund or in governing legislation then an earlier review may be conducted.

The committee formulates the investment strategy with a view to:

- the advisability of investing money in a wide variety of investments;
- the suitability of particular investments and types of investment;
- ensuring that asset allocation strategies are sufficiently diversified.

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

- quoted and unquoted equity;
- government and non-government bonds;
- Property, private equity, private credit and infrastructure;
- absolute return investments such as hedge funds, absolute return bond funds, insurance linked securities and other liquid alternative investments;
- derivatives, including equity options

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

Investment beliefs

The following investment beliefs are taken into account when agreeing an asset allocation policy: A long term approach to investment will deliver better returns.

- The long term nature of the fund's liabilities is well suited to a long term approach to investment.
- Asset allocation policy is the most important driver of long term return.
- Risk premiums exist for certain types of asset and taking advantage of these can help to improve investment returns.
- Markets can be inefficient, and sometimes 'mispriced' for long periods of time, and there is

a place for both active and passive investment management.

- Diversification across investments with low correlation improves the risk/return profile, but over-diversification is both costly and adds little value.
- The fund should be flexible enough in its asset allocation policy to take advantage of opportunities that arise as a result of market inefficiencies, and also flexible enough to protect against identifiable short-term risks when this is both practical and cost-effective.
- Responsible investment can enhance long term investment performance and the fund expects responsible investment integration to be a key part of the selection criteria for appointing new managers
- Investment management fees are important and should be minimised wherever possible, but it is ultimately the net return to investors (i.e. the return after all fees and costs) that is the most important factor.

Asset-liability study and expected returns

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

The asset-liability study takes into account the particular liabilities of the fund.

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

- Equities may be expected to outperform other asset classes over the long term, but the returns are more unpredictable over the short term. Gilts in turn can be expected to outperform cash deposits but with greater variability.
- Asset classes do not perform in the same way; some may go up in value while others are going down.

Expected annualised returns are formulated for each asset class based on long term capital market assumptions, using ten year expected returns and volatilities. The returns and volatilities used for each asset class are shown in the table below, and represent the ten year annualised nominal return assumptions from Aon as at 31 December 2022. These assumptions are consistent with the assumptions used for the 2023 Investment strategy review.

Asset class	31 December 2022	
	Absolute expected return %	Relative volatility %
Equities	7.5	17.2
Absolute return	5.7	5.4
Property	5.8	12.6
Private credit	7.5	8.7
Investment grade corporate bonds	5.4	6.8
Private equity	9.7	28.4
Infrastructure	7.3	18.7
Gilts	0.0	-2.1
Cash	0.0	-1.9

Investment strategy and control ranges

The fund's strategic asset allocation was agreed by the Pensions Committee in June 2023 as follows:

Asset class	Allocation	Control Range
Equities*	55.0	50.0-60.0
Private equity	7.5	3.5-11.5
Infrastructure	7.5	3.5-11.5
Illiquid credit	7.5	3.5-11.5
Property	5.0	3.0-7.0
Absolute return	7.5	5.5-9.5
Investment grade corporate bonds	10.0	8.0-12.0

* The fund has implemented an equity derivatives programme with Legal & General Investment Management in order to manage the SCPF's exposure to equity markets over the short to medium term.

Note, allocations to private markets such as private equity, private credit and infrastructure will vary and can take time to build up due to their illiquid nature.

Rebalancing policy

Officers will review the position of the fund quarterly to ensure the assets are within the control ranges listed above and will rebalance as appropriate. Noting that for illiquid asset classes such as property, infrastructure, private equity and illiquid credit this will take some time.

Risk

The committee regards 'risk' as the likelihood that it fails to achieve the objectives set out above and has taken several measures, to minimise this risk so

far as is possible. The fund's risk register has more information.

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

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

Asset allocation mismatch

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

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

- the rate of return on assets;
- salary escalation and price inflation for active members;
- price inflation for deferred members;
- price inflation for pensioners.

In terms of magnitude, the committee considers asset-liability mismatch risk to be one of the most important to control. Therefore, following each actuarial valuation, the committee conducts an asset-liability review, which focuses on the impact of asset allocation on expected future funding levels. The committee considers the results using advanced modelling techniques and, with the assistance of expert advisers, are able to measure and quantify them in terms of their definitions of risk. This allows the committee to assess the probabilities of critical funding points associated with different investment strategies. Consideration is given to the volatility of a number of parameters (e.g. items associated with accounting measures, contributions etc.), to further assess the potential risks associated with a particular investment strategy.

Cash-flow risk

The fund remains open to new members and new accruals. Contributions are received from both active members and employers within the fund. Active members contribute on a tiered system. Contributions from employers within the fund are determined based on advice from the fund actuary based on the triennial valuation.

The majority of investments held within the fund are quoted on major markets and may be realised quickly, if required. Certain asset classes, private credit, private equity, infrastructure and property are relatively illiquid and may take longer to realise, if required. The fund also receives income from many of its investments.

Investment risk

The committee believe the use of active management within the fund will increase the likelihood that the fund will meet its objectives. The decision as to whether to pursue active management is evaluated separately for each asset class, with regard to the potential reward within that asset class for taking on active manager risk.

Active manager risk is then diversified through the use of different investment managers and pooled funds.

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

The fund's assets are invested in portfolios managed by external investment managers shown in appendix B. They are benchmarked against the indicated indices. Based on expert advice (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the pool), investment managers may be replaced at any time and this list may not always be current.

The performance targets for the investment manager(s) are shown in appendix B. Shropshire Council recognises that these targets will not be met in all periods under consideration, but expects that they will be met in the vast majority of long-term periods under consideration. In addition, the return generated on the passive equities is constrained by the equity protection strategy the fund has in place with Legal & General.

Each investment manager appointed by the Committee (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the pool) is bound by the terms and conditions of an investment management agreement where restrictions and targets are clearly documented, including a measure of risk. The pooled fund investments and direct investments are governed by the terms and conditions of the fund and or policy documents.

Frequent monitoring of portfolio performance and exposure characteristics also aids in the ongoing risk management for the fund (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the pool).

Concentration risk

The split between asset classes has been set to ensure there is not excessive exposure to any particular asset class or specific risk such as equities or credit risk.

To ensure that asset allocation is sufficiently diversified the committee considers a full range of investment opportunities including those available through the LGPS Central Pool. In addition investment opportunities outside the pooling arrangements will be considered if they are not already or likely to be available through the pool, and there are suitable resources to invest in and monitor the investment.

Appropriate advice will be sought on alternative asset classes when setting the strategy and as opportunities arise.

Currency and counterparty risk

Passive equity investments are fully currency hedged by the investment manager.

Some investment managers may take active currency positions based on their mandates.

The committee has delegated responsibility for the counterparty risk to the investment manager(s) (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the pool who may further delegate to investment managers).

Legal & General shall manage the fund's margin or payment requirements arising in respect of the equity protection strategy.

Custody risk

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

Stock lending

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

The manager(s) of pooled funds may undertake a certain amount of stock lending on behalf of unit-holders. Where a pooled fund engages in this activity the extent is fully disclosed by the manager (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the pool).

Monitoring

The committee monitors the strategy and its implementation as follows:

- The committee receives, on a quarterly basis, a written report on the returns of the fund and asset classes together with supporting analysis.
- The performance of the total fund is also measured against the strategic benchmark, which is comprised of the asset class benchmarks weighted by the strategic allocations, and against agreed outperformance targets.
- The performance of the fund in each asset class is measured against the relevant benchmark. A comparison against a universe of portfolios with similar mandates will also be made from time to time.

The officers, in conjunction with the Investment Consultant, will regularly review the allocation of assets between the different asset classes.

Service provider monitoring

The committee reviews from time to time the services provided by the Investment Consultant and independent investment adviser and other service providers as necessary to ensure that the services provided remain appropriate for the fund.

Investment manager fees

Investment management fees comprise an ad valorem or fixed base fee element and in some cases a performance based element. The ad valorem fee is calculated as a percentage of assets under management. Where applicable, the performance based element is calculated as a percentage of outperformance. The assessment period ranges from one to three years depending on the investment manager and the mandate. The exact details of the fee arrangements are specific to the investment manager and are as agreed in the respective investment manager agreements or pooled fund documentation (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the pool).

5. Policies regarding investments social, environmental and corporate governance considerations

The committee believes that acting as a responsible investor of the fund's assets should be fully integrated into investment decision-making. The committee therefore seeks to ensure that the fund considers all aspects of responsible investment. This includes investment manager appointments and monitoring, through to discharging the rights and responsibilities of asset ownership, in order to encourage and promote high standards of governance and corporate responsibility, in the underlying companies and assets in which the fund invests. The committee believes that ultimately, high standards of governance and corporate responsibility creates long-term value for the fund and its beneficiaries.

The committee has developed a climate change strategy and stewardship plan. The committee also reports in line with the Task Force on Climate-Related Financial Disclosures (TCFD) on an annual basis, outlining climate related metrics, risks and opportunities.

Climate change strategy

The fund's climate change strategy aims to identify, understand and assess climate change risks and opportunities across regions and sectors that are material to the fund. This includes relevant climate-related transition and physical risks and opportunities that are likely to impact the fund's investment and funding strategy. Strategic actions include but are not limited to:

- Measuring climate-related risks and opportunities through triennial economic assessment of the fund's asset allocation against plausible climate-related scenarios;
- Assessing material climate-related risks and opportunities, alongside the manager's approach to mitigating these risks as part of the selection and due diligence of new funds;
- Joining collaborations of like-minded institutional investors to collectively lobby for Paris-aligned climate policies and promote engagement through LGPS Central;

This climate change strategy has been established to run for three years from September 2021 to September 2024, but will be reviewed annually.

Climate stewardship plan

Whilst the pooling company, LGPS Central, will report to the fund on engagement activity, the fund itself plays an active role in monitoring engagements and engaging with LGPS Central for further information if needed. As a result, the committee focuses on identifying specific investee companies and portfolio managers in which stewardship techniques can be leveraged to further understand and manage climate-related risks within the fund. In addition, CTI provides a responsible engagement overlay on the fund's global equity portfolios. CTI enters into constructive discussions with companies on the fund's behalf to propose better management of the negative impacts they might have on the environment and society in general, in order to improve financial returns.

Throughout the engagement activities carried out by and on behalf of the fund, coupled with the climate risk analysis as part of TCFD reporting, the fund has identified investment managers to ensure climate-related risk is fully integrated into their investment processes. The fund will engage its managers on the following issues:

Asset class	Topic
Equities	• Stewardship activities with companies identified in the climate risk report • The influence of climate factors on sector positioning
Fixed income	• Approach to assessing climate risk in the absence of reported GHG emissions data • Engagement with the most intensive carbon issuers • Extent of investment in green bonds
Real assets	• Physical risk resilience • GRESB participation

The fund will report on progress annually on its stewardship objectives through its public facing climate risk report. During the annual refresh of the carbon risk metrics analysis as part of the TCFD reporting, the focus list of investee companies and fund managers will be reviewed and amended if required.

Industry initiatives

Shropshire Council has signed, as a tier 1 signatory, to the previous UK Stewardship code and submitted its application to become a signatory of the new UK Stewardship Code ("the code") in May 2023.

The principles of the UK Stewardship Code are included in appendix C for information.

In addition, the fund is a member of the Local Authority Pension Fund Forum. This is a special interest group of the Local Government Association that exists to promote the investment interests of local authority pension funds. The forum aims to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest. The forum issues research and guidance relating to climate change and employment standards and promotes best investment practice for the Local Government Pension Scheme nationally. The forum regularly engages directly with large companies in this regard and has been effective in improving companies understanding of the requirements of investors.

The exercise of the rights attaching to investments

The committee has delegated responsibility for the selection, retention and realisation of investments to the investment manager(s) (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the pool who may further delegate to investment managers).

The committee expects the investment managers to take steps to ensure that environmental, social and governance factors are adequately addressed in the selection, retention and realisation of investments as far as such factors may affect investment performance (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the pool who may further delegate to investment managers).

The committee supports the principle of good corporate governance. It has reviewed and accepted the corporate governance policies of its investment manager(s) who exercise its voting rights. Votes are cast by proxy. Investment manager(s) provide reports when any voting rights are exercised (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the pool). Only direct investments in traded equity shares carry such voting rights.

➤ Appendix A

Myners Principles for Institutional Investment Decision Making

Principle	Comply or explain	Comment/examples
1. Effective decision making Administrating authorities should ensure that: • decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation • Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest	Comply	Pension Committee takes decisions relating to setting investment objectives and strategic asset allocation, appointment of investment managers. Pension Committee members, substitute members and officers participate in regular training, attend educational seminars and receive papers and presentations at committee meetings. The training requirements of new Pension Committee members are addressed and appropriate training programmes made available, with a formal training programme being submitted to the Committee for consideration on an annual basis.
2. Clear objectives • An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers and the attitude to risk of both the administrating authority and scheme employers, and these should be clearly communicated to advisors and investment managers	Comply	A fund specific investment objective is set to maintain a funding level at, or close to 100% and within this, to endeavour to maintain low and stable employers contribution rates. As set out in the funding strategy statement, the actuary takes account of a range of factors on the fund's liabilities in setting contribution rates as part of the valuation process. Performance and risk parameters are specified in relation to relevant indices and appropriate time periods and are set out in investment mandates.
3. Risk and liabilities • In setting and reviewing their investment strategy administrating authorities should take account of the form and structure of liabilities. • These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk	Comply	Asset/liability review is carried out every three years and the actuary takes account of a range of factors on the fund's liabilities as set out in the fund's funding strategy statement which addresses the issues of financial assumptions, longevity and strength of covenant. If required, the actuarial funding position can be reported to the Pensions Committee on a quarterly basis, using information provided by Aon.
4. Performance assessment • Arrangements should be in place for formal measurement of performance of the investments, investment managers and advisors • Administrating authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members	Comply	The officers have an independent performance measurer in place. They also receive regular updates from Aon regarding managers and the officers meet regularly with their managers and advisors to review their performance. The fund has assessed its effectiveness as a decision-making body and aims to spend more time on strategic level and asset allocation decisions compared to meeting managers going forwards.
5. Responsible ownership Administrating authorities should: • Adopt or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents • Include a statement of their policy on responsible ownership in the statement of investment principles • Report periodically to scheme members on the discharge of such responsibilities	Comply	The investment strategy statement includes a statement on responsible ownership. Specialist external companies are appointed to engage with companies on socially responsible issues and voting at company meetings is affected through the fund's investment managers/LGPS Central.
6. Transparency and reporting Administrating authorities should: • Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives • Provide regular communication to scheme members in the form they consider most appropriate	Comply	A range of documents are published relating to the fund's investment management and governance including the governance compliance statement, funding strategy statement, investment strategy statement, communication policy statement, climate strategy & stewardship plan, TCFD reports and annual report and accounts. These documents are available in full on the fund's website and any amendments are published.

Appendix B

Investment manager mandates

Investment manager	Asset class	Benchmark	Target
Active portfolios			
PIMCO Europe Ltd	Absolute return (bonds)	1 month Sterling SONIA	+2% p.a.
BlackRock	Absolute return (bonds)	3 month US Govt T-Bills hedged to GBP	+ 4% p.a.
T. Rowe Price	Absolute return (bonds)	3 month Sterling SONIA	+ 3% p.a.
LGPS Central	Global equities	MSCI All Country World NDR	+ 1.5% p.a. over rolling 3 year periods
LGPS Central Global Sustainable Equities	Global equities	FTSE All World	Excess Return
Harbour Vest Partners Limited	Illiquid growth - private equity	Broad public equities index	+ 3% p.a.
LGPS Central	Private equity	FTSE All World Index	Excess Return
Global Infrastructure Management	Illiquid growth - infrastructure	CPI	+ 5% p.a.
LGPS Central	Illiquid growth - infrastructure	n/a	+3.5%
Aberdeen Property Investors	Property	Composite of INREV VA Europe Index, vintage 2005 - 2008 and IPD UK All Balanced Funds Index	match benchmark
BlackRock	Absolute return (hedge funds)	3 month Sterling SONIA	+4% p.a.
DRC Capital	Illiquid credit	n/a	Absolute 6.0% p.a.
LGPS Central	Illiquid credit	n/a	Absolute 6.0% p.a.
Securis	Absolute return (insurance linked securities)	3 month US Govt T-Bills hedged to GBP	+5.0% p.a.
Indexed (Passive) Portfolios			
Legal & General Investment Management	Global equity	Low Carbon Index - GBP Currency Hedged	Match benchmark*

* This shows the benchmark of the SCPF's equities managed by Legal & General Investment Management. In addition, the fund has implemented an equity protection programme (using derivatives) with Legal & General Investment Management in order to manage the SCPF's exposure to equity markets over the short to medium term. **Note** some of these manager mandates will be reviewed following implementation of the new investment strategy and once LGPS Central have solutions in place.

> Appendix C

Principles of the UK Stewardship Code

UK Stewardship Code 2020 consists of twelve principles grouped into four areas, namely:

- Purpose and governance;
- Investment approach;
- Engagement;
- Exercising rights and responsibilities.

Purpose and governance

1. Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
2. Signatories' governance, resources and incentives support stewardship.
3. Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.
4. Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
5. Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Investment approach

6. Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
7. Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
8. Signatories monitor and hold to account managers and/or service providers.

Engagement

9. Signatories engage with issuers to maintain or enhance the value of assets.
10. Signatories, where necessary, participate in collaborative engagement to influence issuers.
11. Signatories, where necessary, escalate stewardship activities to influence issuers.

Exercising right and responsibilities

12. Signatories actively exercise their rights and responsibilities.

Climate change strategy

Appendix

05

Agreed by Pensions Committee September 2021

■ Introduction

Climate action failure is the stand-out, long-term risk the world faces in likelihood and impact according to the 2020 Global Risks Report from the World Economic Forum. If 'business as usual' continues, the world could heat up by about 5 degrees by 2100 which would cause profound societal damages and significant human harm. According to the Intergovernmental Panel on Climate Change (IPCC), GHG emissions need to fall by 45% vs 2010 levels by 2030 in order to avoid the worst effects of climate change.

As a long-term asset owner, we would like to see stable, well-functioning and sustainable markets which will foster long-term value creation and sustainable returns. Climate change cuts across industries, markets and economies and is a risk that cannot be fully diversified. How companies manage climate-related transition and physical risks and opportunities is highly likely to affect long-term profits and company returns. Likewise, policy makers need to take into account the affect policies could have on companies long term profits and returns. We endeavour to take a holistic approach to managing climate change risk and to act in a manner that will enable broader transition towards a low-carbon economy through a combination of portfolio construction, engagement and policy advocacy. Shropshire County Pension Fund take a proactive view on climate change and in December 2020 published its first TCFD-aligned report. This climate strategy document should be read in conjunction with this report, which can be found here.

■ About this document

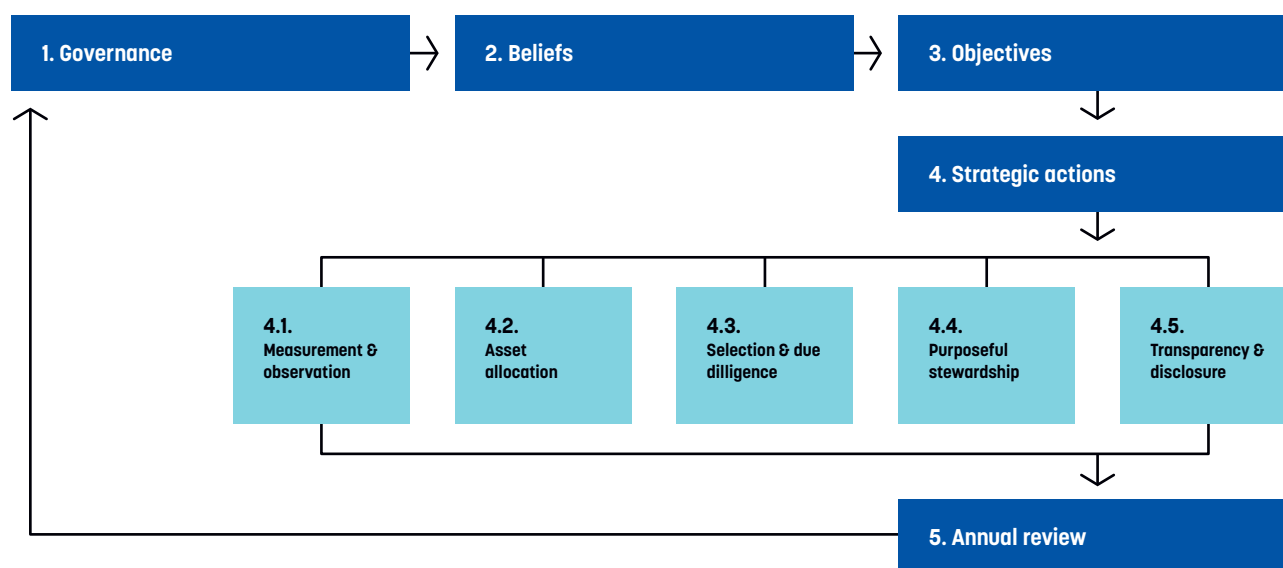
This document is Shropshire County Pension Fund's ("the fund") climate change strategy. The document's objective is to explain the fund's approach to addressing the risks and opportunities related to climate change. It has been prepared in alignment with the final recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD"). The document is a component of the fund's investment strategy.

■ Governance of climate change risk

The Pension Committee is responsible for approving the fund's policies and procedures including the fund's climate change strategy. Responsibility for the implementation of the strategy is held by Scheme Administrator and Head of Treasury & Pensions. The Pension Committee will review the strategy on an annual basis and agenda time will be scheduled twice a year for discussion of progress on the strategy. The Pension Board and Pension Committee will receive regular training on responsible investing topics including climate change, with the latter receiving updates quarterly.

As a primarily externally managed fund, the implementation of much of the management of climate-related risk is delegated onwards to portfolio managers, with oversight from the fund officers, and Aon, the investment consultant. Where appropriate, LGPS Central assists the fund in assessing and managing climate-related risks.

Figure 1: Depiction of the climate change strategy



■ Evidence-based beliefs related to climate change

1. As a result of anthropogenic activities, the world is warming at an unsustainable rate. Already the world is approximately 1°C warmer than pre-industrial levels. Unabated, such change would be devastating for our way of life.
2. We believe there is overwhelming evidence that climate change is impacting the environment. This would have long-term consequences for our financial system. We hold that the economic damages of climate change will outweigh the costs of precautionary mitigation.
3. Climate change is a financially material risk for the fund. It has the potential to impact our beneficiaries, employers, council, and all our holdings across asset classes. Due consideration of climate risk falls within the scope of the fund's fiduciary duty.
4. Climate change has the potential to impact the funding level of the fund through impacts on employer covenant, credit risk, asset pricing, and longer-term inflation, interest rates and demographic risk.
5. The fund strongly supports the Paris Agreement on climate change.
6. We believe that a transition to a low-carbon economy is essential. This requires greenhouse gas emissions to decline to net-zero by mid-point of the century. A major part of this process will focus on the transformation of the supply and demand for energy, for example decarbonization of district heating and transportation systems.
7. The fund believes all companies should align their business activities with the Paris Agreement on climate change. It is possible for a high-emitting company to undergo this transformation and thrive in the transition to a low-carbon future.
8. Investors have an important role to play in the transition to a low-carbon economy. For example, we would be less likely to realise a Paris-aligned energy transition were investors to cease influencing company behaviours.
9. A global co-ordinated response is needed to limit the rise in temperatures. No individual investor is influential enough to act alone. Governments, policymakers, consumers, companies and investors all have a role to play. Acting in collaboration will increase the likelihood of an orderly transition to a low-carbon economy.
10. Climate-aware decisions can only be made with accurate, relevant, complete, and comparable

data alongside appropriate expertise to draw meaningful conclusions.

■ Objectives

Identify, understand and assess risks and opportunities

We aim to utilise the best available information and tools to identify, understand and assess climate change risks and opportunities across regions and sectors that are material to our fund. This includes both relevant climate-related transition and physical risks and opportunities likely to impact our investment strategy and funding strategy.

Fund resilience

We aim to ensure our investment portfolio and our funding strategy are resilient to climate change impacts.

To achieve climate change resilience, we aim to ensure that material short, medium- and long-term climate change considerations play an integral part in the stewardship of our investment portfolio. This includes climate change integration in the selection and due diligence, and continuous monitoring of assets.

We aim to influence investee companies and fund managers through routine engagement and voting on climate change issues.

Policy advocacy and transparency

We aim to work alongside like-minded organisations to support the ambitions of the Paris Agreement. This includes advocating for Paris-aligned regulations and policies with governments, policy makers, the investment industry and other stakeholders. We aim to be fully transparent with our stakeholders through regular public disclosure, aligned with best practice.

■ Strategic actions

1. Measurement & observation

We will make regular measurements and observations on the climate-related risks and opportunities relating to our fund. This includes:

- Identification of the most material climate-related risks and opportunities relevant to the fund
- A triennial economic assessment of the fund's asset allocation against plausible climate-related scenarios such as monitoring the likelihood of different climate scenarios, drawing on the fund's

suppliers and advisers.

- A carbon risk metrics assessment of the fund's listed equities. This includes the following metrics; portfolio carbon footprint, fossil fuel exposure, carbon risk management and clean technology. The fund aims to expand this type of analysis to other asset classes once reliable climate-related data becomes available.

We aim to use the best available tools and techniques to analyse climate-related risks and opportunities the fund is exposed to. We recognise that certain methodologies are in the early stages of development, including measuring fund alignment with the Paris Agreement. As such, we will support efforts to develop credible methodologies.

Recognising the deficiency of relevant, consistent and comparable climate-related financial data, we will encourage disclosure and the adoption of the recommendations of the TCFD across our investment chain, including external managers and investee companies.

2. Asset allocation

Where permitted by a credible evidence base, we will integrate climate change factors into reviews of our asset allocation, subject to the requirements of the investment strategy statement and funding strategy statement.

Like most investors, the fund is supportive of the development of target-setting methodologies, and of the increasing completeness of carbon datasets. The fund wishes to explore options to further manage climate-related risks and work is underway to assess options within the limitations of currently available data. As part of the continued development of the fund's climate strategy, the Pensions Committee is exploring ways to reduce the fund's carbon footprint, particularly in the listed equities portfolios.

3. Selection, due diligence and monitoring

In our selection and due diligence of new funds we will assess the material climate-related risks and opportunities, alongside the manager's approach to managing climate risks.

Appointed investment managers will be regularly monitored to ensure climate-related risk is fully

integrated into the investment process. The fund will make use of the IIGCC's "addressing climate risks and opportunities in the investment process" as an aid. In addition, the fund will:

- Discuss with our equity managers the influence of climate factors on their sector positioning
- Discuss with our real asset managers their physical risk resilience and GRESB participation
- Engage our corporate bond managers on their approach to assessing climate risk within their portfolios even when in the absence of reported GHG emissions data

Our expectations on climate risk management will be specified in investment mandates, investment management agreements and other relevant documentation.

4. Purposeful stewardship

The fund will develop a climate stewardship plan. This will set clear goals of engagement with companies, fund managers, policy-makers and other organisations of influence. We will use stewardship techniques to manage the risks and opportunities in our investment portfolio, focusing on the risks and opportunities of greatest magnitude.

Through LGPS Central, the fund will join collaborations of like-minded institutional investors to collectively lobby for Paris-aligned climate policies and promote engagement.

We will make use of our voting rights and will co-file or support climate-related shareholder resolutions.

5. Transparency & disclosure

We will prepare and disclose a TCFD report annually, which will include our carbon risk metrics.

We will report progress on the climate stewardship plan to the Shropshire County Pension Fund committee on an annual basis.

We will publish an annual summary of our voting and engagement activity.

■ Annual review

This climate change strategy has been established to run for three years from September 2021 to September 2024 but will be reviewed annually.

In light of the dynamic characteristics of climate change and the uncertainty regarding the level and speed of policy makers' response to the climate change risk spectrum, we will review this climate change strategy on an annual basis.

As the fund progresses its focus on climate change, upon each annual review, we expect the climate strategy will be updated with more detail of specific processes and methods used to achieve the desired objectives. We cannot predict future investment returns of investments in the low carbon transition but we will consider investment options that seek competitive returns and can deliver additional societal and environmental benefit.

Climate stewardship plan

Appendix

06

Agreed by Pensions Committee March 2023

■ Introduction

In August 2020 Shropshire County Pension Fund (“The fund”) received an in-depth climate risk report from its pooling company, LGPS Central Limited. One of the key recommendations from this report was for the fund to develop a climate stewardship plan. The climate stewardship plan identifies specific investee companies and portfolio managers in which stewardship techniques can be leveraged to further understand and manage climate-related risks within the fund. The climate stewardship plan aligns with and is supportive of the Task Force on Climate-related Financial Disclosures (TCFD) and relates to the third pillar – risk management.

The climate stewardship plan focuses specifically on climate change and complements ongoing stewardship activities on other environmental, social and governance factors.

The climate stewardship plan operates alongside the wider context, that for investments outside of LGPS Central, corporate engagements are also carried out through the appointed asset managers. In addition to LGPS Central the fund also invest in equities through Legal and General Investment Management (LGIM). The fund also engages Columbia Threadneedle Investments to carry out further engagement work with invested companies globally and is a member of the Local Authority Pension Fund Forum (LAPFF). The fund has regular oversight of and discussions with LGIM and Columbia Threadneedle Investments on their stewardship activity.

■ Scope

The fund’s climate risk report included a bottom-up carbon risk metrics analysis of its equity portfolios. The carbon risk metrics utilised included: portfolio carbon footprint (weighted average carbon intensity), exposure to fossil fuel reserves, weight in clean technology, carbon risk management (via the transition pathway initiative) and financed emissions. The companies recommended for engagement were identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics
- Weight of the company in the fund
- Ability to leverage investor partnerships
- The fund managers recommended for engagement were identified based on the following factors:
- Perceived level of climate risk, considering

carbon risk metrics and climate scenario analysis

- Size (by AUM) of the portfolio
- Whether the mandate is expected to be long-term

■ Climate stewardship plan

The fund will monitor engagements with a focus list of ten investee companies that face a high level of climate risk and are of particular significance to the fund’s portfolio. Seven companies are captured by the Climate Action 100+ (CA100+) engagement project, in which our pooling company LGPS Central is an active participant.

Whilst the pooling company, LGPS Central will report to the fund on engagement activity, the fund itself plays an active role in monitoring engagements and engaging with LGPS Central for further information if needed.

Officers meet with investment managers on a quarterly basis to challenge and hold them to account on the companies they hold within their portfolios which have been identified within the stewardship plan. Updates on engagement and voting activities are provided on a quarterly basis to Pension Committee as part of the corporate governance report.

In leveraging this investor initiative, the fund is able to engage and monitor progress for the focus list companies against a newly established CA100+ net-zero benchmark framework. All companies have been asked to set a 2050 net-zero emissions ambition and to provide verifiable evidence of how that will be achieved in the short, medium and long-term. The first company assessments have been released by the IIGCC and the results are publicly available.

Company response and engagement progress will feed into voting decisions undertaken by the fund. The fund will engage these investee companies on all elements of the CA100+ framework but with particular emphasis on:

Company	Sector	Portfolio	Issue/ Objective
BP	Energy	LGIM Solactive Portfolio	- Continued improvement in achievement of CA100+ high level objectives - To duly account for climate risks in financial reporting
Glencore	Materials	LGPS Central Global Equity Active Multi Manager Fund	Continued improvement in achievement of CA100+ high level objectives, including attainment of specific indicators in the CA100+ benchmark
LafargeHolcim	Materials	LGPS Central Global Equity Active Multi Manager Fund	- Paris-aligned accounts in line with IIGCC's Investor Expectations - Continued improvement in achievement of CA100+ high level objectives
NextEra Energy	Utilities	LGPS Central Global Equity Active Multi Manager Fund LGPS Central Global Sustainable Equities	- Net - zero GHG emissions by 2050 or sooner ambition - Capital allocation alignment with Paris Agreement - Commitment to clear medium and long term GHG reduction targets
Ryanair	Industrials	LGIM Solactive Portfolio	Discussion re progress of the company's decarbonisation strategy
Royal Dutch Shell	Energy	LGIM Solactive Portfolio LGPS Central Global Equity Active Multi Manager Fund	- To set and publish targets that are aligned with the goal of the Paris Agreement - To set and publish targets that are aligned with the goal of the Paris Agreement - To fully reflect net - zero ambition in its operational plans and budgets - To set a transparent strategy on achieving net - zero emissions by 2050
RWE AG	Energy	LGPS Central Global Equity Active Multi Manager Fund	- New addition as per the 2022 climate risk report - Achievement of CA100+ high level objectives - To duly account for climate risks in financial reporting
CRH PLC	Materials	LGPS Central Global Equity Active Multi Manager Fund	- New addition as per the 2022 climate risk report - Achievement of CA100+ high level objectives - To duly account for climate risks in financial reporting
CF Industries	Materials	LGPS Central Global Equity Active Multi Manager Fund	- New addition as per the 2022 climate risk report - Discussion re progress of the company's decarbonisation strategy
Iberdrola SA	Energy	LGPS Central Global Sustainable Equities	- New addition as per the 2022 climate risk report - Achievement of CA100+ high level objectives - To duly account for climate risks in financial reporting

1 Ryanair and CF Industries are not part of the Climate Action 100+ engagement project. // 2 Climate Action 100+ (CA100+) was initiated in December 2017 and is supported by more than 500 investors with 47 trillion USD in AUM. The project builds on a relatively simple but powerful logic: Engage and influence the highest emitters (80% of global industrial emissions) and you influence whole sectors, markets and the global economy with a view to assisting an orderly transition to a low-carbon economy.

The fund will monitor identified investment managers to ensure climate-related risk is fully integrated into their investment processes. The fund will engage its managers on the following issues:

Asset class	Topic
Equities	- Stewardship activities with companies identified in the climate risk report - The influence of climate factors on sector positioning
Fixed income	- Approach to assessing climate risk in the absence of reported GHG emissions data - Engagement with the most intensive carbon issuers - Extent of investment in green bonds
Real assets	- Physical risk resilience - GRESB participation

Timeline

The climate stewardship plan sets stewardship objectives over several years, and the fund will report on progress annually through its public facing climate risk report. The next progress update is expected in Q4 2023. During the annual refresh of the carbon risk metrics analysis, the focus list of investee companies and fund managers will be reviewed and amended if required.

Further information

For further information about anything in or related to in this policy please contact:

Email: pensions@shropshire.gov.uk

Website: www.shropshirecountypensionfund.co.uk

Tel: 01743 252130

Write: Pensions, PO Box 4826, Shrewsbury, SY1 9LJ

Office hours

Monday to Thursday 8.45am to 5.00pm

Friday 8.45am to 4.00pm

Communications policy statement

Appendix

07

Agreed by Pensions Committee December 2022

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

■ Introduction

This statement has been prepared in accordance with Regulation 61 of the Local Government Pension Scheme (Administration) Regulations 2013 by Shropshire County Pension Fund (the 'fund'). It sets out its communications approach with scheme members, employers, and other interested stakeholders.

The fund deals with over 220 employers and over 50,000 scheme members made up of contributing members, deferred members, and retired members in relation to the Local Government Pension Scheme (LGPS).

The main aim of the Shropshire County Pension Fund is to provide members and employers with an efficient pension administration service providing secure pension benefits which have been worked out accurately and paid on time. Timely and clear communication with both members and employers plays a key role in helping employers meet their statutory obligations and helps members plan their retirement.

The fund designs and delivers communications to scheme members and employers in a way that makes sure they can understand the LGPS. Information should be clear and simple to understand, as well as being accurate and easily accessible. It is important that members can understand their pension arrangements and make informed decisions when needed and employers understand their statutory responsibilities.

The pensions team work to maintain a thorough knowledge of the regulations to keep the confidence of its members. The pensions team should always be the first-place staff members turn to for LGPS pension information during their working life and in retirement. The fund also takes part in several national groups, with the aim of sharing best communication practices. The Joint Communications Group allows the fund to work with other local government authorities, giving group members the chance to share communication resources and develop joint projects, such as newsletters and member guides. The fund is also part of the Local Government Pensions Committee (LGPC), which publishes national communication material.

■ Principles of communication

The fund has adopted five key principles that supports all its communication. The fund is committed to making sure:

- Communication is factual and presented in plain, easy to understand language.
- Communication is designed in a manner appropriate to its audience.
- Communication is issued in a timely manner.
- Communication keeps up with the developments and improvements in new technology.
- Communication is planned, co-ordinated and reviewed.

The fund is 'digital by default' unless a member requires the information in a paper format. Digital communication is used by the fund to deliver scheme information, increase member engagement and to give regular updates to employers. It can help meet member demand and expectation to regularly access pension information. It can also reduce the fund's environmental footprint by decreasing paper and printing usage. When information is asked for in paper format, a sustainable printing service will be used.

The fund makes every effort to make communication materials available in other formats such as large print, braille, audio tape and different languages, if requested.

The Local Government Pension Scheme is a desirable benefit for attracting employees to work in local government. For employers, it is a key part of their recruitment and retention package. The fund is also the last, and often the only, link between former staff members and their employers. The fund therefore has an important role in making sure effective communications continue even when members have left employment, have a deferred pension, or a pension in payment. The fund keeps in touch with all members and if contact is lost (for example, if a member has moved and not told the fund), a tracing exercise can be carried out to find the member and update their personal details.

The pensions team are committed to responding quickly to member requests for information. Information is given within set internal and regulatory timescales taking into consideration The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and other overriding legislation. The turnaround time

for dealing with standard requests for information is normally ten working days but may take longer depending on the request timing and the request itself.

When a request for information has been made, an acknowledgement receipt will be given, usually within three working days. If it is going to take longer than ten days to provide the information, members will be told when they are likely to receive it.

■ How the fund communicates

Scheme literature

A wide range of scheme literature is produced and updated by the fund for both members and employers. Copies are available on the fund website and can be provided in paper format upon request. All paper and electronic guides are made using similar branding and include full contact details for the pensions team. The fund has scheme guides which cover the scheme benefits, who is eligible and retirement options. Both new and prospective members are provided with basic information about the LGPS, such as how benefits are worked out, how member and employer contributions are calculated etc via the scheme guides.

One-to-one meetings

For members who require a one-to-one meeting communication, appointments can be made with a member of the team. Virtual meetings will be encouraged but face to face meetings can be attended, depending on venue availability, and must be booked in advance. The fund will organise one-to-one meetings at employer workplaces periodically. Employers can also ask for one-to-one meetings, but these requests will be considered depending on location and member interest.

Helpdesk

The fund has a dedicated helpdesk which deals with all the incoming post, emails and telephone calls. The helpdesk contact details are published on all scheme literature. The helpdesk telephone number is 01743 252130 and email address is pensions@shropshire.gov.uk

The helpdesk is open from 8.45am to 5.00pm Monday – Thursday and 8.45am to 4.00pm on Friday. During team meetings and busy periods an automated answering service will be in place. All fund officers also have a direct telephone number

and email address should they need to be contacted directly.

Website

The fund has a website, www.shropshirecountypensionfund.co.uk, which holds most of the scheme information including copies of scheme literature, policies and annual reports. There is a latest news page which is used to keep members up to date. There is also a news page on the employers' area of the website specifically aimed at employers. The website has been adapted to make sure it is accessible to view on electronic devices such as tablets and mobile phones. The website has been developed in line with accessibility standards and has a published compliance statement.

'My Pension Online'

A secure online portal gives members access to their pension record. The facility provides members with the opportunity to update their personal details, view annual benefit statements and perform benefit projections, as well as change death grant nominations. Members in receipt of a pension are also able to change bank details, check their annual pension and view monthly payments. The online system can be accessed via the fund's website homepage.

Material changes to the scheme

The fund will inform members when any material changes are made to the LGPS via the website, email alerts or newsletter unless a paper notification has been requested. This information is normally given as soon as possible after the change takes effect, but in any event within three months after the change.

Email alerts

The fund asks all members for an email address, so they can be contacted by the fund with the latest scheme news.

Presentations

The fund delivers standard or tailored presentations on a wide range of pension topics for both employers and members around the county. These presentations are provided by fund staff at the request of employers, or organised by the fund, at geographically convenient locations or using virtual meeting technology. Presentations keep members informed of any changes that may affect their benefits.

Newsletters

'Pension update' is the fund's in-house newsletter for active and deferred members and is sometimes produced as a collaborative project with other funds. This newsletter is issued periodically and aims to provide topical news articles and the latest information about the scheme and pensions in general. The newsletters are usually issued via email and published on the fund website. InTouch is the fund's in-house newsletter for retired members. The newsletter is a useful way of providing updates on relevant changes in legislation as well as topical news articles.

Annual report & accounts

The annual report is a statutory financial reporting document showing the fund's accounts over the previous 12 months, along with details on both investment and administration performance. Members and employers are notified when the report has been published via email and the news pages of the fund website.

Annual update

Members and employers will be provided with information annually from the fund's management team on the latest fund news. Information will be provided either through a news update on the website, the annual report, an in-person meeting or via a webinar/video update. Information covered will be scheme benefit changes, valuation position and how the fund considers economic, social and governance issues with its investments.

Videos

When needed, the fund uses short videos to help explain the scheme.

Annual benefit statements

It is a statutory requirement to provide annual benefit statements to both active and deferred members. Annual benefit statements are issued via 'My Pension Online', unless a paper copy has been requested. The statements include various pension details such as the current value of benefits, how they are calculated and when they become payable. The format of the statement is continually reviewed to provide members with the required statutory information in a clear and concise manner. Statements for active members must be issued by the 31 August each year and members are notified via email when statements become available to view.

Pension savings statement

A pensions saving statement will be supplied to a member by the 6 October each year if their pension savings in the fund, during a pension input period, are more than the annual allowance limit.

Active members - new starters

When eligible members are enrolled into the scheme, the employer is instructed to provide basic scheme information by issuing a scheme booklet either in paper format or via a link to the fund website. The fund also provides basic scheme information to new starters following a new employment notification. The fund produces a brief scheme guide on the Local Government Pension Scheme. This should be provided by scheme employers to all new employees as part of their letter of employment, terms and conditions – some employers choose to email this to new employees.

Retirement process booklet

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

Corporate induction courses

Officers of the fund are invited to attend, or to contribute to, employer corporate inductions (including e-learning) for prospective members or new joiners.

Promotional campaigns

The fund periodically produces dedicated marketing literature that is sent to those who choose not to join or opt to leave the scheme. This literature promotes the benefits of having an occupational pension and gives members who have opted out an option to re-join the scheme.

P60 notification

Each member receiving a pension will have a P60 issued each year by the statutory deadline of 31 May.

Pension increase notification

Following the publication of a Pensions Increase (Review) Order, the fund will adjust the relevant pensions in payment according to the order and make available the new annual pension amount to the member in 'My Pension Online'.

Existence checks of retired members living abroad

The fund will, when appropriate, undertake to

establish the continued existence of pensioner members living abroad.

Other employer communications

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

■ Employer specific communications

New or prospective employers

Scheme information is given to all new and prospective scheme employers via information booklets or the employer's areas on the fund website.

Employer meetings & training sessions

Meetings and training sessions are arranged for employers on a regular basis and will be delivered either in person or using virtual meeting technology. They are used to communicate issues with employers such as benefit regulation changes, administration changes, employer contribution rates and the funding level of the fund at each actuarial valuation.

Employers' guide

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

Employers bulletins

Regular email bulletins are sent to all employers who are registered contacts. These emails aim to tell employers about the latest news, issues, events and regulatory changes. The bulletin is also used to communicate any consultations about policy and regulations.

Monthly data requirements and end of year procedure

Employers must send monthly data to the pensions team for their scheme members to make sure their pension record is accurate. Employers in the fund must use a "middleware" facility called i-Connect that helps the fund and employers by improving the flow of member data from employers to the

fund, minimizing the risk of fines from the Pension Regulator by ensuring data is regularly supplied. The cost of this system is met by the fund. Guides for using i-Connect are published on the employer's area on the fund website.

Each year employers must submit a year end return and compliance statement. Employers are contacted towards the end of the financial year with the year-end template, forms and instructions for completion.

Webinars

Webinars are used to give information to employers without them having to travel for meetings. Employers can learn from the comfort of their desks and ask questions while the presentation is taking place. Webinar content varies depending on feedback received from employers and target specific topics where they feel they lack knowledge. Webinars can also be recorded and sent to employers who were unable to attend.

Reporting breaches

The fund has a reporting breaches policy and procedure. This makes sure anyone responsible for reporting and whistle blowing can find, assess and report (or record if not reported) a breach of pensions law. All potential breaches of the law are recorded by the fund and the scheme employer informed that it has been recorded as a breach. Each employing authority must choose a named individual to act as the main point of contact about any aspect of administering the LGPS. If an employer has built up multiple recorded breaches, the main contact will be told and asked to help resolve any outstanding issues and reduce the risk of reoccurrence.

■ Governance and communications

Pension Committee

The Pension Committee is made up of member representatives, employing authorities, trade union representatives and a retired member representative. The committee has an on-going training programme for members and officers to ensure that decision making is on an informed basis. Training forms part of the quarterly committee meeting.

Knowledge building and training is provided via the fund's officers, advisors and external training courses. Pension Committee reports are available on the council's website www.shropshire.gov.uk and by following the link for 'Committees, meetings and

decisions' and on the 'Pension Committee' page on: www.shropshirecountypensionfund.co.uk

Pensions Board

Under the LGPS Governance Regulations 2015, a Pension Board was introduced on 1 April 2015 to ensure effective governance and administration of the scheme.

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

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

The Pension Board consists of an equal number of employer and employee representatives. Training can form part of the Pensions Board meeting and board members are invited to all other LGPS related training sessions and Pension Committee meetings/training sessions.

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

Surveys and self-assessments of the knowledge and skills of both the Pensions Committee and Pensions Board members are regularly undertaken. More information can be found in the training policy.

Management team

The Head of Pensions – LGPS Senior Officer is responsible for the Pensions Administration Team and the Pension Investment Team. The Pensions Management Team meets on a weekly basis to discuss items in relation to the running of the team and regulation changes. It comprises the Pensions Administration Manager and Team Leaders. A similar monthly meeting is held between the Head of Pensions - LGPS Senior Officer, the Pensions Administration Manager, Pension investment staff and Team Leaders on a rotational basis.

Team meetings

Team meetings involving all staff are held monthly. Notes of all meetings and items arising from such meetings are passed through to the Head of Pensions – LGPS Senior Officer and to Shropshire Council's s151 Officer, if necessary.

Training

The fund seeks to continually improve the ability of staff to communicate effectively and to understand the importance of good communication. Both general and pension-specific training is provided to all staff as part of the fund's commitment to staff development. This includes the Public Sector Pension Scheme modules on the Pensions Regulators online e-portal. The fund conducts performance appraisals for its entire staff. The fund's training requirements are documented in the training policy held on the fund website.

Intranet and email

Each member of staff has access to email and a storage drive which contains electronic copies of many of the key documents, procedures, minutes and circulars.

Policy documents

All the fund's approved policies can be found on the website: www.shropshirecountypensionfund.co.uk

Communication with other bodies **Mercer (pension fund actuary)**

The fund performs an actuarial valuation as required by the regulations. The actuary also deals with interim valuations when needed and gives information and advice about a range of issues affecting the fund. These issues include dealing with new and ceasing employers, bulk transfers and regulatory changes.

Legal advice

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

Department for Levelling up, Housing and Communities (DLUHC)

The fund communicates with the DLUHC while in consultation on proposals for changes to the scheme regulations or any other legislation matters. Trade unions or member representatives
The fund liaises with trade unions or other member

representatives to ensure that details of the LGPS availability are brought to their members' attention and assist in providing information, in circumstances such as negotiations under TUPE, to make sure, whenever possible, continued access to the LGPS. The fund works with the trade unions to check the scheme is understood by all interested parties. The fund ensures that all pension-related issues are communicated effectively with the trade unions through representation on the Pensions Committee or via member representatives on the Pensions Board.

Press & media

The fund, in conjunction with the council's communications unit, actively engages with the press and other media organisations in order to ensure clarity, facts and fair representation.

Shrewsbury Regional Pension Officer's Group (SPOG)

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

National working groups

The fund is involved at national level in an LGPS Technical Officer Group, Local Government Association (LGA) Communications Working Group and LGPS Central Strategic Administration group.

Joint working with other pension funds

To reduce costs and share best practice, the fund leads on collaborative working with other pension funds. Representatives from each fund meet quarterly to discuss communications issues.

LGPS Central Investment Working Group/ Practitioners Advisory Forum

The fund has an active involvement in the LGPS Central Investment Working Group and Practitioners Advisory Forum with the seven LGPS funds in the West Midlands region where common investment issues between funds are discussed.

The fund also participates in the LGPS Central Pension Administration Working Group. This where responsible administration officers attend, on a regular basis, to discuss key LGPS issues and working practices.

Software provider group

Members of the team attend user group meetings with the pensions administration software provider, to make sure the administration system can deal with regulation changes when they happen, and to discuss how the system is used on a day-to-day basis.

■ How communication is measured

Surveys

Surveys are issued to members periodically with various correspondences, including retirements and benefit quotes. Surveys are also published to the website and via email. This allows the fund to evaluate the service provided. Survey responses are collated and reviewed at regular intervals when running a satisfaction exercise.

Employer satisfaction survey

A survey is given to employers, periodically to allow the fund to review the service and methods of communication provided to employers. The responses are collated and used to identify any employer requirements and possible areas for improvement.

Compliments, complaints and comments

Any compliments, complaints or comments made in letter, e-mail or verbally, are recorded. The fund aims to always learn from the feedback received and to make improvements to the service.

■ Data Protection

Data Protection Act

The fund is required to hold and keep a record of certain information on scheme members which is needed to administer the fund. The fund is a data controller under the Data Protection Act 2018 and is required to protect the information it holds about scheme members and communicate the legal basis for holding, storing and using the information. The fund has published a summary and full privacy notice for scheme members and employers. Statements on 'how we use your data' are published on documentation supplied to scheme members.

The fund is committed to keeping member data safe and uses Shropshire Council's policies on information sharing. Pension benefits information can only be provided directly to the scheme member and cannot be requested by a third-party. Information shared with employers will only be supplied when necessary and via a secure portal or email encryption. Further

information can be found in the fund's full privacy notice.

Requests for information under the Freedom of Information Act or similar legislation should be sent to: information.request@shropshire.gov.uk

All fund officers are required to undertake annual 'Protecting Information' training.

Dealing with freedom of information requests
The Freedom of Information Act (FOI) means that members of the public and organisations have rights of access to information held by public bodies.

Fund publications				
Document	Issued	Aimed at	Availability	Reviewed
Brief scheme guide	Upon notification of a new employment / when requested	All members	Paper on request/ website	Annually and as regulations change
Retirement process booklet	With retirement forms	To retiring active members	Paper/ website	Annually and as regulations change
Thinking of retiring- guide for active members	To active members when required	Active members	Website	Annually and as regulations change
Thinking of retiring- guide for deferred members	To deferred members when required	Deferred members	Website	Annually and as regulations change
Leaving before retirement booklet	As required	Prospective Deferred Members	Website	Annually and as regulations change
Topping up your pension guide	As required	Active members	Paper on request/ website	Annually and as regulations change
Internal dispute resolution procedure (IDRP) booklet	As required	All members and employers	Paper on request/ website	Annually and as regulations change
Divorce booklet	As required	All members	Paper on request/PDF on website	Annually and as regulations change
Annual benefit statements	Annually by 31 August	Active/deferred/pension credit	Paper on request /online via My Pension Online	Annually
P60	Annually by 31 May	Pensioner members/dependents	Paper	Annually
Pensions increase notification	Annually	Pensioner members	My Pension Online	Annually
Monthly pension payment confirmation	Monthly	Pensioner members/dependents	My Pension Online	Monthly
Annual report	Annually in line with regulations	All stakeholders	Paper upon request / website	Annually
Members newsletter	As required	Active/deferred members	Paper when requested / on website	As regulations change / when required
InTouch- pensioner newsletter	As required	Retired members	Paper / website	As required
Valuation report	Every three years	Employers/ all stakeholders	Website	Every three years
Investment strategy statement	Continuously	All members/ stakeholders	Website	As required*
Governance compliance statement	Continuously	All members/ stakeholders	Website	As required*
Administration strategy statement	Continuously	Scheme employers	Website	As required*
Funding strategy statement	Continuously	Employers	Website	Every three years
Climate change strategy/climate risk reports	Annually	All members/stakeholders	Website	Annually
Reporting breaches policy	Continuously	All stakeholders	Website	As required*
Training policy	Continuously	All stakeholders	Website	As required*
Employer events policy	Continuously	All employers	Website	As required*
Communications policy statement	Continuously	All stakeholders	Website	As required*

*At least every three years

Fund meetings, presentations and training				
Event	Frequency	Available to	Availability	Reviewed
Annual updates	Annually	All members / employers / Fund managers	Website, video on website	Annually
Workplace presentations	As required	Prospective/active members	Face-to-face or virtual meeting	As required
Induction presentations	When requested by employer	Prospective members	Face-to-face or virtual meeting	As required
Employer meetings and training	As required	Scheme employers	Face-to-face / webinars / videos on website	As regulations change/as required

Other fund communications				
Method	Frequency	Available to	Availability	Reviewed
Website	Continually	All stakeholders	Online	Continuously
Help desk	Within office hours	All members / employers and all other stakeholders	Face-to-face (if available) or virtual meeting appointment/ telephone / paper correspondence /email	N/A
Email alerts	As required, when there is a significant website update / event / regulation change	All members/ employers	Email	As required
Pension consultations	As required	Active members	Face to face (if available) or virtual meeting	As required
New starter letter	Monthly	Active members	Paper	As regulations change/as required
Encouraging new members campaign	When required	Prospective eligible members	When required	When required
Existence checks of pensioners living abroad	As required	Pensioner members	As required	As required
Service quality survey	Continually	Active/ deferred/ retired members	Paper / email	As required
Employers guide including forms	As required	Employers	Website	As regulations change/ as required
Employers email bulletin	As required	Employers	Email alerts	As regulations change/ as required
Employer satisfaction survey	As required	Employers	Paper /online survey	As required

Reporting breaches policy statement

Appendix

08

Agreed by Pensions Committee on March 2023

■ 1. Introduction

1.1 This document sets out the procedures to be followed by certain persons involved with the Shropshire County Pension Fund, the Local Government Pension Scheme managed and administered by Shropshire Council, in relation to reporting breaches of the law to the Pensions Regulator.

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

1.3 This procedure document applies, in the main, to:

- all members of the Shropshire Pension Board;
- all officers involved in the management of the pension fund including members of the Treasury Team and Pensions Administration Team, and Executive Director of Resources (Section 151 Officer);
- any professional advisers including auditors, actuaries, legal advisers and fund managers; and
- officers of employers participating in the Shropshire County Pension Fund who are responsible for Local Government Pension Scheme matters.

■ 2. Requirements

2.1 This section clarifies the full extent of the legal requirements and to whom they apply.

2.2 Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme;
- a member of the pension board of a public service pension scheme;
- a person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;
- the employer in relation to an occupational pension scheme;
- a professional adviser in relation to such a scheme; and
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme, to report a matter to The Pensions Regulator as soon as is reasonably practicable

where that person has reasonable cause to believe that:

- i. a legal duty relating to the administration of the scheme has not been or is not being complied with, and
- ii. the failure to comply is likely to be of material significance to The Pensions Regulator.

The act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

2.3 The Pension Regulator's Code of Practice

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice including in the following areas:

- implementing adequate procedures.
- judging whether a breach must be reported.
- submitting a report to The Pensions Regulator.
- whistleblowing protection and confidentiality.

2.4 Application to the Shropshire County Pension Fund

This procedure has been developed to reflect the guidance contained in The Pension Regulator's Code of Practice in relation to the Shropshire County Pension Fund and this document sets out how the board will strive to achieve best practice through use of a formal reporting breaches procedure.

■ 3. The Shropshire County Pension Fund reporting breaches procedure

3.1 The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Shropshire County Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

3.2 Clarification of the law

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004
- Employment Rights Act 1996
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations)
- Public Service Pension Schemes Act 2013
- Local Government Pension Scheme Regulations (various)
- The Pensions Regulator's Code of Practice. In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the code on 'Maintaining contributions'.

3.3 Further guidance and assistance can be provided by the Head of Pensions - LGPS Senior Officer, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

3.4 Clarification when a breach is suspected

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, it will usually be appropriate to check with the Executive Director of Resources (Section 151 Officer), the Monitoring Officer, a member of the Pensions Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3.5 Determining whether the breach is likely to be of material significance

To decide whether a breach is likely to be of material significance an individual should consider the

following, both separately and collectively:

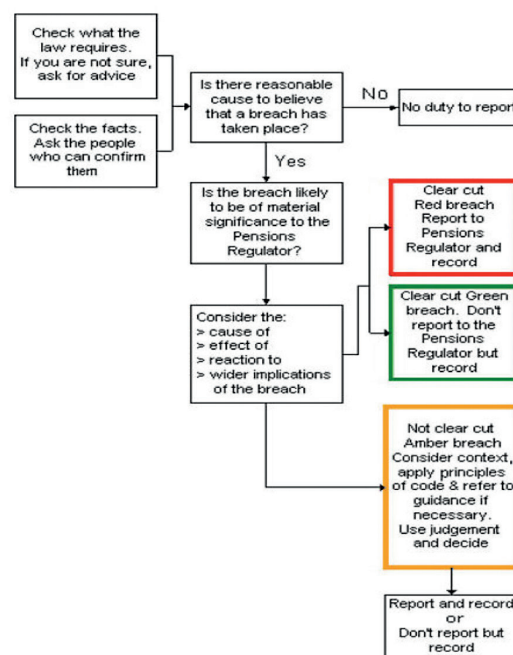
- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

3.6 Further details on the above four considerations are provided in appendix A to this procedure.

3.7 The individual should use the traffic light framework described in appendix B to help assess the material significance of each breach and to formally support and document their decision.

3.8 A decision tree is provided overleaf to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.

Decision-tree: deciding whether to report



3.9 Referral to a level of seniority for a decision to be made on whether to report

Shropshire Council has a designated Monitoring Officer to ensure the council acts and operates within the law. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate. If breaches relate to late or incorrect payment of contributions or pension benefits, the matter should

be highlighted to the Head of Pensions - LGPS Senior Officer at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of the Monitoring Officer is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

3.10 The matter should not be referred to any of these officers if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the regulator before the submission may be appropriate, particularly in more serious breaches.

3.11 Dealing with complex cases

The Head of Pensions - LGPS Senior Officer may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LGA Group - <http://www.lgpsregs.org/>). If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next board meeting.

3.12 Timescales for reporting

The Pensions Act and Pension Regulators Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on “reasonable cause to believe” and on “material significance” should be consistent with the speed implied by ‘as soon as reasonably practicable’. In particular, the time taken should reflect the seriousness of the suspected breach.

3.13 Early identification of very serious breaches

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

3.14 Recording all breaches even if they are not reported

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Shropshire Council will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports to the Head of Pensions - LGPS Senior Officer. Records of unreported breaches should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly monitoring report at each Pension Committee, and this will also be shared with the Pension Board.

3.15 Reporting a breach

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

3.16 As a minimum, individuals reporting should provide:

- full scheme name
(Shropshire County Pension Fund);
- description of breach(es);
- any relevant dates;
- name, position and contact details;
- role in connection to the scheme; and
- employer name or name of scheme manager
(the latter is Shropshire Council).

3.17 If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator;
- scheme address (provided at the end of this procedures document);
- scheme manager contact details (provided at the end of this procedures document);
- pension scheme registry number (10051249); and
- whether the breach has been reported before.

3.18 The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

3.19 Confidentiality

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

3.20 Reporting to Pensions Committee and Pension Board

A report will be presented to the Pensions Committee and the Pension Board on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates;
- in relation to each breach, details of what action was taken and the result of any action (where not confidential);
- any future actions for the prevention of the breach in question being repeated; and

- highlighting new breaches which have arisen in the last year/since the previous meeting.

3.21 This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided in appendix C to this procedure.

3.22 Review

This reporting breaches procedure was originally developed in November 2015. It will be kept under review and updated as considered appropriate by the Executive Director of Resources (Section 151 Officer). It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

4. Further Information

4.1 If you require further information about reporting breaches or this procedure, please contact:

Justin Bridges

Head of Pensions - LGPS Senior Officer

Email: justin.bridges@shropshire.gov.uk

Telephone: 01743 252 072

Debbie Sharp

Pension Administration Manager

Email: debbie.sharp@shropshire.gov.uk

Telephone: 01743 252 192

Write: Pensions, PO Box 4826, Shrewsbury SY1 9LJ

Designated officer contact details:

Monitoring Officer

Email: tim.collard@shropshire.gov.uk

Telephone: 01743 252 733

> Appendix A

Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- acting, or failing to act, in deliberate contravention of the law;
- dishonesty;
- incomplete or inaccurate advice;
- poor administration, i.e. failure to implement adequate administration procedures;
- poor governance; or
- slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant.

The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers

breaching other legal requirements.

- Conflicts of interest of committee or board members, resulting in them being
- prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time.
- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

The reaction to the breach

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; or
- fail to notify affected scheme members where it would have been appropriate to do so.

The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

> Appendix B

Traffic light framework for deciding whether or not to report

It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated next:

> Red

Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

These must be reported to The Pensions Regulator.

Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.

> Amber

Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members.

> Green

However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.

Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported.

Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this framework is provided by The Pensions Regulator at the following link:
www.thepensionsregulator.gov.uk/codes/code-related-notifiable-events.aspx

Appendix C

Example Record of Breaches

[illegible]

Training policy statement

Appendix

09

Agreed by Pensions Committee on March 2023

■ Introduction

This is the training policy of the Shropshire County Pension Fund, which is managed and administered by Shropshire Council. The training policy is established to aid all to whom this policy applies in having sufficient knowledge and understanding ensuring that all decisions, actions, and other activities are carried out in an informed and appropriate way.

This means that advice and guidance from external bodies can be challenged and tested appropriately and that the fund's operational and strategic direction is in accordance with best practice and guidance. The training policy has the aim of ensuring that the Shropshire County Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills.

■ Aims and objectives

Shropshire Council recognises the importance of its role as administering authority of the Shropshire County Pension Fund on behalf of its stakeholders which include:

- Over 47,000 current and former members of the Fund
- Over 145 employers

All to whom this policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met.

To assist in achieving these objectives and the creation of this policy, the fund adopts the following seven principles and the guidance included in the Chartered Institute of Public Finance (CIPFA) Code of Practice 2021:

1. This LGPS administering authority adopts the key principles of the Code of Practice on LGPS Knowledge and Skills.
2. This LGPS administering authority recognises that effective management, governance, decision making and other aspects of the delivery of the LGPS can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them.
3. This administering authority has in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of LGPS knowledge and skills for those responsible

for the management, delivery, governance, and decision making of the LGPS.

4. These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as those set down in the CIPFA LGPS Knowledge and Skills Framework.
5. This administering authority will ensure that it has adequate resources in place to ensure all staff, members, or other persons responsible for the management, decision making, governance and other aspects of the delivery of the LGPS acquire and retain the necessary LGPS knowledge and skills.
6. This administering authority will report annually on how its knowledge and skills policy has been put into practice throughout the financial year in the fund's annual report.
7. This administering authority has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the appropriate officer, who will act in accordance with the administering authority's knowledge and skills policy statement, and, where they are a CIPFA member, with CIPFA Standards of Professional Practice (where relevant).

■ Relevant legislation and guidance

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

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

■ CIPFA knowledge and skills framework

The CIPFA knowledge and skills framework identifies eight areas of knowledge and skills as the core technical requirements for those working in public sector pensions finance where appropriate knowledge and skills should be achieved and maintained. They are:

- pensions legislation and guidance
- pensions governance
- funding strategy and actuarial methods
- pensions administration and communication
- pensions financial strategy, management, accounting, reporting and auditing standards
- investment strategy, asset allocation, pooling, performance and risk management
- financial markets and products
- pension services procurement, contract management and relationship management.

Justin Bridges, Head of Pensions LGPS Senior Officer is the fund's designated named individual responsible for ensuring that this training policy is implemented. This is in line with principle seven of the CIPFA Code of Practice.

■ To whom this policy applies

This training policy applies to all individuals that take on a decision making, scrutiny, operational, or oversight role in the fund. This includes:

- Officers of the administering authority involved in the management and administration of the fund
- Members of the Pension Committee, including scheme member and employer representatives
- Members of the Pension Board, including scheme member and employer representatives.

■ Training plan

The fund recognises the importance of training in ensuring Pension Committee members, Pension Board members and officers attain, and then maintain, the relevant knowledge and skills.

The fund's approach to training will be supportive with the intention of providing Pension Committee members, Pension Board members and officers with regular sessions that will contribute to their level of skills and knowledge. The fund will develop a rolling training plan, which takes account the level of knowledge and understanding of technical pensions topics required according to the role of the individual.

Training requirements for key individuals will be identified having regard for:

- topics identified in relevant frameworks or in publications by relevant bodies (e.g. CIPFA, TPR, Government guidance etc)
- the workplan of the fund; and
- current or topical issues.

Training plans should include the competencies highlighted in relevant frameworks, as well as special topics – for example:

- a focus on decisions to be made in the forward plan of committee business
- those relating to areas of change or special interest.

Individual training needs

A training needs analysis will be developed for committee members, board members and officers to identify the key areas in which training is required. This evaluation will be undertaken on an annual basis. Training on the identified areas will be provided as necessary and on an ongoing refresher basis. The fund's rolling training plan will ensure these training requirements are met and maintain training records of key individuals against the training plan.

Topic based training

The need for appropriately timed training in relation to current topics, such as when decisions are required in relation to complex issues or in new areas not previously considered will be provided as required.

General awareness

There is an expectation on those to which this policy applies that they should maintain a reasonable knowledge of ongoing developments and current issues and have a good level of general awareness of pension related matters appropriate for their roles.

How training will be provided

Training will be delivered through a variety of methods including:

- in-house training sessions provided by officers and/or external providers;
- virtually using webinars, online conferences and e-learning platforms
- shared training with other LGPS funds or framework arrangements
- training at meetings (e.g. committee or pension board) provided by officers and/or external advisers;

- external training events, such as those organised by the Local Government Association (LGA), CIPFA, or Pensions and Lifetime Saving Association (PLSA)
- attendance at seminars and conferences offered by industry-wide bodies, such as those organised by the LGA, LGC Pension Investment Seminars, CIPFA, Local Authority Pension Fund Forum or PLSA
- circulation of reading material, including fund committee reports and minutes from attendance at seminars and conferences;
- attendance at meetings and events with the fund's investment managers and advisors
- links to on-line training such as that provided by The Pensions Regulator;
- the funds' website:
www.shropshirecountypensionfund.co.uk
and national LGPS websites where scheme information is available.
- fund policies and documents such as the annual report, governance compliance statement, administration strategy, funding strategy statement and investment strategy statement.
- Telephone conference briefings
- Qualifications, particularly those relevant to senior officers

Induction process

On joining either as an officer, a pension committee, or pensions board member, the fund will provide induction training in a timely manner. This should also include, where appropriate, access to any induction information which forms part of the administering authorities' corporate induction be provided with documentation that would provide a basic understanding of the fund (i.e. Introduction to the LGPS guide). Guidance from The Pensions Regulator states newly appointed members of committees should attain the required level of knowledge within six months of being appointed. The fund will aim to comply with this recommendation. An evaluation will be undertaken in the form of a short self-assessment questionnaire to develop an appropriate individual training plan.

Monitoring knowledge and skills

To identify whether the objectives of this policy are being met, the fund will maintain a training log which records attendance at training and compare this to the training plan. An assessment will be made on whether committee and pension board members and senior officers have the required knowledge and skills required to undertake their role. As a minimum, the fund will carry out the following to monitor and review knowledge and skills:

- record attendance at training and ensure action is taken where poor attendance is identified
- prepare training plans for committee members and officers
- require members and officers to undertake self-assessment against the required competencies
- communicate regularly with members and officers, encouraging them to highlight training needs on an ongoing basis.

A record of training and meetings attended will be kept up-to-date and made available to stakeholders in the fund's annual report and accounts each year. Individuals are responsible for ensuring their training record is up-to-date and accurate.

Key risks

The key risks to the delivery of this policy are outlined below. The pension fund committee members, with the assistance of the Pension Board and officers, will monitor these and other key risks and consider how to respond to them.

- Changes to the committee and/or Pension Board membership and/or officer's potentially diminishing knowledge and understanding.
- Poor attendance and/or a lack of engagement at training and/or formal meetings by committee members, Pension Board members and/or other officers resulting in a poor standard of decision making, administration and/or monitoring.
- Insufficient resources being available to deliver or arrange the required training.
- The quality of advice or training provided not being of an acceptable standard.
- Substitute members who may not have the same level of knowledge, skills and access to training as the main committee members. Substitute members should ideally have sufficient knowledge and skills to fulfil the role effectively and be provided with access to training as required.

■ Success measures and reporting

Knowledge gaps will be identified in annual assessment with success measured against the previous year and whether the knowledge gap has been fulfilled. The training record will record attendance and when available training evaluation forms should be kept, and results analysed to evaluate the training undertaken.

A report will be presented to the committee and the Pension Board on an annual basis setting out:

- the training provided/attended in the previous year at an individual level;
- commentary on how this compares to the training plan; and
- any actions required, such as a review of the training plan.

This information will also be included in the fund's annual report and accounts. The funds committee members and Pension Board members will be provided with details of forthcoming seminars, conferences and other relevant training events.

The information will report on meeting the objectives within their policy and will include how the fund is complying with CIPFA's Code of Practice, the CIPFA Framework and statutory government guidance.

■ Costs

Where there is a cost involved in providing the training this will be met directly by the fund. However, training provided by investment managers and some of the training events are provided at no cost.

The relevant competencies and degree of knowledge and understanding required.

To ensure all individuals to whom this policy applies work towards what is required a knowledge matrix has been developed, which shown below. The matrix determines the level of knowledge required of the eight core technical areas highlighted by the CIPFA guidance for officers, committee and the pension board. The core areas listed below have been identified as the key skills that lie at the core in the training for those involved in public sector pension's finance. The knowledge matrix is not exhaustive and other technical or non-pensions related skills will be identified on an individual basis within job descriptions or via annual assessment.

■ Key roles in the LGPS - Degree of knowledge and understanding required

The arrangements for the governance and delegation of responsibilities are outlined in the governance compliance statement and Shropshire Council's constitution (where appropriate). In line with principle two of the CIPFA Code of Practice, the degree of knowledge and understanding required is that which is appropriate for the purposes of enabling the individual to properly exercise their delegated responsibility on behalf of the administering authority. The guidance outlined in CIPFA's Code of Practice on Knowledge and Skills 2021 will be used to ensure the relevant competencies apply to specific responsibilities.

Accordingly, regardless of the range of responsibilities, those exercising a delegated responsibility on behalf of the administering authority and to whom this policy applies must be conversant with:

- the rules of the LGPS, and
- any document recording policy about the funding, investment, administration, communications or governance which is for the time being adopted in relation to the scheme.

Such persons must have knowledge and understanding of:

- the law relating to pensions, and
- such other matters as may be prescribed in legislation and guidance.

The degree of knowledge and understanding required is that which is appropriate for the purposes of enabling the individual to properly exercise their delegated responsibility on behalf of the administering authority.

Knowledge matrix

Core technical area	Officers (job description)	Pensions Committee	Pension Board
Pensions legislation/ LGPS regulations	C	A	C*
Public sector pensions governance	C	A	C*
Pensions administration	E	A	C*
Pensions accounting and auditing standards	E	C	C
Financial services procurement and relationship management	E	C	A
Investment performance and risk management	E	C	A
Financial markets and product knowledge	C	C	A
Actuarial methods, standards and practices	C	C	A

A = Awareness of
C = Conversant (i.e. working knowledge)
E = Expert

*Statutory requirement (Paragraphs 34-36 of the Pensions Regulator's Code of Practice state that: *A member of the Pensions Board of a public sector pension scheme must be conversant with the rules of the scheme, any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme and must also have a knowledge and understanding of the law relating*)

Further information

For further information about anything in or related to in this policy please contact:

Email: pensions@shropshire.gov.uk

Website: www.shropshirecountypensionfund.co.uk

Telephone: 01743 252 130

Write: Pensions, PO Box 4826, Shrewsbury, SY1 9LJ

Contact us

Further Information

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

Administered by:

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

Pensions Helpline:

(01743) 252 130

E-mail:

pensions@shropshire.gov.uk



<u>Committee and Date</u>	<u>Item</u>
Pensions Committee	8
15 Sept 2023	Public
10.00am	

CORPORATE GOVERNANCE MONITORING

**Responsible
Officer**

Peter Chadderton

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1. Synopsis

- 1.1 The report is to inform members of Corporate Governance and socially responsible investment issues arising in the quarter, 1st April 2023 to 30th June 2023.

2. Recommendations

- 2.1 Members are asked to accept the position as set out in the report in respect of voting and engagement activity.
- Manager Voting Reports from LGPS Central at Appendix A (A1 & A2),
 - Legal & General Investment Management (LGIM) at Appendix B,
 - Columbia Threadneedle Investments Responsible Engagement Overlay Activity Report at Appendix C and
 - LAPFF engagement Report at Appendix D.
- 2.2 Members are asked to note that the Fund has successfully been recognised as a signatory of the Financial Reporting Council (FRC) UK Stewardship Code which promotes best practice on governance.

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 as has a Climate Change Strategy in place committing to net zero by 2050 in line with the Paris accord on climate change adopted in 2015.
- 5.2 Responsible investment is a key process the investment managers go through before investing and something the fund considers as part of investment opportunities. Thorough due diligence is undertaken considering all risks including climate change. The investment managers vote were applicable on the Fund's behalf, Columbia Threadneedle engage with companies on the Fund's behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which undertakes engagements on behalf of all LGPS members.
- 5.3 Shropshire County Pension Fund is a signatory to the UK stewardship code.
- 5.4 Shropshire County Pension Fund has also received and published Climate Risk Reports and TCFD reports since December 2020. The last report was issued in December 2022 and an updated report is expected in December 2023.

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. Columbia Threadneedle provides this responsible engagement overlay on the Fund's global equities portfolios.

7. Manager Voting Activity

- 7.1 Details of managers voting activity during the quarter relating to equity portfolios are attached:
Appendix A1 LGPS Central Voting statistics
Appendix A2 LGPS Central Stewardship Report for Quarter including examples of engagement action.
Appendix B LGIM – Voting summary and key examples.

- 7.2 Both the LGPS Central and Legal and General Investment Management (LGIM) reports are generic report across all their investment activity and not specific to the funds in which the Fund is invested. Examples that relate to the Funds LGIM portfolio as at 30th June 2023 include Anglo American, Phillips and Duke Energy. Glencore is not included in the LGIM portfolio but does sit within the LGPS Central Global Equity portfolio.

8. Responsible Engagement Activity

- 8.1 During the last quarter Columbia Threadneedle 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 C in the REO Activity report. This report covers companies across all the Fund's equity portfolio's.
- 8.2 In addition to the service provided by Columbia Threadneedle the Fund is also a member of the LAPFF (Local Authority Pension Fund Forum). The LAPFF use the combined power of LGPS Members to engage with companies on behalf of the LGPS. An update on the engagement activities of the LAPFF for the quarter is attached at Appendix D.
- 8.3 As with the earlier reports at Appendix A & B, the LAPFF engagement is not specific to companies in the Fund's portfolio. The LAPFF use Pension Fund share holdings at an aggregate level to determine engagement companies. Examples of some of the companies within the Shropshire portfolio on 30th June 2023 include Rio Tinto, Barclays, Shell, BHP and Anglo American.

9. Stewardship Code Update

- 9.1 I am delighted to announce that Shropshire County Pension Fund are now a recognised signatory to the UK Stewardship Code. The Fund takes its stewardship responsibilities extremely seriously and this recognition from the Financial Reporting Council (FRC) is an important milestone.
- 9.2 The Fund is one of less than twenty Pension Funds in England and Wales that have achieved this recognition and represents our continued work with our Investment Managers and our pooling company LGPSC Central to improve our stewardship activity across all ESG (Economic, Social and Environmental) areas in our investment strategies. The Fund's stewardship code application will be added to the SCPF website and communications are currently in the process of being sent out to promote this achievement.
- 9.3 A renewal application to show continued progress and compliance will be required by the 31st May 2024 and a draft of the application will be brought to the March 2024 Pensions Committee for review.

10. DLUHC TCFD Consultation

- 10.1 As reported in December 2022, the Fund has formally responded to this consultation alongside our pooling company LGPS Central. At the time of writing there has been no response from the DLUHC in response to the consultation which ended on the 24 November 2022. The latest update on the Government website is that DLUHC are still analysing feedback received. We will advise both the Committee and the Board once a response has been issued.

11. LGPS Central Climate Change Training

- 11.1 Formal climate change training covering the following four key areas agreed with Members will be held after this Committee.
- What does “Net Zero” mean.
 - Review of the carbon metrics that are being used to assess progress.
 - How climate risk is assessed within strategic risk.
 - The 2023 climate risk report (New features and what they mean).

12. Deforestation Policy

- 12.1 A request was made at the March Committee in respect of deforestation policy in respect of our equity managers. Only LGIM of our equity managers have a specific deforestation policy and a copy of this is attached at Appendix E.
- 12.2 LGPS Central include Biodiversity loss under climate change in their voting principles and include deforestation specifically in their broader engagement themes.
- 12.3 LGPS Central is a member of the investor coalition “Investor Policy Dialogue on Deforestation (IPDD)” which was established in 2020 and members of the Finance Sector Deforestation Action (FSDA) Group. An example of engagement by this group is shown in Appendix A2.

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 16 September 2022

Corporate Governance Monitoring report, Pensions Committee 2 December 2022

Climate Risk Report, Pensions Committee 2 December 2022
 Corporate Governance Monitoring report, Pensions Committee 17 March 2023
 Corporate Governance Monitoring report, Pensions Committee 24 June 2023

Cabinet Member

N/A

Local Member

N/A

Appendices

- A. LGPS Central Manager Voting Activity Reports (A1 -A2).
- B. LGIM Manager Voting Activity Report
- C. Columbia Threadneedle Responsible Engagement Overlay Reports.
- D. LAPFF Quarterly Engagement Report
- E. LGIM deforestation policy

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LGPS Central - ACS

Engagement by region

We engaged with 454 companies held in the LGPS Central - ACS portfolio on a range of 1554 environmental, social and governance issues and objectives

Global

We engaged with 454 companies



- Environmental 29.1%
- Governance 35.6%
- Social 23.9%
- Strategy, Risk & Comm 11.3%

Australia & New Zealand

We engaged with seven companies



- Environmental 47.4%
- Governance 21.1%
- Social 15.8%
- Strategy, Risk & Comm 15.8%

Developed Asia

We engaged with 57 companies



- Environmental 26.2%
- Governance 43.6%
- Social 21.8%
- Strategy, Risk & Comm 8.4%

Emerging & Developing Markets

We engaged with 53 companies



- Environmental 29.9%
- Governance 37.1%
- Social 22.8%
- Strategy, Risk & Comm 10.2%

Europe

We engaged with 93 companies



- Environmental 38.3%
- Governance 34.1%
- Social 14.8%
- Strategy, Risk & Comm 12.8%

North America

We engaged with 210 companies



- Environmental 26.0%
- Governance 34.1%
- Social 28.1%
- Strategy, Risk & Comm 11.9%

United Kingdom

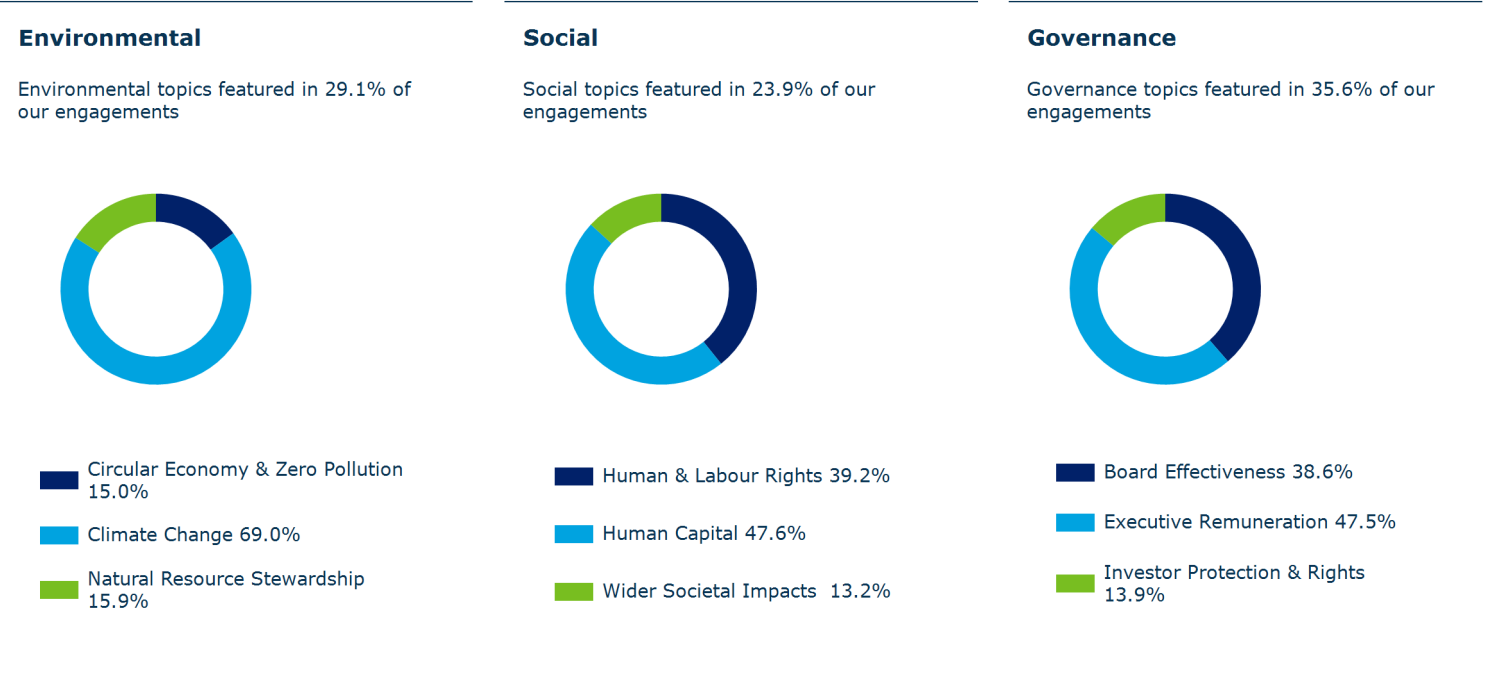
We engaged with 34 companies



- Environmental 27.5%
- Governance 34.3%
- Social 27.5%
- Strategy, Risk & Comm 10.8%

Engagement by Meta theme

We engaged with 454 companies held in the LGPS Central - ACS portfolio on a range of 1554 environmental, social and governance issues and objectives



LGPS Central - ACS

EOS at Federated Hermes

Over the last quarter we made voting recommendations at 2,125 meetings (29,198 resolutions). At 1,475 meetings we recommended opposing one or more resolutions. We recommended voting with management by exception at 93 meetings and abstaining at two meetings. We supported management on all resolutions at the remaining 555 meetings.

Global

We made voting recommendations at 2,125 meetings (29,198 resolutions) over the last quarter.



- Total meetings in favour 26.1%
- Meetings against (or against AND abstain) 69.4%
- Meetings abstained 0.1%
- Meetings with management by exception 4.4%

Australia & New Zealand

We made voting recommendations at 16 meetings (109 resolutions) over the last quarter.



- Total meetings in favour 12.5%
- Meetings against (or against AND abstain) 75.0%
- Meetings with management by exception 12.5%

Developed Asia

We made voting recommendations at 571 meetings (6,351 resolutions) over the last quarter.



- Total meetings in favour 35.9%
- Meetings against (or against AND abstain) 63.2%
- Meetings with management by exception 0.9%

Emerging & Developing Markets

We made voting recommendations at 407 meetings (4,513 resolutions) over the last quarter.



- Total meetings in favour 32.9%
- Meetings against (or against AND abstain) 65.1%
- Meetings with management by exception 1.7%

Europe

We made voting recommendations at 386 meetings (7,147 resolutions) over the last quarter.



- Total meetings in favour 16.3%
- Meetings against (or against AND abstain) 79.8%
- Meetings with management by exception 3.6%

North America

We made voting recommendations at 547 meetings (7,309 resolutions) over the last quarter.



- Total meetings in favour 10.1%
- Meetings against (or against AND abstain) 79.7%
- Meetings with management by exception 10.2%

United Kingdom

We made voting recommendations at 198 meetings (3,769 resolutions) over the last quarter.

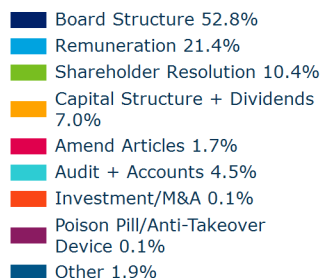


- Total meetings in favour 48.5%
- Meetings against (or against AND abstain) 47.0%
- Meetings with management by exception 4.5%

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

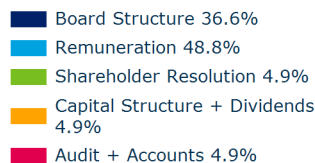
Global

We recommended voting against or abstaining on 4,704 resolutions over the last quarter.



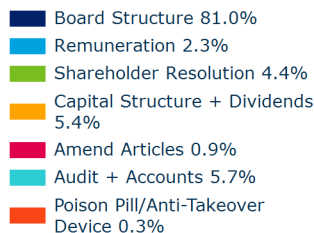
Australia & New Zealand

We recommended voting against or abstaining on 41 resolutions over the last quarter.



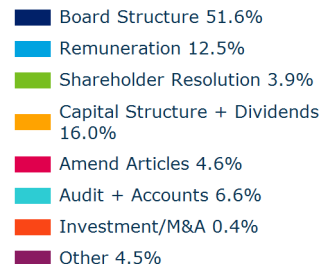
Developed Asia

We recommended voting against or abstaining on 1,106 resolutions over the last quarter.



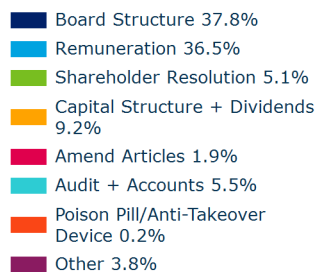
Emerging & Developing Markets

We recommended voting against or abstaining on 977 resolutions over the last quarter.



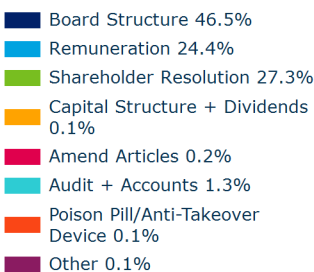
Europe

We recommended voting against or abstaining on 1,152 resolutions over the last quarter.



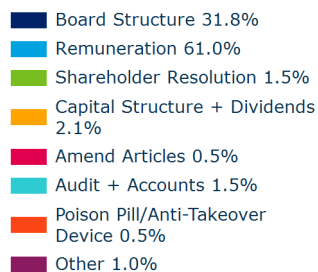
North America

We recommended voting against or abstaining on 1,233 resolutions over the last quarter.



United Kingdom

We recommended voting against or abstaining on 195 resolutions over the last quarter.





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 within the company's Authorised Contractual Scheme (ACS).

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
26/04/2023	Hong Kong Exchanges & Clearing Ltd.	Annual	All For		
28/04/2023	Hang Lung Group Limited	Annual	Against	3c 3a 6,7 3d	Concerns related to approach to board gender diversity Concerns related to attendance at board or committee meetings Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board
28/04/2023	Hang Lung Properties Limited	Annual	Against	3a 6,7 3c	Concerns related to approach to board gender diversity Concerns related to succession planning Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board
04/05/2023	Hang Seng Bank Ltd.	Annual	Against	5	Issue of equity raises concerns about excessive dilution of existing shareholders Insufficient/poor disclosure
05/05/2023	CLP Holdings Limited	Annual	Against	2a	Overboarded/Too many other time commitments
09/05/2023	Swire Properties Limited	Annual	Against	4	Issue of equity raises concerns about excessive dilution of existing shareholders Insufficient/poor disclosure
10/05/2023	Cathay Pacific Airways Limited	Annual	Against	1f 1a 1d 4 1e,1g,1h,1j 1c	Lack of independence on board Concerns related to approach to board gender diversity Concerns related to inappropriate membership of committees. Concerns related to attendance at board or committee meetings Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board
11/05/2023	Hua Hong Semiconductor Ltd.	Annual	Against	3 8,9	Lack of independence on board and concern about his independence Concerns related to inappropriate membership of committees
11/05/2023	Swire Pacific Limited	Annual	Against	4 1b	Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board
11/05/2023	The Bank of East Asia, Limited	Annual	Against	3a,3c,3d 4 6	Concerns related to approach to board gender diversity Insufficient/poor disclosure Issue of equity raises concerns about excessive dilution of existing shareholders Insufficient/poor disclosure
11/05/2023	The Wharf (Holdings) Ltd.	Annual	Against	5,6 7	Issue of equity raises concerns about excessive dilution of existing shareholders Insufficient/poor disclosure Pay is misaligned with EOS remuneration principles
12/05/2023	Techtronic Industries Co., Ltd.	Annual	Against	7 8	Pay is misaligned with EOS remuneration principles Pay is misaligned with EOS remuneration principles
16/05/2023	Hysan Development Co., Ltd.	Annual	Against	2.1 2.2	Concerns related to inappropriate membership of committees Concerns related to succession planning
17/05/2023	Power Assets Holdings Limited	Annual	Against	3b,3c,3e	Overboarded/Too many other time commitments
18/05/2023	AIA Group Limited	Annual	Against	3 4	Concerns related to succession planning Concerns related to approach to board gender diversity Lack of independence on board
19/05/2023	China Resources Beer (Holdings) Co. Ltd.	Annual	Against	3.2 3.5 3.4 3.3 6,7	Concerns related to succession planning Lack of independence on board Concerns related to approach to board gender diversityConcerns related to succession planning Concerns related to inappropriate membership of committees Concerns related to succession planning Concerns related to succession planningOverboarded/Too many other time commitments Issue of equity raises concerns about excessive dilution of existing shareholdersInsufficient/poor disclosure
22/05/2023	Galaxy Entertainment Group Limited	Annual	Against	3 4 7,2,7.3 2 8,9	Concerns related to approach to board gender diversity Concerns related to succession planning Concerns related to succession planning Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board Pay is misaligned with EOS remuneration principles

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
22/05/2023	Guotai Junan International Holdings Limited	Annual	Against	3.2 6A,6C	Concerns related to succession planning Issue of equity raises concerns about excessive dilution of existing shareholders Insufficient/poor disclosure
24/05/2023	China Everbright Environment Group Limited	Annual	Against	3.1 3.4 5.1,5.3 3.2,3.3	Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity Concerns related to succession planning Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board
24/05/2023	MTR Corporation Limited	Annual	All For		
25/05/2023	Champion Real Estate Investment Trust	Annual	Against	4	Concerns related to succession planning
25/05/2023	China Travel International Investment Hong Kong Limited	Annual	Against	2a 5,6	Concerns related to inappropriate membership of committeesConcerns related to approach to board gender diversity Issue of equity raises concerns about excessive dilution of existing shareholdersInsufficient/poor disclosure
25/05/2023	MMG Ltd.	Annual	Against	2c 2a 2b 5 7	Concerns related to approach to board gender diversityInadequate management of climate-related risks Concerns related to inappropriate membership of committees Concerns related to inappropriate membership of committeesConcerns related to approach to board gender diversity Issue of equity raises concerns about excessive dilution of existing shareholders Insufficient/poor disclosure Issue of equity raises concerns about excessive dilution of existing shareholdersInsufficient/poor disclosure
31/05/2023	China Taiping Insurance Holdings Co., Ltd.	Annual	Against	3a3 3a1 3a2	Concerns related to inappropriate membership of committees Lack of independence on board Lack of independence on board Concerns related to inappropriate membership of committees
31/05/2023	CSPC Pharmaceutical Group Ltd.	Annual	Against	7 3a2,3a3	Concerns to protect shareholder value Lack of independence on board
31/05/2023	PCCW Limited	Annual	Against	4 3b 5,7	Concerns related to Non-audit fees Concerns related to inappropriate membership of committees Concerns related to Non-audit fees Issue of equity raises concerns about excessive dilution of existing shareholders Insufficient/poor disclosure
02/06/2023	China Merchants Port Holdings Co., Ltd.	Annual	Against	3Aa 3Ad 5A,5C 3Ag 3Ae 3Ai	Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity Concerns related to succession planning Overboarded/Too many other time commitments Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board Lack of independence on board Concerns related to inappropriate membership of committees Overboarded/Too many other time commitments
02/06/2023	Dah Sing Banking Group Limited	Annual	Against	3c 3a 7 6	Concerns related to approach to board gender diversity Concerns related to succession planning Concerns related to inappropriate membership of committees Concerns to protect shareholder value Issue of equity raises concerns about excessive dilution of existing shareholders Insufficient/poor disclosure
02/06/2023	Dah Sing Financial Holdings Limited	Annual	Against	3b 9 6,8	Concerns related to approach to board gender diversity Concerns related to succession planning Concerns to protect shareholder value Issue of equity raises concerns about excessive dilution of existing shareholders Insufficient/poor disclosure
05/06/2023	Henderson Land Development Company Limited	Annual	Against	3.1,3.2 5B,5C 3.5 3.3 3.4	Combined CEO/Chair Concerns related to approach to board gender diversity Concerns related to inappropriate membership of committees Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board Lack of independence on board Concerns related to approach to board gender diversity Concerns related to inappropriate membership of committees Lack of independence on board Concerns related to attendance at board or committee meetings
07/06/2023	Far East Horizon Limited	Annual	Against	3b 6,7 3a	Concerns related to approach to board gender diversity Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board
07/06/2023	Hong Kong & China Gas Co. Ltd.	Annual	Against	3.1 3.2 5.2,5.3 3.4	Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity Lack of independence on board Concerns related to inappropriate membership of committees Lack of independence on board Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board
08/06/2023	China Power International Development Limited	Annual	Against	3 4 8A,8C	Concerns related to approach to board gender diversity Inadequate management of climate-related risks from exposure to coal Issue of equity raises concerns about excessive dilution of existing shareholders

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
08/06/2023	China Resources Power Holdings Co., Ltd.	Annual	Against	1 6,7 8	Inadequate management of climate-related risks Inadequate management of climate-related risks from exposure to coal Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board
09/06/2023	Fosun International Limited	Annual	Against	3c 3d 6,7 3a 8,9	Concerns related to succession planning Concerns related to succession planning Concerns related to approach to board gender diversity Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board
15/06/2023	SJM Holdings Limited	Annual	Against	2,1 2,2,2,3 5	Pay is misaligned with EOS remuneration principles Concerns related to inappropriate membership of committees Lack of independence on board Concerns related to inappropriate membership of committees Pay is misaligned with EOS remuneration principles
16/06/2023	Beijing Enterprises Holdings Limited	Annual	Against	3,1,3,3,7	Issue of equity raises concerns about excessive dilution of existing shareholders
16/06/2023	Guangdong Investment Limited	Annual	Against	3,3 3,4 3,1 5	Concerns related to succession planning Concerns related to succession planning Overboarded/Too many other time commitments Inadequate management of climate-related risks from exposure to coal Concerns related to approach to board gender diversity Concerns related to inappropriate membership of committees Insufficient/poor disclosure
21/06/2023	CITIC Limited	Annual	Against	4,7,11 3 12,13 18 5,6	Concerns related to inappropriate membership of committees Concerns related to inappropriate membership of committees Concerns related to approach to board gender diversity Inadequate management of deforestation risks Inadequate management of climate-related risks Inadequate management of climate-related risks from exposure to coal Concerns related to succession planning Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board
23/06/2023	Melco International Development Limited	Annual	Against	5,1,5,2 2a1,2a2	Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board
26/06/2023	Hua Hong Semiconductor Ltd.	Extraordinary Shareholders	All For		
26/06/2023	Hua Hong Semiconductor Ltd.	Extraordinary Shareholders	All For		
27/06/2023	New World Development Co. Ltd.	Extraordinary Shareholders	All For		
28/06/2023	China Overseas Land & Investment Ltd.	Annual	Against	7 3a	Insufficient/poor disclosure Lack of independence on board
14/04/2023	Mori Hills REIT Investment Corp.	Special	Against	3,1	Concerns related to succession planning
21/04/2023	Mitsui High-tec, Inc.	Annual	Against	1,1	Concerns related to approach to board gender diversity
25/04/2023	Sekisui House, Ltd.	Annual	All For		
12/05/2023	SHIMAMURA Co., Ltd.	Annual	Against	2,1,2,4,2,5,2,9	Lack of independence on board
16/05/2023	Nippon Accommodations Fund, Inc.	Special	All For		
17/05/2023	AEON Mall Co., Ltd.	Annual	Against	3,1	Concerns about overall board structure
23/05/2023	Shochiku Co., Ltd.	Annual	Against	2,5 2,9,2,11,2,13 2,2	Concerns about overall performance Lack of independence on board Lack of independence on board Concerns about overall performance
23/05/2023	Takashimaya Co., Ltd.	Annual	Against	5	Concerns about overall board structure
24/05/2023	AEON Financial Service Co., Ltd.	Annual	Against	3,1 2,2 4	Concerns about overall board structure Concerns related to approach to board gender diversity Pay is misaligned with EOS remuneration principles
24/05/2023	Izumi Co., Ltd.	Annual	All For		
24/05/2023	Lawson, Inc.	Annual	All For		
24/05/2023	YASKAWA Electric Corp.	Annual	All For		
25/05/2023	Hisamitsu Pharmaceutical Co., Inc.	Annual	All For		
25/05/2023	J. FRONT RETAILING Co., Ltd.	Annual	All For		
25/05/2023	Seven & i Holdings Co., Ltd.	Annual	Against	2,4,2,5 5,1,5,2,5,3,5,4 2,1,2,2 2,3	Concerns about candidate's experience/skills Concerns about overall board structure and experience/skills Concerns about overall performance Concerns about overall performance and his independence
25/05/2023	Toho Co., Ltd. (9602)	Annual	Against	2,1	Lack of independence on board
25/05/2023	Welcia Holdings Co., Ltd.	Annual	Against	1,9	Lack of independence on board
26/05/2023	AEON Co., Ltd.	Annual	Against	1 2,4	Concerns related to shareholder rights Lack of independence on board
26/05/2023	BayCurrent Consulting, Inc.	Annual	All For		
30/05/2023	ABC-MART, INC.	Annual	Against	2,1 4	Concerns related to approach to board gender diversity Pay is misaligned with EOS remuneration principles

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
30/05/2023	Nomura Real Estate Master Fund, Inc.	Special	All For		
30/05/2023	Rorze Corp.	Annual	Against	2.1 3	Concerns related to approach to board gender diversity Insufficient/poor disclosure
30/05/2023	Sugi Holdings Co., Ltd.	Annual	All For		
09/06/2023	Toyota Industries Corp.	Annual	Against	2 1.2 1.1	Concerns about overall board structure Concerns about overall performance Concerns related to approach to board gender diversity Concerns about overall performance
13/06/2023	Toyota Boshoku Corp.	Annual	Against	2.2 1.9	Concerns about overall board structure Lack of independence on board
14/06/2023	KEYENCE Corp.	Annual	All For		
14/06/2023	Toyota Motor Corp.	Annual	Against	1.1 1.3,1.4,1.5,1.6,1.8,1.9,1.10,2 2.2,3 4	Concerns about overall board structure 2- Concerns related to board gender diversity 3- Lack of independence on board Lack of independence on board SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks
15/06/2023	Descente Ltd.	Annual	Against	2.1,2.2,2.4,2.6	Lack of independence on board
15/06/2023	IBIDEN Co., Ltd.	Annual	Against	1.5	Lack of independence on board
15/06/2023	Koei Tecmo Holdings Co., Ltd.	Annual	All For		
15/06/2023	MISUMI Group, Inc.	Annual	All For		
15/06/2023	Toyoda Gosei Co., Ltd.	Annual	All For		
16/06/2023	Aisin Corp.	Annual	All For		
16/06/2023	Hankyu Hanshin Holdings, Inc.	Annual	All For		
16/06/2023	ITOCHU Techno-Solutions Corp.	Annual	Against	3.1	Concerns about overall board structure
16/06/2023	Japan Exchange Group, Inc.	Annual	Against	2.2	Concerns related to approach to board gender diversity
16/06/2023	JSR Corp.	Annual	All For		
16/06/2023	Kyushu Financial Group, Inc.	Annual	Against	1.2 2.5 1.1,1.5,1.6	Concerns related to approach to board gender diversity Concerns related to inappropriate membership of committees Lack of independence on board Lack of independence on board
16/06/2023	Shizuoka Financial Group, Inc.	Annual	Against	2.1,2.2 2.6	Concerns about overall performance Lack of independence on board
16/06/2023	Z Holdings Corp.	Annual	Against	2.2	Concerns related to approach to board gender diversity
16/06/2023	Zenkoku Hoshio Co., Ltd.	Annual	All For		
19/06/2023	Bandai Namco Holdings, Inc.	Annual	All For		
19/06/2023	Daiichi Sankyo Co., Ltd.	Annual	All For		
19/06/2023	JAPAN POST INSURANCE Co., Ltd.	Annual	All For		
19/06/2023	Seven Bank Ltd.	Annual	All For		
20/06/2023	Capcom Co., Ltd.	Annual	Against	2.2	Concerns related to approach to board gender diversity
20/06/2023	DENSO Corp.	Annual	All For		
20/06/2023	H.U. Group Holdings, Inc.	Annual	All For		
20/06/2023	INFRONEER Holdings, Inc.	Annual	Against	1.1,1.2 1.5	Concerns about overall performance Lack of independence on board
20/06/2023	Isetan Mitsukoshi Holdings Ltd.	Annual	All For		
20/06/2023	Japan Post Bank Co., Ltd.	Annual	All For		
20/06/2023	Kakaku.com, Inc.	Annual	All For		
20/06/2023	Keihan Holdings Co., Ltd.	Annual	Against	2.2 3.3	Concerns related to approach to board gender diversity Lack of independence on board
20/06/2023	Konica Minolta, Inc.	Annual	All For		
20/06/2023	Mitsui O.S.K. Lines, Ltd.	Annual	Against	2.6	Lack of independence on board
20/06/2023	Nagase & Co., Ltd.	Annual	All For		
20/06/2023	Nankai Electric Railway Co., Ltd.	Annual	Against	2.1,2.2,2.6,2.7,2.8 3.3,3.4	Lack of independence on board Lack of independence on boardConcerns about overall board structure
20/06/2023	NIDEC Corp.	Annual	All For		
20/06/2023	Nippon Sanso Holdings Corp.	Annual	All For		
20/06/2023	NTT DATA Corp.	Annual	All For		
20/06/2023	PERSOL Holdings Co., Ltd.	Annual	Against	2.3,2.6	Lack of independence on board
20/06/2023	Renova, Inc. (Japan)	Annual	All For		
20/06/2023	SoftBank Corp.	Annual	Against	3.2	Concerns about overall board structure

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
20/06/2023	Sojitz Corp.	Annual	Against	2.7	Lack of independence on board
20/06/2023	Sony Group Corp.	Annual	All For		
20/06/2023	Tokyo Electron Ltd.	Annual	Against	1.5	Lack of independence on board
20/06/2023	USS Co., Ltd.	Annual	All For		
21/06/2023	CALBEE, Inc.	Annual	Against	2 3.1	Concerns related to shareholder rights Inadequate management of deforestation risks
21/06/2023	Concordia Financial Group, Ltd.	Annual	Against	1.1	Concerns about overall performance
21/06/2023	Credit Saison Co., Ltd.	Annual	Against	3.1 3.2	Concerns about overall performance Concerns about overall performance Concerns related to approach to board gender diversity
21/06/2023	Eisai Co., Ltd.	Annual	All For		
21/06/2023	Fuji Kyuko Co., Ltd.	Annual	Against	3 2.1,2.3,2.4,2.6 2.7	Concerns about overall board structure Lack of independence on board Lack of independence on board Concerns related to attendance at board or committee meetings
21/06/2023	Harmonic Drive Systems, Inc.	Annual	Against	2.2 2.6,2.7,2.9 2.1	Concerns about overall performance Lack of independence on board Lack of independence on board Concerns about overall performance
21/06/2023	Hitachi Ltd.	Annual	All For		
21/06/2023	Honda Motor Co., Ltd.	Annual	All For		
21/06/2023	Iwatani Corp.	Annual	Against	4.4	Concerns about overall board structure
21/06/2023	Japan Aviation Electronics Industry Ltd.	Annual	Against	1.2	Concerns related to approach to board gender diversity
21/06/2023	Japan Post Holdings Co., Ltd.	Annual	All For		
21/06/2023	JCR Pharmaceuticals Co., Ltd.	Annual	Against	3.1,3.2,3.3 2.1 2.12	Concerns about overall board structure Concerns related to approach to board gender diversity Lack of independence on board
21/06/2023	KDDI Corp.	Annual	All For		
21/06/2023	Kobe Steel, Ltd.	Annual	Against	1.6,1.7,1.8	Inadequate management of climate-related risks from exposure to coal
21/06/2023	Komatsu Ltd.	Annual	Against	2.5	Lack of independence on board
21/06/2023	LIXIL Corp.	Annual	All For		
21/06/2023	Mitsui & Co., Ltd.	Annual	Against	2.1 2.11	Inadequate management of climate-related risks Lack of independence on board
21/06/2023	Nippon Shokubai Co., Ltd.	Annual	Against	2.1 2.5,2.7	Concerns about overall performance Lack of independence on board Lack of independence on board
21/06/2023	Nippon Yusen KK	Annual	Against	3.6 5	Lack of independence on board Lack of independent representation at board committees
21/06/2023	NS Solutions Corp.	Annual	Against	1.1	Concerns about overall performance Concerns related to approach to board gender diversity
21/06/2023	Seibu Holdings, Inc.	Annual	Against	3.1,3.4,3.6,3.8,3.11	Lack of independence on board
21/06/2023	Seria Co. Ltd.	Annual	All For		
21/06/2023	Shionogi & Co., Ltd.	Annual	All For		
21/06/2023	SoftBank Group Corp.	Annual	Against	2.1 2.9 2.8	Combined CEO/Chair 2- Concerns about overall board structure 3- Concerns related to board gender diversity 4- Concerns related to succession planning Concerns related to potential conflict of interests Concerns related to potential conflict of interests
21/06/2023	Subaru Corp.	Annual	Against	2.1,2.3	Inadequate management of climate-related risks
21/06/2023	Sumitomo Chemical Co., Ltd.	Annual	Against	1.2 1.1,1.7,1.8,1.12	Concerns related to approach to board gender diversity Lack of independence on board
21/06/2023	Teijin Ltd.	Annual	All For		
21/06/2023	Yakult Honsha Co., Ltd.	Annual	Against	1.6	Concern about his tenure
22/06/2023	Aozora Bank Ltd.	Annual	All For		
22/06/2023	Astellas Pharma, Inc.	Annual	All For		
22/06/2023	Brother Industries, Ltd.	Annual	Against	2.2 1.2	Concerns about overall board structure Concerns related to approach to board diversity
22/06/2023	Cosmo Energy Holdings Co., Ltd.	Annual	Against	2.2 5	Concerns of the majority of minority vote practice Poison pill/anti-takeover measure not in investors' interests
22/06/2023	Denka Co., Ltd.	Annual	Against	2.2 2.1 2.4,2.5,3.3	Concerns about overall performance Concerns about overall performance Lack of independence on board Lack of independence on board
22/06/2023	East Japan Railway Co.	Annual	Against	4.3	Lack of independence on board
22/06/2023	Idemitsu Kosan Co., Ltd.	Annual	Against	1.1	Inadequate management of climate-related risks Inadequate management of climate-related risks from exposure to coal

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22/06/2023	JTEKT Corp.	Annual	Against	1.1	Concerns related to approach to board diversity
22/06/2023	Kadokawa Corp.	Annual	Against	2.1	Concerns about overall performance
				2.7	Lack of independence on board
22/06/2023	LINTEC Corp.	Annual	Against	1.1,1.6,1.8	Lack of independence on board
22/06/2023	MARUWA CO., LTD.	Annual	Against	2.1,3.3	Lack of independence on board
22/06/2023	Mebuki Financial Group, Inc.	Annual	Against	1.1	Concerns related to approach to board gender diversity
22/06/2023	Mitsubishi Motors Corp.	Annual	Against	2.7,2.9,2.10,2.11,2.12	EOS manual override. See analyst note.
				2.1,2.4	Lack of independence on board
22/06/2023	NEC Corp.	Annual	Against	2.1,2.2	Concerns about overall performance
22/06/2023	Nifco, Inc.	Annual	All For		
22/06/2023	Nippon Telegraph & Telephone Corp.	Annual	All For		
22/06/2023	Nitori Holdings Co., Ltd.	Annual	Against	1.8,1.9	Inadequate management of deforestation risks
22/06/2023	Okuma Corp.	Annual	Against	2.1	Concerns about overall performance Concerns related to approach to board diversity
22/06/2023	OMRON Corp.	Annual	Against	2.1	Concerns related to board gender diversity
22/06/2023	Ono Pharmaceutical Co., Ltd.	Annual	Against	2.1	Concerns about overall performance Concerns related to approach to board gender diversity
22/06/2023	ORIX Corp.	Annual	All For		
22/06/2023	Prestige International Inc.	Annual	Against	3.2	Concerns about overall board structure
				1	Concerns related to shareholder rights
				2.5	Lack of independence on board
22/06/2023	Sanrio Co., Ltd.	Annual	Against	3.3	Concerns about overall board structure
22/06/2023	SCSK Corp.	Annual	Against	2.6	Lack of independence on board
22/06/2023	Sega Sammy Holdings, Inc.	Annual	Against	2.6	Lack of independence on board
22/06/2023	Sekisui Chemical Co., Ltd.	Annual	All For		
22/06/2023	Sumitomo Bakelite Co., Ltd.	Annual	Against	2.7	Lack of independence on board
22/06/2023	TDK Corp.	Annual	All For		
22/06/2023	Toyo Suisan Kaisha, Ltd.	Annual	Against	2.1	Inadequate management of deforestation risks
23/06/2023	ACOM Co., Ltd.	Annual	Against	3.3	Concerns related to approach to board gender diversity
				3.1,3.6	Lack of independence on board
				4.2	Lack of independence on board Concerns related to inappropriate membership of committees
23/06/2023	Aica Kogyo Co., Ltd.	Annual	All For		
23/06/2023	Air Water, Inc.	Annual	Against	1.1,1.4,1.5,1.6,1.8	Lack of independence on board
23/06/2023	Alps Alpine Co., Ltd.	Annual	All For		
23/06/2023	ARIAKE JAPAN Co., Ltd.	Annual	Against	2.2	Concerns related to approach to board gender diversity
				2.1,2.6,2.7,3.2	Lack of independence on board
23/06/2023	Central Japan Railway Co.	Annual	Against	3.2	Concerns about overall board structure
				2.2	Concerns related to approach to board gender diversity
				2.1,2.3,2.6,2.11	Lack of independence on board
23/06/2023	Chugin Financial Group, Inc.	Annual	Against	2.1,2.3	Concerns about overall performance
				2.5	Lack of independence on board
23/06/2023	Daicel Corp.	Annual	Against	2.1	Concerns about overall performance
				2.5,2.7	Lack of independence on board
23/06/2023	Daifuku Co., Ltd.	Annual	Against	2.6	Lack of independence on board
23/06/2023	Daiichikoshio Co., Ltd.	Annual	All For		
23/06/2023	Digital Garage, Inc.	Annual	Against	2.1,2.7	Lack of independence on board
23/06/2023	EXEO Group, Inc.	Annual	All For		
23/06/2023	Furukawa Electric Co., Ltd.	Annual	Against	2.1	Concerns about overall performance
				2.2	Concerns about overall performance Concerns related to approach to board gender diversity
				2.3	Lack of independence on board
23/06/2023	Fuyo General Lease Co., Ltd.	Annual	Against	2.1,2.2	Concerns about overall performance
				2.6	Lack of independence on board
23/06/2023	Hikari Tsushin, Inc.	Annual	Against	1.1,2.2	Lack of independence on board
23/06/2023	HIROSE ELECTRIC CO., LTD.	Annual	Against	2.1	Concerns related to approach to board gender diversity
				2.7,2.9	Lack of independence on board
23/06/2023	HOYA Corp.	Annual	All For		
23/06/2023	IHI Corp.	Annual	Against	2.2	Concerns related to approach to board gender diversity
23/06/2023	TOCHU Corp.	Annual	Against	2.7,2.8,2.9	Inadequate management of climate-related risks from exposure to coal
23/06/2023	Itoham Yonekyu Holdings, Inc.	Annual	All For		
23/06/2023	Japan Airlines Co., Ltd.	Annual	Against	2.1,2.5,2.9	Lack of independence on board

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23/06/2023	Kawasaki Kisen Kaisha, Ltd.	Annual	All For		
23/06/2023	Kotobuki Spirits Co., Ltd.	Annual	All For		
23/06/2023	Kyushu Railway Co.	Annual	Against	2 3.9	Concerns related to shareholder rights Lack of independence on board
23/06/2023	Marubeni Corp.	Annual	Against	2.1	Inadequate management of climate-related risks from exposure to coal
23/06/2023	Maruichi Steel Tube Ltd.	Annual	Against	1.2 1.1 1.5, 1.6	Concerns about overall performance Concerns about overall performance Lack of independence on board
23/06/2023	MatsukiyoCocokara & Co.	Annual	All For		
23/06/2023	Menicon Co., Ltd.	Annual	All For		
23/06/2023	Mitsubishi Corp.	Annual	Against	2.7 5.6	Lack of independence on board SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks
23/06/2023	Mitsubishi Materials Corp.	Annual	All For		
23/06/2023	Mizuho Financial Group, Inc.	Annual	Against	1.9, 1.11 2	Concerns about company's capital misallocation through cross shareholdings Inadequate management of climate-related risks
23/06/2023	Musashi Seimitsu Industry Co., Ltd.	Annual	Against	2.5, 2.7	Lack of independence on board
23/06/2023	NEC Networks & System Integration Corp.	Annual	All For		
23/06/2023	Net One Systems Co., Ltd.	Annual	All For		
23/06/2023	Nichiha Corp.	Annual	Against	2.6	Lack of independence on board
23/06/2023	Nihon M&A Center Holdings Inc.	Annual	All For		
23/06/2023	Nintendo Co., Ltd.	Annual	Against	2.6 2.1	Lack of independence on board Lack of independence on board
23/06/2023	Nippon Densetsu Kogyo Co., Ltd.	Annual	Against	3.2 3.1, 3.6	Concerns related to approach to board gender diversity Lack of independence on board
23/06/2023	NIPPON STEEL CORP.	Annual	Against	3.2 3.6, 3.8, 3.9	Concerns related to approach to board gender diversity; Lack of independence on the board Lack of independence on board
23/06/2023	Nitto Denko Corp.	Annual	All For		
23/06/2023	Nomura Real Estate Holdings, Inc.	Annual	All For		
23/06/2023	Nomura Research Institute Ltd.	Annual	Against	1.1	Concerns about overall performance
23/06/2023	NSK Ltd.	Annual	Against	2.1 2.5	Concerns about overall performance Lack of independence on board
23/06/2023	Osaka Gas Co., Ltd.	Annual	All For		
23/06/2023	Paltac Corp.	Annual	All For		
23/06/2023	RAKUS Co., Ltd.	Annual	Against	3.2, 3.3 2.5	Concerns about overall board structure Lack of independence on board
23/06/2023	Resona Holdings, Inc.	Annual	Against	1.1	Concerns about overall performance
23/06/2023	Ricoh Co., Ltd.	Annual	Against	2.4, 2.7	Lack of independence on board
23/06/2023	Sankyu, Inc.	Annual	Against	2.1, 2.5	Lack of independence on board
23/06/2023	Sanwa Holdings Corp.	Annual	All For		
23/06/2023	SCREEN Holdings Co. Ltd.	Annual	Against	3.1, 3.2 3.5	Concerns about overall performance Lack of independence on board
23/06/2023	SG Holdings Co., Ltd.	Annual	Against	1.1	Concerns about overall performance
23/06/2023	SMS Co., Ltd.	Annual	All For		
23/06/2023	Square Enix Holdings Co., Ltd.	Annual	All For		
23/06/2023	Sumitomo Corp.	Annual	Against	2.1	Inadequate management of climate-related risks Inadequate management of climate-related risks from exposure to coal
23/06/2023	Sumitomo Metal Mining Co. Ltd.	Annual	Against	2.2	Concerns related to approach to board gender diversity
23/06/2023	Sumitomo Mitsui Trust Holdings, Inc.	Annual	Against	2.1, 2.5 2.9	Concerns about company's capital misallocation through cross shareholdings Concerns related to approach to board gender diversity
23/06/2023	Sundrug Co., Ltd.	Annual	All For		
23/06/2023	Suzuki Motor Corp.	Annual	Against	2.1	Inadequate management of climate-related risks; Concerns related to approach to board gender diversity
23/06/2023	Systemex Corp.	Annual	Against	2.2 2.7	Concerns related to approach to board gender diversity Lack of independence on board
23/06/2023	Takara Bio, Inc.	Annual	All For		
23/06/2023	The Hachijuni Bank, Ltd.	Annual	Against	2.1 2.2 2.4, 2.5, 2.6, 2.7	Concerns about overall performance Concerns about overall performance Lack of independence on board
23/06/2023	TIS, Inc. (Japan)	Annual	All For		

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23/06/2023	Tobu Railway Co., Ltd.	Annual	Against	2.8	Lack of independence on board
23/06/2023	Tosoh Corp.	Annual	Against	1.1,1.4,1.5,1.6,1.7,1.9	Lack of independence on board
23/06/2023	Toyo Seikan Group Holdings Ltd.	Annual	All For		
23/06/2023	Toyota Tsusho Corp.	Annual	Against	2.2 2.1	Concerns about overall performance Inadequate management of climate-related risks Concerns about overall performance
23/06/2023	TS TECH CO., LTD.	Annual	All For		
23/06/2023	West Japan Railway Co.	Annual	Against	2.3	Lack of independence on board
23/06/2023	Yamaha Corp.	Annual	Against	2.1	Concerns about overall performance
23/06/2023	Yamato Holdings Co., Ltd.	Annual	All For		
23/06/2023	Zensho Holdings Co., Ltd.	Annual	Against	3.1 4.1	Concerns related to approach to board gender diversity Lack of independence on board
24/06/2023	Benesse Holdings, Inc.	Annual	Against	2.3	Concerns about overall board structure
24/06/2023	FANCL Corp.	Annual	All For		
25/06/2023	DeNA Co., Ltd.	Annual	All For		
25/06/2023	Matsui Securities Co., Ltd.	Annual	Against	5 3.1,3,10	Concerns about overall board structure Lack of independence on board
26/06/2023	Dai-ichi Life Holdings, Inc.	Annual	All For		
26/06/2023	Fujitsu Ltd.	Annual	Against	2	Concerns about overall board structure
26/06/2023	Hitachi Construction Machinery Co., Ltd.	Annual	All For		
26/06/2023	MS&AD Insurance Group Holdings, Inc.	Annual	Against	2.1,2.3	Concerns about overall performance
26/06/2023	NGK Insulators, Ltd.	Annual	Against	2.7	Lack of independence on board
26/06/2023	OBIC Business Consultants Co., Ltd.	Annual	Against	3.3 2.1	Concerns about overall board structure Lack of independence on board
26/06/2023	Panasonic Holdings Corp.	Annual	Against	1.10	Lack of independence on board
26/06/2023	Recruit Holdings Co., Ltd.	Annual	All For		
26/06/2023	Sompo Holdings, Inc.	Annual	Against	2.1,2.2	Concerns about overall performance
26/06/2023	Tokio Marine Holdings, Inc.	Annual	Against	2.1 2.2 2.10,2,12,2,14	Concerns about overall performance Concerns about overall performance Concerns related to approach to board gender diversity Lack of independence on board
26/06/2023	Tokyo Century Corp.	Annual	Against	2.1	Inadequate management of climate-related risks from exposure to coal
27/06/2023	Advantest Corp.	Annual	All For		
27/06/2023	Ajinomoto Co., Inc.	Annual	All For		
27/06/2023	Alfresa Holdings Corp.	Annual	Against	1.1 1.8	Concerns about overall performance Lack of independence on board Concerns to protect shareholder value Lack of independence on board
27/06/2023	ANA HOLDINGS INC.	Annual	Against	2.1 1.3 1.1 1.6,1.8	Concerns about overall board structure Concerns about overall performance Concerns about overall performanceLack of independence on board Lack of independence on board
27/06/2023	Asahi Kasei Corp.	Annual	All For		
27/06/2023	AZ-COM Maruwa Holdings, Inc.	Annual	Against	3 2.1 2.8	Concerns about overall board structure Concerns about overall performance Lack of independence on board Concerns related to approach to board gender diversity Lack of independence on board
27/06/2023	Azbil Corp.	Annual	All For		
27/06/2023	Daido Steel Co., Ltd.	Annual	Against	2.2 2.1 2.6,2,7,2,8	Concerns about overall performance Concerns related to approach to board gender diversity Inadequate management of climate-related risks Concerns about overall performance Lack of independence on board Lack of independence on board
27/06/2023	Daito Trust Construction Co. Ltd.	Annual	Against	3.1	Concerns related to approach to board gender diversity
27/06/2023	DOWA HOLDINGS Co., Ltd.	Annual	Against	2.2	Concerns about overall board structure
27/06/2023	Fuji Electric Co., Ltd.	Annual	Against	1.1,1.2	Concerns about overall performance
27/06/2023	Hino Motors, Ltd.	Annual	Against	1.1 1.3	Concerns about overall performance Concerns to protect shareholder value Lack of independence on board
27/06/2023	Hirogin Holdings, Inc.	Annual	Against	1.2 1.1 2	Concerns about overall performance Concerns about overall performance Lack of independence on board Lack of independence on board

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27/06/2023	House Foods Group, Inc.	Annual	Against	2.1 2.7,3.1,3.3 4	Concerns about overall performance; Concerns related to approach to board gender diversity EOS manual override. See analyst note. Shareholder proposal promotes efficient capital structure
27/06/2023	Iida Group Holdings Co., Ltd.	Annual	Against	2.1	Concerns related to approach to board gender diversity
27/06/2023	IRISO Electronics Co., Ltd.	Annual	All For		
27/06/2023	JFE Holdings, Inc.	Annual	All For		
27/06/2023	JustSystems Corp.	Annual	Against	3.2,3.3	Lack of independence on board
27/06/2023	KATITAS Co., Ltd.	Annual	Against	1.1,1.5	Lack of independence on board
27/06/2023	Kikkoman Corp.	Annual	Against	2.3 2.8,2.9 2.2	Concerns related to approach to board gender diversity Lack of independence on board Lack of independence on board Inadequate management of deforestation risks
27/06/2023	Kinden Corp.	Annual	Against	2.1,2.2 2.11	Concerns about overall performance Lack of independence on board
27/06/2023	Kintetsu Group Holdings Co., Ltd.	Annual	Against	3.1,3.6,3.8,3.10,3.11,3.12 3.9	Lack of independence on board Lack of independence on board Concerns related to approach to board gender diversity
27/06/2023	Kureha Corp.	Annual	Against	2.1,2.2	Concerns about overall board structure
27/06/2023	Kyocera Corp.	Annual	Against	3.1 3.2	Concerns about overall performance Concerns about overall performance Concerns related to approach to board gender diversity
27/06/2023	Marui Group Co., Ltd.	Annual	Against	3.3	Lack of independence on board
27/06/2023	Mazda Motor Corp.	Annual	Against	2.1 3.2	Inadequate management of climate-related risks Lack of independence on board
27/06/2023	Medipal Holdings Corp.	Annual	Against	1.1 1.8,1.11,1.12	Concerns about overall performance Lack of independence on board Lack of independence on board
27/06/2023	Mitsubishi Chemical Group Corp.	Annual	Against	1.5	Concern about gender diversity of the board
27/06/2023	Mitsubishi Gas Chemical Co., Inc.	Annual	Against	2.2,2.4 1.1,1.7,1.8,1.10	Concerns about overall board structure Lack of independence on board
27/06/2023	Mitsubishi HC Capital Inc.	Annual	Against	1.8	Lack of independence on board
27/06/2023	Mitsui Chemicals, Inc.	Annual	All For		
27/06/2023	NH Foods Ltd.	Annual	All For		
27/06/2023	Nichirei Corp.	Annual	All For		
27/06/2023	Nippon Gas Co., Ltd. (8174)	Annual	All For		
27/06/2023	Nissan Motor Co., Ltd.	Annual	All For		
27/06/2023	Niterra Co., Ltd.	Annual	All For		
27/06/2023	NOF Corp.	Annual	Against	2.5	Lack of independence on board
27/06/2023	Nomura Holdings, Inc.	Annual	All For		
27/06/2023	Okamura Corp.	Annual	Against	2.1 2.8,2.12	Concerns about overall performance Lack of independence on board
27/06/2023	Olympus Corp.	Annual	Against	1	Concerns related to shareholder rights
27/06/2023	Orient Corp.	Annual	Against	2.2 2.1	Concerns related to approach to board gender diversity Lack of independence on board
27/06/2023	Penta-Ocean Construction Co., Ltd.	Annual	Against	2.1,2.7,2.8,2.9	Lack of independence on board
27/06/2023	Relo Group, Inc.	Annual	Against	2.1,2.7	Lack of independence on board
27/06/2023	ROHM Co., Ltd.	Annual	All For		
27/06/2023	Santen Pharmaceutical Co., Ltd.	Annual	Against	3.1	Concerns about overall board structure
27/06/2023	SAWAI GROUP HOLDINGS Co., Ltd.	Annual	All For		
27/06/2023	SBI Shinsei Bank Ltd.	Annual	Against	1.9	Lack of independence on board
27/06/2023	SECOM Co., Ltd.	Annual	Against	2.1 2.2 2.6 3.3	Concern about independence of the board Concerns related to approach to board diversity Lack of independence due to tenure lack of independence due to tenure
27/06/2023	Seiko Epson Corp.	Annual	All For		
27/06/2023	Sharp Corp.	Annual	Against	1.1 4	Concerns related to approach to board gender diversity Pay is misaligned with EOS remuneration principles
27/06/2023	Shinko Electric Industries Co., Ltd.	Annual	All For		
27/06/2023	SOHGO SECURITY SERVICES CO., LTD.	Annual	Against	3.2	Concerns related to approach to board gender diversity
27/06/2023	Sumitomo Pharma Co., Ltd.	Annual	All For		
27/06/2023	Suzuken Co., Ltd.	Annual	Against	1.1,1.2 2.2,2.3	Concerns about overall performance Concerns to protect shareholder value Lack of independence on board

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
27/06/2023	TAISEI Corp.	Annual	Against	2.2 2.3,2.4,2.6,2.7,2.8,2.10,2.12 2.1	Concerns related to approach to board gender diversity Concerns about overall performance Lack of independence on board Lack of independence on board Concerns about overall performance
27/06/2023	Terumo Corp.	Annual	Against	3.2 3.8	Concerns related to approach to board gender diversity Lack of independence on board
27/06/2023	The Japan Steel Works Ltd.	Annual	Against	2.1	Concerns about overall performance Concerns to protect shareholder value
27/06/2023	Toray Industries, Inc.	Annual	Against	3.5 2.2 2.1,2.6,2.8,2.12	Concerns about overall board structure Concerns related to approach to board gender diversity Lack of independence on board
27/06/2023	TOTO Ltd.	Annual	Against	1.2 1.1	Concerns related to approach to board gender diversity Lack of independence on board
27/06/2023	Yaoko Co., Ltd.	Annual	Against	2.1	EOS manual override. See analyst note.
27/06/2023	Yokogawa Electric Corp.	Annual	All For		
28/06/2023	AMADA Co., Ltd.	Annual	Against	2.8	Lack of independence on board
28/06/2023	Anritsu Corp.	Annual	All For		
28/06/2023	AS ONE Corp.	Annual	Against	2.1	Lack of independence on board
28/06/2023	BIPROGY Inc.	Annual	Against	2.1	Concerns about overall performance
28/06/2023	Chubu Electric Power Co., Inc.	Annual	Against	10 3.2 3.1 5 3.7	A vote FOR this shareholder proposal is recommended because: * The requested disclosure would help shareholders understand how sustainable the company's strategy is in the transition to a decarbonized economy. A vote AGAINST this director nominee is warranted because: * There are compliance concerns (i.e., allegations over the antitrust violations and unauthorized access of customer information) about the utility, for which the nominee should be held responsible. A vote AGAINST this director nominee is warranted because: * There are compliance concerns (i.e., allegations over the antitrust violations and unauthorized access of customer information) about the utility, for which the nominee should be held responsible. Inadequate management of climate-related risks and exposure to coal A vote FOR this shareholder proposal is recommended because the proposed disclosure would promote accountability and help shareholders make better-informed decisions. Concern about his independence
28/06/2023	Daiwa Securities Group, Inc.	Annual	All For		
18/04/2023	CapitaLand Ascott Trust	Annual	All For		
19/04/2023	CapitaLand Integrated Commercial Trust	Annual	All For		
19/04/2023	CapitaLand Integrated Commercial Trust	Extraordinary Shareholders	All For		
19/04/2023	Genting Singapore Limited	Annual	Against	4 5(b)	Concerns related to approach to board gender diversity Pay is misaligned with EOS remuneration principles
19/04/2023	KEPPEL DC REIT	Annual	Against	3	Concerns about overall board structure
20/04/2023	Sembcorp Industries Ltd.	Annual	Against	4 3	Concerns related to approach to board gender diversity Concerns related to approach to board gender diversity Inadequate management of climate-related risks from exposure to coal
20/04/2023	Singapore Technologies Engineering Ltd.	Annual	Against	5	Concerns related to approach to board gender diversity
20/04/2023	Suntec Real Estate Investment Trust	Annual	All For		
20/04/2023	Wilmar International Limited	Annual	Against	6 11	Concerns related to approach to board gender diversity Pay is misaligned with EOS remuneration principles
21/04/2023	Keppel Corporation Limited	Annual	Against	3 4	Concerns related to approach to board diversity
21/04/2023	Keppel REIT	Annual	Against	4	Concerns related to approach to board gender diversity
21/04/2023	StarHub Ltd.	Annual	Against	2 7	Concerns related to inappropriate membership of committees Issue of equity raises concerns about excessive dilution of existing shareholders
21/04/2023	StarHub Ltd.	Extraordinary Shareholders	All For		
21/04/2023	United Overseas Bank Ltd. (Singapore)	Annual	All For		
24/04/2023	Yangzijiang Shipbuilding (Holdings) Ltd.	Annual	Against	4,5 9	Concerns related to inappropriate membership of committees Issue of equity raises concerns about excessive dilution of existing shareholders
25/04/2023	CapitaLand Investment Ltd.	Annual	Against	6	Concerns related to inappropriate membership of committees
25/04/2023	Hutchison Port Holdings Trust	Annual	All For		
25/04/2023	Olam Group Limited	Annual	Against	4,6	Concerns related to approach to board gender diversity
25/04/2023	Oversea-Chinese Banking Corporation Limited	Annual	Against	8	Pay is misaligned with EOS remuneration principles
26/04/2023	City Developments Limited	Annual	All For		

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26/04/2023	Seatrium Ltd.	Annual	Against	3 5	Concerns related to approach to board gender diversity Concerns related to inappropriate membership of committees
27/04/2023	Venture Corporation Limited	Annual	All For		
28/04/2023	CapitaLand Ascendas REIT	Annual	All For		
28/04/2023	Comfortdelgro Corporation Limited	Annual	All For		
28/04/2023	Jardine Cycle & Carriage Limited	Annual	Against	7a 4a	Issue of equity raises concerns about excessive dilution of existing shareholders Overboarded/Too many other time commitments
28/04/2023	UOL Group Limited	Annual	Against	4 10 9	Concerns related to approach to board gender diversity Issue of equity raises concerns about excessive dilution of existing shareholders Pay is misaligned with EOS remuneration principles
30/05/2023	BOC Aviation Limited	Annual	Against	3a 3d 7 8	Concerns related to inappropriate membership of committees Concerns related to succession planning Concerns to protect shareholder value Issue of equity raises concerns about excessive dilution of existing shareholders Concerns to protect shareholder value
09/05/2023	S-Oil Corp.	Special	All For		
15/05/2023	NH Investment & Securities Co., Ltd.	Special	All For		
23/05/2023	Hanwha Ocean Co., Ltd.	Special	Against	1 2.4 5	Issue of equity raises concerns about excessive dilution of existing shareholders Poison pill/anti-takeover measure not in investors interests Overboarded/Too many other time commitments Pay is misaligned with EOS remuneration principles
12/06/2023	Korea Gas Corp.	Special	Against	1	Concerns related to inappropriate membership of committees
16/06/2023	Pan Ocean Co., Ltd.	Special	All For		
26/06/2023	Korea Electric Power Corp.	Special	All For		
15/05/2023	Taichung Commercial Bank Co., Ltd.	Annual	All For		
17/05/2023	Lite-On Technology Corp.	Annual	All For		
19/05/2023	Walsin Lihwa Corp.	Annual	Against	3,13 7.7 7.1,7.2,7.3,7.4,7.5,7.6	Insufficient/poor disclosure Insufficient/poor disclosure Lack of independence on board Lack of independence on board
24/05/2023	Macronix International Co., Ltd.	Annual	All For		
24/05/2023	Nanya Technology Corp.	Annual	All For		
24/05/2023	Radiant Opto-Electronics Corp.	Annual	Against	3	Concerns related to shareholder rights
24/05/2023	SinoPac Financial Holdings Co., Ltd.	Annual	Against	5.1,5.3,5.4	Lack of independence on board
24/05/2023	TECO Electric & Machinery Co., Ltd.	Annual	All For		
25/05/2023	Advantech Co., Ltd.	Annual	Against	5.1,5.2,5.3,5.4,5.5,5.6 4	Lack of independence on board Pay is misaligned with EOS remuneration principles
25/05/2023	Formosa Petrochemical Corp.	Annual	All For		
26/05/2023	AUO Corp.	Annual	All For		
26/05/2023	Chunghwa Telecom Co., Ltd.	Annual	All For		
26/05/2023	Formosa Chemicals & Fibre Corp.	Annual	All For		
26/05/2023	Win Semiconductors Corp.	Annual	All For		
29/05/2023	Qisda Corp.	Annual	All For		
30/05/2023	ASPEED Technology, Inc.	Annual	All For		
30/05/2023	Chicony Electronics Co., Ltd.	Annual	All For		
30/05/2023	Evergreen Marine Corp. (Taiwan) Ltd.	Annual	Against	3.1 3.2,3.3,3.5,3.6	Concerns related to approach to board gender diversity Lack of independence on board Lack of independence on board
30/05/2023	Formosa Plastics Corp.	Annual	Against	1	Inadequate management of climate-related risks from exposure to coal
30/05/2023	King Yuan Electronics Co., Ltd.	Annual	Against	3.1,3.2,3.3,3.4,3.5,3.6	Lack of independence on board
30/05/2023	President Chain Store Corp.	Annual	All For		
30/05/2023	SINBON Electronics Co., Ltd.	Annual	All For		
30/05/2023	Wan Hai Lines Ltd.	Annual	Against	5.1,5.2,5.3,5.4,5.5	Lack of independence on board
31/05/2023	Cheng Shin Rubber Ind. Co., Ltd.	Annual	Against	6.1 6.2,6.3,6.4,6.5,6.6,6.7,6.8,6.9,7	Combined CEO/Chair Concerns related to approach to board gender diversityLack of independence on board Lack of independence on board
31/05/2023	Chipbond Technology Corp.	Annual	Against	3	Pay is misaligned with EOS remuneration principles
31/05/2023	Elite Material Co., Ltd.	Annual	All For		
31/05/2023	Far EasTone Telecommunications Co., Ltd.	Annual	All For		
31/05/2023	Foxconn Technology Co., Ltd.	Annual	All For		

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31/05/2023	Hon Hai Precision Industry Co., Ltd.	Annual	All For		
31/05/2023	Hon Hai Precision Industry Co., Ltd.	Annual	All For		
31/05/2023	Innolux Corp.	Annual	All For		
31/05/2023	Makalot Industrial Co., Ltd.	Annual	Against	2.1,2.2,2.3,2.4,2.5,2.6,2.7,2.8,2.9,2.10,2.11,2.12	Lack of independence on board
31/05/2023	MediaTek, Inc.	Annual	All For		
31/05/2023	Nan Ya Plastics Corp.	Annual	All For		
31/05/2023	Novatek Microelectronics Corp.	Annual	All For		
31/05/2023	Phison Electronics Corp.	Annual	Against	3.2,3.3,3.4,3.5,3.6,3.1	Lack of independence on board Lack of independence on board Concerns related to approach to board gender diversity
31/05/2023	Powertech Technology, Inc.	Annual	Against	4.1,4.2,4.3,4.6	Lack of independence on boardConcerns related to approach to board gender diversity
31/05/2023	Simplo Technology Co., Ltd.	Annual	Against	3.1,3.2,3.3,3.4,3.5	Concerns related to board gender diversity, insufficient disclosure of nominee information and combined chair/CEO. Lack of independence on board
31/05/2023	Taiwan Cement Corp.	Annual	All For		
31/05/2023	United Microelectronics Corp.	Annual	All For		
31/05/2023	WPG Holdings Ltd.	Annual	Against	4.1,4.4,4.5,4.3	Lack of independence on board Lack of independence on board Concerns related to approach to board gender diversity
06/06/2023	Acer, Inc.	Annual	Against	1.1	Combined CEO/Chair Concerns related to approach to board gender diversity
06/06/2023	Realtek Semiconductor Corp.	Annual	All For		
06/06/2023	Taiwan Semiconductor Manufacturing Co., Ltd.	Annual	All For		
06/06/2023	Taiwan Semiconductor Manufacturing Co., Ltd.	Annual	All For		
07/06/2023	LARGAN Precision Co., Ltd.	Annual	All For		
09/06/2023	ASUSTek Computer, Inc.	Annual	All For		
09/06/2023	Cathay Financial Holdings Co., Ltd.	Annual	All For		
09/06/2023	Chroma Ate, Inc.	Annual	Against	4.1,4.2,4.3,4.4,4.5	Lack of independence on board
09/06/2023	Fubon Financial Holding Co., Ltd.	Annual	Against	7.1,7.2,7.4,7.5,7.6,7.7,7.8,7.9,7.10	Lack of independence on board
09/06/2023	Fubon Financial Holding Co., Ltd.	Annual	Against	6.10,6.1,6.2,6.4,6.5,6.6,6.7,6.8,6.9	Concerns related to approach to board gender diversity Lack of independence on board
09/06/2023	Gigabyte Technology Co., Ltd.	Annual	All For		
09/06/2023	Ruentex Development Co., Ltd.	Annual	Against	5.1	Inadequate management of climate-related risks
09/06/2023	Shin Kong Financial Holding Co. Ltd.	Annual	Against	4.30,4.32,4.27,4.28,4.29,3,4.1,4.2,4.3,4.4,4.5,4.6,4.7,4.8,4.9,4.10,4.11,4.12,4.13	Cumulative/slate voting in favour of individual candidates/slates Issue of equity raises concerns about excessive dilution of existing shareholders Lack of independence on board
13/06/2023	Delta Electronics, Inc.	Annual	All For		
13/06/2023	Inventec Corp.	Annual	Against	3.1,3.2,3.3,3.4,3.5,3.6,3.8,3.9	Concerns related to approach to board gender diversity Lack of independence on board Lack of independence on board Overboarded/Too many other time commitments
13/06/2023	Taiwan Mobile Co., Ltd.	Annual	Against	4.1,4.2,4.3,4.4,4.5,7	Concerns related to approach to board gender diversityLack of independence on board Lack of independence on board
13/06/2023	Vanguard International Semiconductor Corp.	Annual	All For		
15/06/2023	Accton Technology Corp.	Annual	Against	4	Concerns related to shareholder rights
15/06/2023	Micro-Star International Co., Ltd.	Annual	All For		
15/06/2023	Pegatron Corp.	Annual	All For		
15/06/2023	Pou Chen Corp.	Annual	Against	1	Inadequate management of deforestation risks
15/06/2023	Wistron Corp.	Annual	All For		
16/06/2023	China Steel Corp.	Annual	All For		
16/06/2023	CTBC Financial Holding Co., Ltd.	Annual	Against	4	Pay is misaligned with EOS remuneration principles
16/06/2023	Lotes Co., Ltd.	Annual	All For		
16/06/2023	Mega Financial Holding Co., Ltd.	Annual	All For		
16/06/2023	Quanta Computer, Inc.	Annual	All For		
16/06/2023	Ruentex Industries Ltd.	Annual	All For		
16/06/2023	Taishin Financial Holdings Co., Ltd.	Annual	All For		

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16/06/2023	Taiwan Business Bank	Annual	All For		
16/06/2023	Taiwan Cooperative Financial Holding Co., Ltd.	Annual	Against	5,2,5,11,5,12,5,13,5,14,5,15	
16/06/2023	Yulon Finance Corp.	Annual	All For		
17/06/2023	China Development Financial Holding Corp.	Annual	Against	5	Issue of equity raises concerns about excessive dilution of existing shareholders
20/06/2023	Tripod Technology Corp.	Annual	All For		
21/06/2023	Compal Electronics, Inc.	Annual	All For		
26/06/2023	Ta Chen Stainless Pipe Co., Ltd.	Annual	Against	5,1,5,3,5,4,5,5,5,6,5,7,5,8	Lack of independence on board
27/06/2023	ASE Technology Holding Co., Ltd.	Annual	All For		
27/06/2023	Asia Cement Corp.	Annual	Against	3.1 3,2,3,3,3,5,3,6,3,8,3,9,3,10 3,11,3,12 3.7	Concerns related to approach to board gender diversity Lack of independence on board Overboarded/Too many other time commitments Lack of independence on board Lack of independence on board Concerns related to inappropriate membership of committees Lack of independence on board Overboarded/Too many other time commitments Lack of independence on board
28/06/2023	eGuarantee, Inc.	Annual	Against	3,7	Lack of independence on board
28/06/2023	Electric Power Development Co., Ltd.	Annual	Against	3 2.1 2.2 4	It is in investors' interest to better understand how the company intends to remain viable in the long term, with the help of critical climate information and currently there is no measurable and tangible actions that provide some comfort about the possible success of the company's path to net zero GHG emissions by 2050, which is Japan's national target. * The proposed contents do not appear to be unduly burdensome or overly prescriptive. Inadequate management of climate-related risks Inadequate management of climate-related risks from exposure to coal Inadequate management of climate-related risks Inadequate management of climate-related risks from exposure to coal Concern about lack of gender diversity on the board The request does not appear overly prescriptive, and shareholders should benefit from the proposed disclosures.
28/06/2023	ENEOS Holdings, Inc.	Annual	All For		
28/06/2023	Far Eastern New Century Corp.	Annual	All For		
28/06/2023	FP Corp.	Annual	Against	1,2 1.1	Concerns related to approach to board gender diversity Lack of independence on board
28/06/2023	Fuji Media Holdings, Inc.	Annual	Against	2 3,8,3,9 3,11 4,2,4,3,5 3,1,3,2	The passage of this proposal will authorize the company to hold virtual only meetings permanently, without further need to consult shareholders, even after the current health crisis is resolved, and the proposed language fails to specify situations under which virtual meetings will be held. Concern about board independence Concern about independence Lack of board independence Top management is responsible for the company's capital misallocation. The nominee, as a top executive, should ultimately be held responsible for its subsidiary's misconduct in connection with the Tokyo 2020 Olympic Games.
28/06/2023	Fuji Oil Holdings, Inc.	Annual	Against	2,9	Lack of independence on board
28/06/2023	Fujitsu General Ltd.	Annual	Against	3 2,1	Concerns about overall board structure Concerns related to approach to board gender diversity
28/06/2023	GOLDWIN INC.	Annual	Against	2,2	Concerns about overall board structure
28/06/2023	International Games System Co., Ltd.	Annual	Against	3	Concerns related to shareholder rights
28/06/2023	Internet Initiative Japan, Inc.	Annual	Against	2,2 2,1,2,10	Concerns related to approach to board gender diversity Lack of independence on board
28/06/2023	Isuzu Motors Ltd.	Annual	Against	2,2 2,1 3,2,3,5	Concerns about overall performance Concerns about overall performance Lack of independence on board Lack of independence on board Concerns related to inappropriate membership of committees
28/06/2023	Japan Airport Terminal Co., Ltd.	Annual	Against	2,1,2,7,2,8,2,9,2,10,2,11,2,1 2 5	Lack of independence on board Poison pill/anti-takeover measure not in investors interests
28/06/2023	Japan Material Co., Ltd.	Annual	Against	2,10 2,1	Lack of independence on board Lack of independence on board Concerns related to approach to board gender diversity
28/06/2023	JEOL Ltd.	Annual	All For		
28/06/2023	Kajima Corp.	Annual	Against	2,1 2,2	Concerns about overall performance Concerns about overall performance Concerns related to approach to board gender diversity
28/06/2023	Kawasaki Heavy Industries Ltd.	Annual	Against	2,1,2,2	Concerns about overall performance
28/06/2023	KONAMI Group Corp.	Annual	All For		
28/06/2023	Kyudenko Corp.	Annual	Against	1,2 1,1,1,4,1,5,1,6	Concerns related to approach to board gender diversity Lack of independence on board

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28/06/2023	Kyushu Electric Power Co., Inc.	Annual	Against	16 8 4.10 6 4.4,4.5,4.7,4.8 4.1 4.2	Supporting this proposal would help show shareholder concerns over the utility's compliance problems. The proposed disclosure would promote accountability and help shareholders make better-informed decisions. Concern about his independence In light of the allegations over the antitrust violations and inappropriate sensitive information handling, which cast doubt over the utility's compliance practices, the proposed content appears to make sense. Lack of board independence There are compliance concerns (i.e., allegations over the antitrust violations and inappropriate sensitive information handling) about the utility, for which the nominee should be held responsible. Concerns about overall performance There are compliance concerns (i.e., allegations over the antitrust violations and inappropriate sensitive information handling), for which the nominee should be held responsible. Concerns about overall performance
28/06/2023	M3, Inc.	Annual	Against	1.8	Lack of independence on board
28/06/2023	Makita Corp.	Annual	Against	2.2	Concerns related to approach to board gender diversity
28/06/2023	Nagoya Railroad Co., Ltd.	Annual	Against	2.1,2.2	Concerns about overall performance
28/06/2023	NHK Spring Co., Ltd.	Annual	Against	2.1	Concerns about overall performance
28/06/2023	Nihon Kohden Corp.	Annual	Against	2.1	Concerns related to approach to board gender diversity
28/06/2023	Nippon Kayaku Co., Ltd.	Annual	Against	3.1 3.5	Concerns about overall performance Lack of independence on board
28/06/2023	Nipro Corp.	Annual	Against	3.3	Concerns about overall board structure
28/06/2023	Nissan Chemical Corp.	Annual	All For		
28/06/2023	Nisshin Seifun Group, Inc.	Annual	Against	2.1 2.5,2.6	Concerns about overall performance Concerns related to approach to board gender diversity Lack of independence on board
28/06/2023	Nissin Foods Holdings Co., Ltd.	Annual	Against	4.1,5 3.1 3.4,3.5	Concerns about overall board structure Concerns about overall performance Lack of independence on board
28/06/2023	Nittoku Co., Ltd.	Annual	Against	2.1	Concerns related to approach to board gender diversity
28/06/2023	NOK Corp.	Annual	Against	2.1 2.2	Concerns about overall performance Concerns about overall performance Concerns related to approach to board gender diversity
28/06/2023	Obayashi Corp.	Annual	Against	3.1,3.2 3.7 5	Concerns about overall performance Lack of independence on board Shareholder proposal promotes appropriate accountability or incentivisation
28/06/2023	Rohto Pharmaceutical Co., Ltd.	Annual	All For		
28/06/2023	Seino Holdings Co., Ltd.	Annual	Against	2.1,2.8	Lack of independence on board
28/06/2023	Shikoku Electric Power Co., Inc.	Annual	Against	1.1 1.2 1.4,1.8,2.2,2.3	Concern about overall performance Lack of independence on board Inadequate management of climate-related Concerns about overall performance Lack of independence on board
28/06/2023	Shimadzu Corp.	Annual	All For		
28/06/2023	Sumitomo Electric Industries Ltd.	Annual	Against	2.2 2.1,2.13	Concerns related to approach to board gender diversity Lack of independence on board
28/06/2023	T&D Holdings, Inc.	Annual	Against	2.1	Concerns related to approach to board gender diversity Concerns about overall performance
28/06/2023	Taiwan Fertilizer Co., Ltd.	Annual	All For		
28/06/2023	Takeda Pharmaceutical Co., Ltd.	Annual	All For		
28/06/2023	The Chiba Bank, Ltd.	Annual	Against	2.2 2.1 2.5,2.6	Concerns about overall performance Concerns about overall performance Lack of independence on board Lack of independence on board
28/06/2023	The Chugoku Electric Power Co., Inc.	Annual	Against	2.1 2.7	Inadequate management of climate-related risksInadequate management of climate-related risks from exposure to coal Lack of independence on board
28/06/2023	The Kansai Electric Power Co., Inc.	Annual	Against	2.9 2.1 2.2,2.7 9 28 11,21	Concerns to protect shareholder value Inadequate management of climate-related risks, including exposure to coal Lack of independence on board 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 SH: For shareholder resolution, against management recommendation / Shareholder proposal promotes transparency

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
28/06/2023	TOHO GAS Co., Ltd.	Annual	Against	3.3 2.2 2.1 2.5,2.6,2.7	Concerns about overall board structure Concerns about overall performance Concerns about overall performance Lack of independence on board Lack of independence on board
28/06/2023	Tohoku Electric Power Co., Inc.	Annual	Against	1.1 1.7,1.9,1.10 9	Inadequate management of climate-related risks Inadequate management of climate-related risks from exposure to coal Lack of independence on board Lack of independence on board Shareholder proposal promotes appropriate accountability or incentivisation
28/06/2023	Tokyo Electric Power Co. Holdings, Inc.	Annual	Against	1.1 9 2	The board after this meeting will not be majority independent and this outside director nominee lacks independence. Inadequate management of climate-related risks from exposure to coal. The proposed disclosure would promote accountability and help shareholders make better-informed decisions. The requested disclosure would help shareholders understand how sustainable the company's strategy is in a transition to a decarbonized economy.
28/06/2023	Tokyu Fudosan Holdings Corp.	Annual	All For		
28/06/2023	Uni-President Enterprises Corp.	Annual	Against	1	Inadequate management of deforestation risks
28/06/2023	Yamaguchi Financial Group, Inc.	Annual	Against	1.1 1.6	Concerns about overall performance Lack of independence on board
28/06/2023	ZOZO, Inc.	Annual	Against	4.2	Lack of independence on board
29/06/2023	Amano Corp.	Annual	Against	3.1 3.8	Lack of independence on board
29/06/2023	BOC Hong Kong (Holdings) Limited	Annual	All For		
29/06/2023	Casio Computer Co., Ltd.	Annual	All For		
29/06/2023	COMSYS Holdings Corp.	Annual	All For		
29/06/2023	Dai Nippon Printing Co., Ltd.	Annual	Against	3.3 2.1 2.2	Concerns about overall board structure Concerns about overall performance Concerns about overall performance Concerns related to approach to board gender diversity
29/06/2023	DAIKIN INDUSTRIES Ltd.	Annual	Against	3.2 3.1 3.4	Concerns related to approach to board gender diversity Inadequate management of climate-related risks Lack of independence on board
29/06/2023	Daio Paper Corp.	Annual	Against	2.1	Concerns related to approach to board gender diversity Inadequate management of climate-related risks
29/06/2023	Daiwa House Industry Co., Ltd.	Annual	Against	2.1,2.9,2.10,2.13	Lack of independence on board
29/06/2023	DISCO Corp.	Annual	Against	3.4,3.6	Lack of independence on board
29/06/2023	E Ink Holdings, Inc.	Annual	Against	3.1,3.2,3.3,3.4	Lack of independence on board
29/06/2023	FANUC Corp.	Annual	All For		
29/06/2023	FUJIFILM Holdings Corp.	Annual	Against	3.1,3.6,3.7	Lack of independence on board
29/06/2023	Fujikura Ltd.	Annual	Against	1 3.1,3.4,4.1 4.4,4.5	Insufficient/poor disclosure Lack of independence on board Lack of independence on board Concerns related to inappropriate membership of committees
29/06/2023	Fukuoka Financial Group, Inc.	Annual	Against	2.1 2.2	Concerns about overall performance Concerns about overall performance Concerns related to approach to board gender diversity
29/06/2023	GS Yuasa Corp.	Annual	Against	2.1	Concerns about overall performance
29/06/2023	Hakuhodo DY Holdings, Inc.	Annual	Against	2.2 2.1 2.8	Concerns about overall performance Concerns to protect shareholder value Concerns about overall performance Concerns to protect shareholder value Lack of independence on board Lack of independence on board
29/06/2023	HASEKO Corp.	Annual	All For		
29/06/2023	Heiwa Corp.	Annual	All For		
29/06/2023	Iyogin Holdings, Inc.	Annual	Against	9 1.1,1.2	It is aligned with the shareholder's interest Top management is responsible for the company's capital misallocation.
29/06/2023	JGC Holdings Corp.	Annual	Against	2.5	Lack of independence on board
29/06/2023	JMDC, Inc.	Annual	All For		
29/06/2023	K's Holdings Corp.	Annual	All For		
29/06/2023	Kaken Pharmaceutical Co., Ltd.	Annual	Against	2.1	Concerns about overall performance
29/06/2023	Kamigumi Co., Ltd.	Annual	All For		
29/06/2023	Kandenko Co., Ltd.	Annual	Against	3.2 3.1 3.6,3.8,3.9 5	Concerns about overall performance Concerns about overall performance Lack of independence on board Lack of independence on board Performance-related pay/awards for non-executives
29/06/2023	Kaneka Corp.	Annual	Against	1.1,1.2	Concerns about overall performance

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
29/06/2023	Kansai Paint Co., Ltd.	Annual	Against	2.1 2.7	Concerns about overall performance Lack of independence on board
29/06/2023	Keikyu Corp.	Annual	Against	2.2 2.5,2.6,2.7 2.1	Concerns about overall performance Lack of independence on board Lack of independence on board Concerns about overall performance
29/06/2023	Keio Corp.	Annual	Against	2.2 2.7,2.11 2.1	Concerns about overall performance Concerns related to approach to board gender diversity Lack of independence on board Lack of independence on board Concerns about overall performance
29/06/2023	Keisei Electric Railway Co., Ltd.	Annual	Against	3 2.1,2.12	Concerns about overall board structure Lack of independence on board
29/06/2023	Koito Manufacturing Co., Ltd.	Annual	Against	3.2 2.1,2.6,2.7,2.8	Concerns about overall board structure Lack of independence on board
29/06/2023	Kurita Water Industries Ltd.	Annual	All For		
29/06/2023	Meiji Holdings Co., Ltd.	Annual	All For		
29/06/2023	Minebea Mitsumi, Inc.	Annual	Against	2.12	Lack of independence on board
29/06/2023	Mitsubishi Electric Corp.	Annual	Against	1.8 1.1	Concerns about overall performance Lack of independence on board
29/06/2023	Mitsubishi Estate Co., Ltd.	Annual	Against	2.8	Concerns related to approach to board gender diversity
29/06/2023	Mitsubishi Heavy Industries, Ltd.	Annual	Against	2.5,2.6	Lack of independence on board
29/06/2023	Mitsubishi Logistics Corp.	Annual	Against	3.2 2.2 2.1 2.7,2.8,2.9,2.11	Concerns about overall board structure Concerns about overall performance Concerns related to approach to board gender diversity Concerns about overall performance Lack of independence on board Lack of independence on board
29/06/2023	Mitsubishi UFJ Financial Group, Inc.	Annual	Against	3 2.12 2.11 2.5	Ask of shareholder proposal is in line with investor's expectation Concern about cross shareholding practice Concern about cross shareholding practice Concern about his independence
29/06/2023	Mitsui Fudosan Co., Ltd.	Annual	All For		
29/06/2023	Mitsui Mining & Smelting Co., Ltd.	Annual	Against	5 7	Shareholder proposal promotes efficient capital structure Shareholder proposal promotes management attention to capital policy
29/06/2023	Miura Co., Ltd.	Annual	Against	2.1	Concerns related to approach to board gender diversity
29/06/2023	Morinaga & Co., Ltd.	Annual	Against	3.2 2.1,2.9	Concerns about overall board structure Lack of independence on board
29/06/2023	Morinaga Milk Industry Co., Ltd.	Annual	Against	2.2	Concerns related to approach to board gender diversity
29/06/2023	Murata Manufacturing Co. Ltd.	Annual	All For		
29/06/2023	Nikon Corp.	Annual	All For		
29/06/2023	Nippon Shinyaku Co., Ltd.	Annual	All For		
29/06/2023	Nishi-Nippon Railroad Co., Ltd.	Annual	Against	3.2 3.1 3.5	Concerns about overall performance Concerns about overall performance Lack of independence on board Lack of independence on board
29/06/2023	OBIC Co. Ltd.	Annual	Against	2.1,2.5,2.6	Lack of independence on board
29/06/2023	Odakyu Electric Railway Co., Ltd.	Annual	Against	2.1,2.9	Lack of independence on board
29/06/2023	Oji Holdings Corp.	Annual	Against	1.1,1.10	Lack of independence on board
29/06/2023	Oriental Land Co., Ltd.	Annual	Against	3.3,3.9	Lack of independence on board
29/06/2023	Rengo Co., Ltd.	Annual	Against	1.2 1.1 1.7,1.8	Concerns about overall performance Concerns about overall performance Lack of independence on board Lack of independence on board
29/06/2023	Resorttrust, Inc.	Annual	All For		
29/06/2023	Rinnai Corp.	Annual	All For		
29/06/2023	Sankyo Co., Ltd.	Annual	Against	3.3,3.4 2.2 2.1,2.5	Concerns about overall board structure Concerns related to approach to board gender diversity Lack of independence on board
29/06/2023	SBI Holdings, Inc.	Annual	Against	2.7	Lack of independence on board
29/06/2023	Shimizu Corp.	Annual	Against	2.1,2.2	Concerns about overall performance
29/06/2023	Shin-Etsu Chemical Co., Ltd.	Annual	Against	2.5,2.6 4	Concern about his independence due to tenure Concern about short exercise period
29/06/2023	SHIP HEALTHCARE HOLDINGS, INC.	Annual	Against	3 2.4 2.1,2.8,2.12	Concerns about overall board structure Concerns related to approach to board gender diversity Lack of independence on board
29/06/2023	SMC Corp. (Japan)	Annual	All For		

Meeting Date	Company Name	Meeting Type	Voting Action	Agenda Item Numbers	Voting Explanation
29/06/2023	Sotetsu Holdings, Inc.	Annual	Against	3.2.3.3 2.1.2.2	Concerns about overall board structure Concerns about overall performance

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Stewardship Update

FIRST QUARTER · 2023-24 (APRIL - JUNE 2023)



Responsible Investment & Engagement:

LGPS Central's approach



LGPS Central's approach to Responsible Investment & Engagement carries two objectives:

OBJECTIVE #1

Support investment objectives

OBJECTIVE #2

Be an exemplar for RI within the financial services industry, promote collaboration and raise standards across the marketplace

These are met through three pillars:



This update covers LGPS Central's *stewardship* activity. Our stewardship efforts are supplemented by global engagement and voting services provided by EOS at Federated Hermes. For more information, please refer to our Responsible Investment & Engagement Framework and Annual Stewardship Report.

ADDITIONAL DISCLOSURES

Responsible Investment & Engagement Framework 

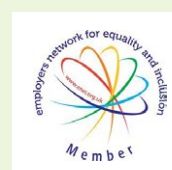
Annual Stewardship Report 

Voting Principles 

Voting Disclosure 

Voting Statistics 

Signatory of:



01 A summary of engagement and voting activities and key stewardship developments

Key Stewardship developments

- Our Stewardship Provider, EOS at Federated Hermes, has updated their themes Taxonomy. The new Taxonomy moves towards greater granularity of theme reporting and better aligns with EOS's engagement plan. The new structure follows a meta theme (e.g., Environmental), theme (e.g., Natural Resource Stewardship), and sub-theme (e.g., Biodiversity & Sustainable Food Systems) structure. The new Taxonomy is reflected in EOS's Engagement Factsheets from this Quarter onwards.
- The long awaited Nature Action 100 (NA100) collaborative engagement group formally opened its doors to investor registration in June 2023. NA100 will publish a list of 100 companies for investor engagement, inform and support engagements between initiative investors and focus companies, detail ambitious actions the need to be undertaken by focus companies to protect and reverse nature loss, and track progress of companies against key benchmark indicators. Investors are required to register by September 2023. LGPS Central (LGPSC) have registered to be a participant in this collaborative engagement initiative. NA100 will distribute letters to 100 companies on the focus list in Q4 2023. The list of companies has been prioritised based on the following criteria: companies have a large market capitalisation, the selection of companies represents developed and emerging markets, the companies have a high potential impact on nature, the companies belong to one of the priority sectors identified by NA100. Following this, engagement teams will be established and engagements will commence in 2024. In similar fashion, the Principles for Responsible Investment (PRI) are establishing a Collaborative Stewardship Initiative on Nature. The initiative will focus on enabling policy change and implementation across geographies to help generate positive outcomes for nature. This initiative is currently developing independently of NA100. Talks are expected between the two initiatives to ensure that efforts are not being duplicated.
- Climate Action 100 launched its next phase to inspire greater corporate climate action. This second phase of the initiative seeks to shift focus from corporate climate disclosures to the implementation of corporate climate transition plans. Specifically, the core goals through to 2030 have evolved, by encouraging signatories to ask companies to:
 - Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risk.
 - Taking action to actively reduce greenhouse gas emissions across the value chain, including engagement with stakeholders such as policy makers and other actors to address the sectoral barriers to transition.
 - Providing enhanced corporate disclosure on and implementing transition plans to deliver on robust targets.

Below is a high-level summary of key engagements and AGM votes that have taken place during Q1 of the financial year 2023-24. These and other engagements and voting examples will be covered in more detail later in this update.



ENVIRONMENTAL

LGPSC participated in award winning collaborative engagement. Australian Asset Management firm **First Sentier**, led the engagement initiative, working alongside the Marine Conservation Society and 30 institutional investors, to address the microfiber pollution problem. The engagement targeted 13 washing machine manufacturers and policy makers to encourage technological solutions to prevent synthetic microfibers from entering the marine environment. As a result of investor influence Grundig and Electrolux have developed microfibre filters for its machines and Samsung have announced plans to develop machines with filters in partnership with Patagonia. In addition, a law will come into force in France banning the sale of machines without a filter from January 2025. The award won **ESG Engagement Initiative of the Year Award** in the **Environmental Finance Sustainable Investment Awards** for 2023. On the 4th April, the UK Government published its policy paper, [Plan for Water: our integrated plan for delivering clean and plentiful water](#). The paper outlines an expectation for industry to develop low cost, effective microfiber filters on washing machines and encourage their effective use. Investor influence may be exercised to engage with UK policymakers to seek clarity around this point.

LGPSC co-signed a letter in February 2023 and attended a follow up call with BP, outlining investor concern regarding the Company's revision of its oil and gas production and emissions reduction targets. We continued to escalate our concerns in Q1 2023-24 by publicising our stance on BP's revision of its climate targets in articles published by the [Financial Times](#), [Responsible Investor](#), and [ESG Investor](#). A follow up call with BP is set to be scheduled in the near future.

We are active members of **Finance Sector Deforestation Action (FSDA)** group and co-signed a [letter](#) to eliminate commodity driven deforestation by 2025. To make progress against this target we participated in a collaborative engagement call with **Kellogg's** Chief Sustainability Officer, Director of Investor Relations, and Global Sustainability Business Partner for Human Rights. Discussions centred around Kellogg's approach to managing deforestation risk within its supply chain, with a specific focus on the Company's Deforestation Policy. We were pleased to learn

that Kellogg's are generally in favour of deforestation-related regulation as it helps move the industry towards standardisation. The Company outlined that current efforts are focused on making sure that all plantations are RSPO certified and have partnered with an NGO to assess their small and medium suppliers in an effort to improve business practices. Company representatives also outlined the implementation of a grievance mechanism and disclosed that the majority of 3rd party grievances are related to palm oil. Kellogg's disclosed that the Company will spin off into two entities, Kellanova and WK Kellogg Co. A follow up call is scheduled to take place later this year or early next year to understand how these entities will approach the management of deforestation within its respective supply chains.

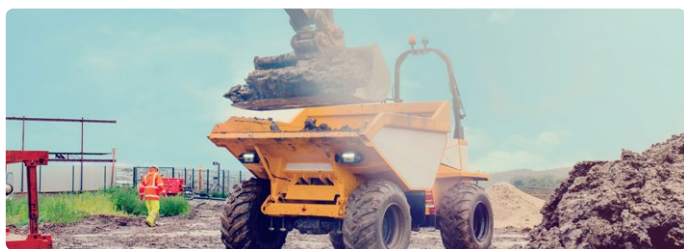
SOCIAL

Sanwa Holdings Corporation, through its subsidiaries, manufactures and sells steel construction materials for commercial and residential construction globally. We engaged with Company representatives to discuss the Japanese firms approach to gender diversity. We applaud the Company's current diversity performance such as establishing a training program for female employees to progress, implementing a flexible working system, and recently appointing a female director. We will continue to encourage the firm to develop its approach to inclusion and diversity.

GOVERNANCE

In June 2023 we responded to the Financial Conduct Authority (FCA) Primary Markets Effectiveness Review. We wrote to the FCA that we are supportive of the regulators commitment to strengthen the UK's position in global wholesale markets and support the UK being regarded as one of the leading global markets of choice for issuers, intermediaries and investors. We voiced that there may be a potential disconnect between the proposals in this consultation with the expectations set by the UK Stewardship Code, the Sustainability Disclosure Requirements and the UK Corporate Governance Reform Green Paper. We look forward to reviewing the FCA cost benefit analysis for the proposed changes which is due in Autumn along with the next consultation.

Voting highlights



CATERPILLAR

CATERPILLAR INC

We supported a shareholder proposal requesting that the Company increase its disclosure on its lobbying expenses and related policies and procedures. Caterpillar have disclosed their inaugural 2022 Lobbying Report as a result of shareholder feedback, however there is room for improvement. The provision of links to publicly available lobbying reports is not sufficient for shareholders to efficiently assess the company's lobbying spending. Shareholders would also benefit from increased disclosure of the dollar amounts given to trade associations and a list of other organisations that may be lobbying on the company's behalf. The proposal did not receive sufficient shareholder support to be approved, but sends a strong message to the management regarding shareholders' expectations. See further detail on page 14.



amazon

AMAZON.COM, INC

With respect to our Human Rights stewardship theme, we supported a shareholder proposal that requested the Board of Directors to commission an independent study of Rekognition (AI driven facial recognition technology) and report to shareholders on the extent to which the technology threatens human rights. The proposals received 38.0% shareholder support. Although the resolution did not pass, the result sent a clear message to the company of investor concern on the responsible management of AI technology. As part of the PRI Advance Group, we expect the company to address the concerns raised in the resolution supported in this year's AGM. See further detail on page 15.

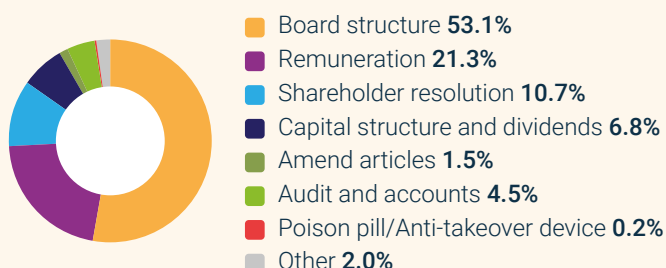
GLOBAL VOTING

We voted at **2,116** meetings (**30,032** resolutions) during the quarter under review.

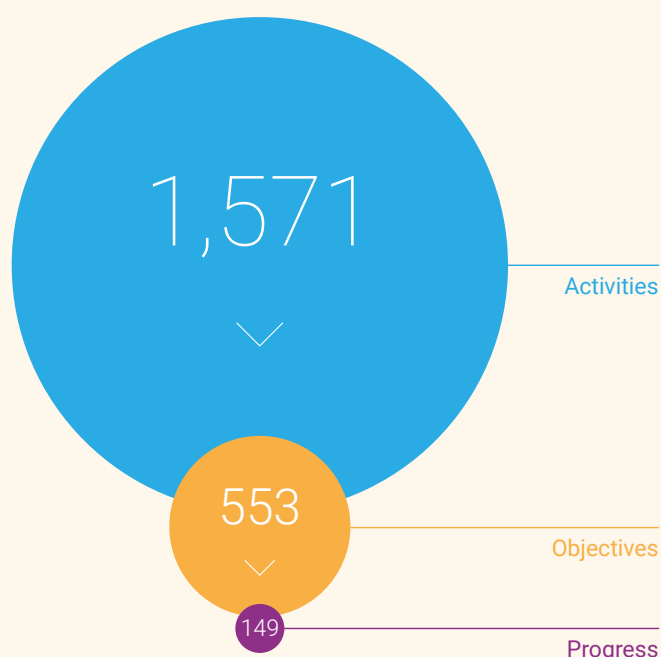


GLOBAL VOTING

We recommended voting against or abstained on **4,532** resolutions over the last quarter.



EOS-LED ENGAGEMENT ACTIVITIES DURING THE QUARTER



02 Engagement case studies



Below, we give more detailed examples of ongoing or new engagements which relate to the four Stewardship Themes that have been identified in collaboration with our Partner Funds.

This quarter our engagement set¹ comprised 460 companies. There was engagement activity on 1578 engagement issues and objectives². Against 553 specific objectives, there was achievement of some or all on 149 occasions. Most engagements were conducted through letter issuance or remote company meetings, where we, our partners or our stewardship provider in a majority of cases met or wrote to the Chair, a Board member or a member of senior management.

¹ This includes engagements undertaken directly, in collaboration, and via our contracted Stewardship Provider.

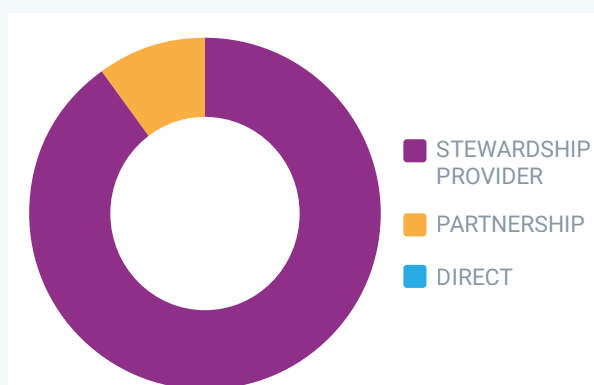
² There can be more than one engagement issue per company, for example board diversity and climate change.



CLIMATE CHANGE ENGAGEMENTS

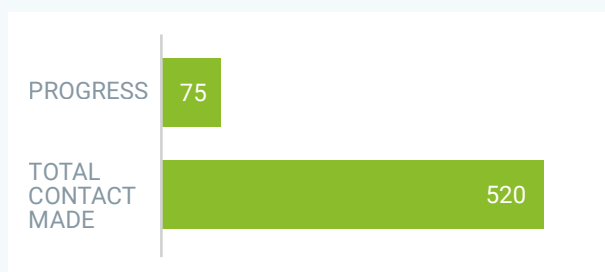
This quarter, our climate change engagement set comprised 247 companies with 520 engagement issues and objectives³. There was progress on 75 specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



- 520 engagements during the quarter.

ENGAGEMENT VOLUME BY OUTCOME



SMURFIT KAPPA GROUP PLC

Theme: Climate Change

Objective: The company has sought to substantially reduce its Scopes 1 and 2 emissions over the last five years by 38%, in line with its 55% goal by 2030 and its longer-term net zero ambition. As of 2021, around 6% of the company's energy mix for its pulp and paper operations is coal-fired; although this has declined from previous years, it remains a risk exposure for both corporate and investor decarbonisation. This is due to the significant boiler-fed heat requirements of pulp and paper production for which coal is still a fuel source in two locations in Europe and one in Colombia. Colombian assets are particularly challenged due to reliability problems with other energy sources, such as natural gas. Asset upgrades to biomass boilers obviates the need for coal, and the company has indicated that all remaining coal-fired operations should end in this decade. The objective for the Company is to set an external end date for reliance on coal-fired processes, and disclose the major investments and time frames for when investors can expect coal in the energy mix to decline from 6% in 2021.

Engagement: During a Q2 2023 engagement, our stewardship provider, EOS at Federated Hermes, discussed the biomass investment in Colombia at length, which we believe will notably reduce coal usage across the entire company's footprint. The Colombia biomass upgrade

³ There can be more than one climate-related engagement issue and/or objective per company.

will reduce groupwide emissions by 6% from 2025; the company indicated that this is a conservative assumption. Although this will significantly reduce remaining groupwide reliance on coal-fired energy, Colombia remains highly coal-dependent and it will take longer for the company to reduce exposure to well below 4% in its fuel mix (as of 2022). However, we do not believe the company is yet ready to set a complete end date in all operations, and so EOS suggested it may need to contemplate how to define a policy for this which is “ex-Colombia,” given the long-term reliance of this country on coal-fired energy and coal exporting. It is believed this may offer investors reassurance that a coal exit timeframe is in place for all markets where this is feasible, which we believe is the case in virtually all other operational locations. It should be noted that coal in the fuel mix has now declined to 4% from the 6% reported in 2020-21.

Outcome: This is an ongoing engagement. The company continues to achieve near-term emissions intensity reduction and provided feedback that its detailed disclosure of near-term capital investment as well as a roadmap of investments over the next several years are illustrative in how it will likely achieve its 2030, science based reductions. Coal in the fuel mix has now declined to 4% from the 6% reported in 2020-21.

PHILLIPS 66

Theme: Climate Change

Objective: We expect the company to report on how it manages its relationships with trade associations regarding their positions on climate change.

Engagement: Our stewardship provider, EOS at Federated Hermes, spoke with the company’s sustainability and ESG manager about its climate lobbying disclosures, human rights impact assessments, and greenhouse gas reductions strategies. On climate lobbying disclosure, EOS asked the company to provide reporting demonstrating alignments with trade associations, and where there were misalignments, decisions the company took to resolve it. EOS pointed to Royal Dutch Shell’s lobbying disclosures as best practice reporting.

Outcome: The company noted that it takes alignment seriously and said it will be publishing a report shortly including specific engagement examples, where the company had cut ties due to misalignment. We welcome Phillips 66’s engagement on this matter and look forward to reviewing the published report.

ANGLO AMERICAN PLC

Theme: Water Catchment

Objective: The objective is for the company to demonstrate leadership in its water catchment management.

Engagement: At the Company’s sustainability day, EOS raised concerns that, although the company has demonstrated improvement in its own water use management by demonstrating leadership in helping stakeholder in sites like Los Bronces, more work is yet to be done in streamlining best practice across all operations and managing water risks at the wider catchment level. In the time elapsed since the objective was established, the company has set a long-term goal to operate waterless mines in water-scarce catchments. It has 2020 and 2030 targets for water abstraction reduction (2020: reduce the abstraction of fresh water in water-scarce regions by 20% & increase water recycling levels to 75%; 2030: reduce the abstraction of freshwater in water-scarce regions by 50%). At the sustainability progress update in 2023 we heard water usage has decreased by 26% relative to 2015 mainly due to increase in water reuse and recycling in the Amandelbult and Venetia mines. The company is currently working on commercialising a desalination water solution in Los Bronces as a response to prolonged droughts in Chile. The company acknowledges investor concern that it should demonstrate leadership in water risk management at the catchment level.

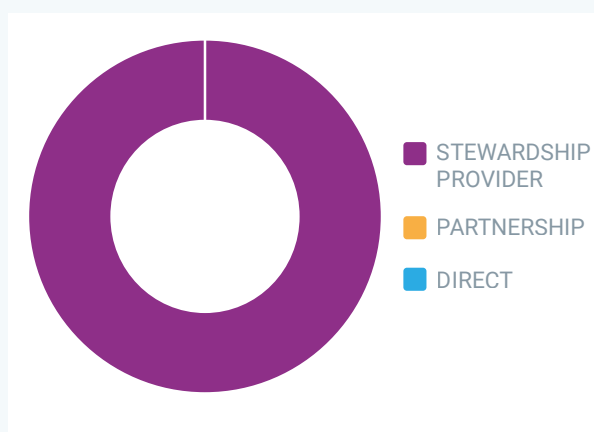
Outcome: At the sustainability day the Company outlined that water usage has decreased by 26% relative to 2015 mainly due to increase in water reuse and recycling in the Amandelbult and Venetia mines. The company is currently working on commercialising a desalination water solution in Los Bronces as a response to prolonged droughts in Chile. The company acknowledges investor concern that it should demonstrate leadership in water risk management at the catchment level.



PLASTIC ENGAGEMENTS

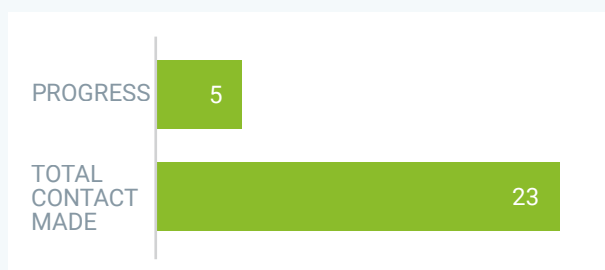
This quarter our plastic-related engagement set comprised 20 companies with 23 engagement issues and objectives. There was progress on 5 specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



- 23 engagements during the quarter

ENGAGEMENT VOLUME BY OUTCOME



3M CO

Theme: Plastics

Objective: We seek to engage with companies that are directly or indirectly involved in plastic pollution or with companies that could contribute to the path of a circular economy. The objective is for the company to become a signatory to the global commitment on plastics and make a quantitative and time-based commitment to eliminate problematic and unnecessary plastics.

Engagement: In the most recent engagement, held in Q2 2023, the company confirmed to our Stewardship Provider EOS at Federated Hermes, that it was one of 85 global businesses, financial institutions, and NGOs to endorse the Business Coalition for a Global Plastics Treaty last year. The Global Plastics Treaty is a common vision that will guide policy engagements with governments in an effort to end plastic pollution and accelerate progress toward a circular economy. The company reported that it has reduced its use of virgin fossil-based plastic by 54.2 million pounds not quite 50% of its 2021 goal to reduce its dependence on virgin fossil-based plastic by 125 million pounds by the end of 2025.

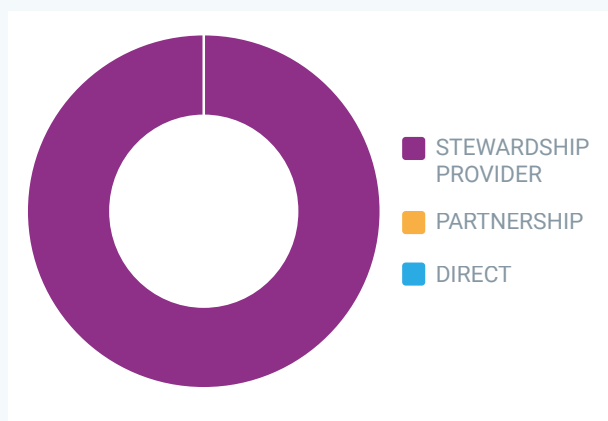
Outcome: We consider the progress the company is making to eliminate dependence on virgin fossil fuel plastics combined with a commitment to the Global Plastics Treaty to meet our expectations on creating a circular economy and targeting zero pollution.



FAIR TAX PAYMENT AND TAX TRANSPARENCY ENGAGEMENTS

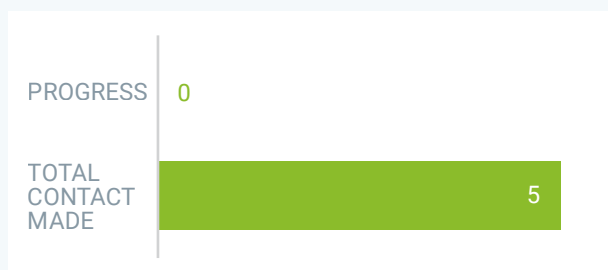
This quarter, our tax transparency engagement set comprised 4 companies with 5 engagement issues and objectives. There was progress on three specific engagement objectives.

ENGAGEMENT VOLUME BY TYPE



- 5 engagements during the quarter

ENGAGEMENT VOLUME BY OUTCOME



MARATHON OIL CORP

Theme: Responsible Tax Engagement

Objective: Our objective is for the company to publish a responsible taxation policy in line with the Global Reporting Initiative Tax Fairness Standard, and disclose itemised payments to governments at the national, state, and local levels.

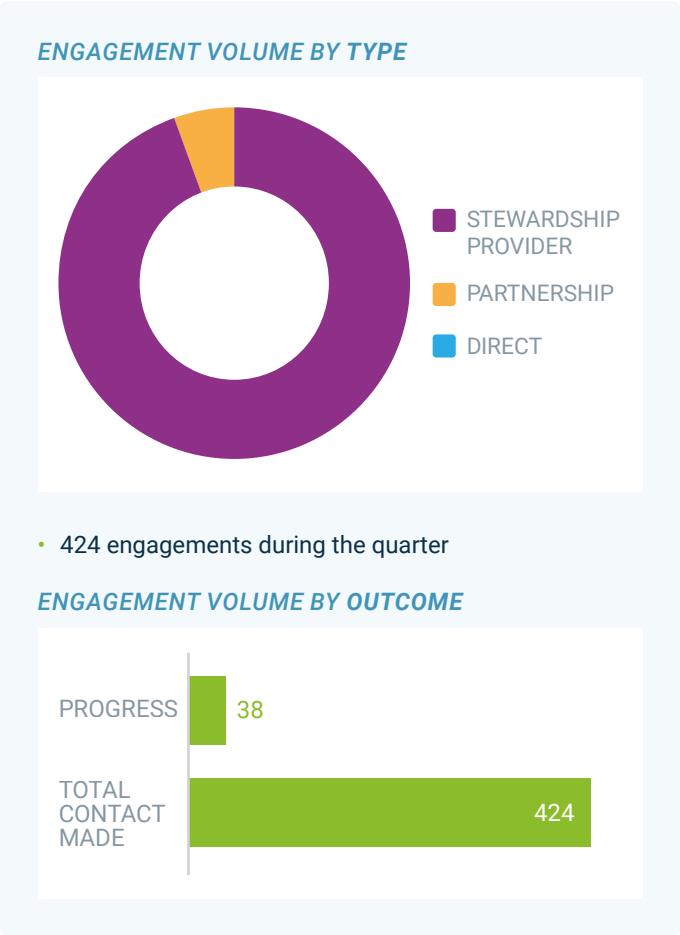
Engagement: In January 2023, our Stewardship Provider, EOS at Federated Hermes, requested the company to publish a responsible taxation policy in line with the Global Reporting Initiative (GRI) Tax Standard, and disclose itemised payments to governments at the national, state, and local levels.

Outcome: The company suggested that it would publish a responsible taxation policy in line with the GRI Tax Standard, and disclose itemised payments to governments at the national, state, and local levels.



HUMAN RIGHTS

This quarter our human rights related engagements comprised 220 companies with 424 engagements issues and objectives. There was progress on 38 specific engagement objectives.



DUKE ENERGY CORP

Objective: The objective is for the company to set out a timebound plan on how human rights issues will be assessed in operations and supply chain mapping / due diligence processes, along with the provision of remedy. The company discloses its process for enforcing its supply chain worker rights policy including information about the audit process (frequency, scope, etc).

Engagement: The company acknowledged the request to set out a timebound plan and the need to disclose its process for enforcing its supply chain worker rights policy. During the PRI Advance collaborative engagement that EOS at Federated Hermes attended, the Company clarified that its due diligence of suppliers involves a desktop audit, sustainability assessments, scoring survey results and providing continuous improvement training. The company said it is in the early stages of supply chain mapping. It has good oversight of its tier one suppliers but not its tier two or three suppliers. We were pleased to hear that in response to forced labour risks in the Xinjiang region, the company had conducted supplier due diligence and took action to reduce its solar supply chain to only two suppliers to more easily monitor for supplier human rights risks. Our expectations for addressing human rights issues include disclosures on types of grievances raised, how companies addressed them, measurement of the effectiveness of remedies, and inclusion of participants concerns and how companies worked with those who are affected to arrive at an effective remedy.

Outcome: Engagement with Duke Energy Corp to set out a timebound plan on how human rights issues will be assessed in operations and supply chain mapping / due diligence processes, along with the provision of remedy. Future engagement will also focus on the disclosure of its process for enforcing its supply chain workers' rights policy including information about the audit process.

ROYAL BANK OF CANADA

Objective: To ensure the ethical implementation of AI across the business, the company should establish senior management level responsibility for AI.

Engagement: Our stewardship provider, EOS at Federated Hermes, met with the corporate secretary, interim head of Borealis AI, RBC's research institute and the global head of market and counterparty risk, to discuss ethical artificial intelligence (AI) implementation. Discussions centred around the shareholder proposal which asked for enhancing the mandates of the governance committee and the risk management committee to include an ethics component regarding the use of artificial intelligence. The proposal was withdrawn as the company had met the requests in the proposal but had not explicitly disclosed around this. We were pleased that the company has ethical AI principles. The company was encouraged to disclose its alignment with the principles more clearly on its website. The company clarified that no single board member had AI oversight, as the board relies on the expertise of multiple individuals. However, one of the Directors is considered the board expert on AI oversight and strategy. The management team provides an annual review on the progress of AI to the full board. It was noted that

the bank had ranked highly against the Evident AI benchmark, which assesses the various approaches businesses are taking towards AI readiness. The company said it was satisfied with the ranking but did not believe it accurately reflects its progress. It believes it is a leader in AI, and has made more contributions than the benchmark reflects, including creating materials on bias and fairness testing as an open source. In terms of AI model adoption, the predominant use cases have been in the fraud and risk areas. Regarding eliminating diversity bias in AI, the bank said that it is committed to maintaining a diverse talent pipeline, and that its model validation process specifically addresses bias. The company does not currently use a third-party auditor to assess algorithmic bias in its AI work, but is open to pursuing it in the future. When asked about the role of AI tools like ChatGPT, the company outlined that it has not authorised its use within the bank.

Outcome: Royal Bank of Canada has demonstrated clear progress and has engaged with investors on the ethical implementation of AI across the business. This has been demonstrated by acknowledging investor concerns and appointing board members with expertise on the topic of AI.

03 Voting



POLICY

For UK listed companies, we vote our shares in accordance with a set of bespoke LGPSC UK Voting Principles. For other markets, we consider the recommendations and advice of our third-party proxy advisor, EOS at Federated Hermes.

COMMENTARY

Between April – June 2023, we:

- Voted at 2,116 meetings (30,032 resolutions) globally
- Opposed one or more resolutions at 1,527 meetings
- Supported 55.4% of shareholder proposals (505 out of 912 resolutions)

A full overview of voting decisions for securities held in portfolios within the Company's Authorised Contractual Scheme (ACS) – broken down by market, issues and reflecting number of votes against and abstentions – can be found on our website [here](#).

EXAMPLES OF VOTING DECISIONS

CATERPILLAR

Company: Caterpillar Inc

Theme: Lobbying Payments and Policy

Rationale: We supported a shareholder proposal requesting that the Company increase its disclosure on its lobbying expenses and related policies and procedures. The proposal specifically request Caterpillar to disclose its Company policy and procedures governing lobbying and grassroots lobbying communications, payments by Caterpillar used for lobbying, Caterpillars membership in and payments to tax-exempt organisations that endorses model legislation, and description of management's and Board's decision-making process and oversight for making payments. It is deemed that Caterpillar provides insufficient transparency in its lobbying-related disclosure.

Caterpillar have disclosed their inaugural 2022 Lobbying Report as a result of shareholder feedback, however there is room for improvement, especially on its disclosure of direct and indirect lobbying payments. The provision of links to publicly available lobbying reports is not sufficient for shareholders to efficiently assess the company's lobbying spending. Shareholders would also benefit from increased disclosure of the dollar amounts given to trade association and a list of other organizations that may lobbying on the company's behalf.

Result: The proposal did not receive sufficient shareholder support to be approved (50% shareholder support is required to pass), but the level of support – 28.9% of shareholders supported the resolution – signals shareholder expectations on increased transparency on the topic of lobbying. We noted the Company has not made any comment on this vote outcome, but we expect them to address this in the near future.

GLENCORE

Company: Glencore PLC

Theme: Climate Change

Rationale: We expect companies' carbon reduction targets to be underpinned by a robust Climate Transition Plan. It is our belief that companies with a strong implementation plan to achieve it's carbon reduction goals demonstrate to investors that they are better placed to manage the risks and opportunities associated with climate change.

We voted in favour of a shareholder resolution that requested Glencore's Climate Transition Plan that is to be presented at the 2024 Annual General Meeting includes disclosures of how the Company's projected thermal coal production, and the associated capital expenditure, aligns with the Paris Agreement, and the extent to which there are any inconsistencies between the Company's projected thermal coal production and the IEA Net

Zero Scenario timelines for the phase out of unabated thermal coal for electricity generation, in both advanced and developing economies. Glencore's investment in the transition has not grown in 2022, despite record EBITDA on the back of coal which we find concerning. Therefore, the provision of the requested information would make the Company's plan more transparent, and better equips shareholders to evaluate the effectiveness of Glencore's management of climate risks.

Result: The proposal received 29.2% support from shareholders. Although the proposal did not pass, (over 50% support required), it can be regarded as a significant vote and sends a strong signal to the Company about shareholder expectations in relation to its Climate Transition Plan. Glencore have stated that they will publish an update on this engagement in accordance with the UK Corporate Governance Code within six months of the 2023 AGM.

WELLS FARGO

Company: Wells Fargo & Company

Theme: Human Rights

Rationale: We expect companies to manage human rights risks, within their own operations but also across the wider supply chain. We expect Companies to disclose how they manage their human rights risks as it allows investors to better evaluate ESG risks and opportunities.

We supported a shareholder proposal requesting that the Company prepare an annual public report describing and quantifying the effectiveness and outcomes of company efforts to prevent harassment and discrimination against protected classes of employees. The proponents suggested including the following disclosures:

- the total number and aggregate dollar amount of disputes settled by the company related to abuse, harassment or discrimination in the previous three years- the total number of pending harassment or discrimination complaints the company is seeking to resolve through internal processes, arbitration or litigation.
- the number of enforceable contracts which include concealment clauses that restrict discussions of harassment or discrimination.
- the aggregate dollar amount associated with the enforcement of arbitration clauses.
- the aggregate dollar amount associated with agreements which contain concealment clauses.

Wells Fargo has policies in place that prohibit harassment and discrimination and prohibit retaliation against employees that raise concerns. The Company has diversity training for all managers to increase inclusion skills and behaviours and

discloses board and workforce diversity statistics. However, the Company has faced multiple allegations of discrimination in its hiring and human capital management practices. Investors could benefit from a report on the effectiveness and outcomes of the company's efforts to prevent discrimination against protected classes of employees.

Result: The proposal passed and received 52.3% support. Although the proposal was non-binding, it is expected that Wells Fargo will produce the requested report in the near future.



Company: Amazon.com, Inc

Theme: Human Rights

Rationale: We supported a shareholder proposal that requested the Board of Directors to commission an independent study of Rekognition (AI driven facial recognition technology) and report to shareholders regarding:

- The extent to which such technology may endanger, threaten or violate privacy and/or civil rights, and unfairly or disproportionately target or surveil people of colour, immigrants and activists in the US.
- The extent to which such technologies may be marketed and sold to authoritarian or repressive governments, including those identified by the US Department of State Country Reports on Human Rights Practices.
- The potential loss of good will and other financial risks associated with these human rights issues.

We are concerned with the system's reported inbuilt biases and the sale of this technology to governments that may abuse individual civil rights. Big tech companies like Facebook, Microsoft, and IBM have restricted the sale of their facial recognition technology or have altogether ceased using the technology. The Board states that it believes the concerns over potential misuse of Rekognition are being addressed through its existing policies and procedures and pointed to the implementation of a global moratorium on police use of Amazon Rekognition's facial comparison feature for criminal investigations. However, we believe that shareholders, and the Company, would benefit from an independent report exploring whether customers' use of its products or services contributes to human rights violations.

This is the fourth consecutive year that Amazon has received this proposal filed by the same proponent. In 2020, 2021, and 2022 the proposal received 32 percent, 34.3 percent, 40.7 percent shareholder support, respectively.

Result: The proposals received 38.0% shareholder support. However, the level of support received for this resolution continues to send a strong message to the Board that investors are cognisant of the emerging risks that Artificial Intelligence poses.



Company: ENGIE SA

Theme: Climate Change

Rationale: We supported a shareholder proposal requesting the amendment of two articles of the Company's bylaws due to the proponent identifying improvements to ENGIE's climate-related practices, as follows:

- The lack of transparency over its alignment of its commitment to decarbonise its Capex to align with the EU taxonomy.
- The Company's scope 3 targets, although validated by the Science Based Targets initiative only represents a small minority of the Company's upstream scope 3 emissions.
- The company relies on infrastructure conversion from fossil gas to renewable gas by 2045, without indicating what regulatory and market changes are needed to achieve it.
- The company indicates that carbon capture and storage (CCS) plays a role in achieving its objective of 100% decarbonized gas by 2045, without any indication about CCS contribution to its 2025 and 2030 targets, or R&D and greenfield investments planned to match its objectives.

Consequently, we supported the proponents view that shareholders would appreciate being consulted every three years on the transition plan and to vote annually on the implementation of the strategy. The Company would be required to explain how the strategy is being implemented and to share relevant information about its transition outlook.

Result: Following discussions with the proponents, the Board had agreed to add a formal debate about its climate transition plan and progress to the agenda of the Company's AGM's. The Board has further agreed to propose a shareholder vote on its climate transition strategy every three years or when significantly modified. Engie has also offered to publish an addendum to its TCFD report to include some of the additional information requested by the proponents. However, the Company remains reluctant on an annual vote on the implementation of the strategy due to circumstantial changes from one year to the next such as temperature and the availability of various methods of generating electricity which makes analysis difficult.

The vote, which would be binding if passed, received 25.5% support and it is encouraging to see the Company respond to elements of the shareholder proposal, although further scrutiny is warranted in relation to its climate strategy.

LGPS CENTRAL LIMITED'S

Partner Organisations

LGPS Central actively contributes to the following investor groups





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All information is prepared as of **31/08/2023**.

This document is intended for **PROFESSIONAL CLIENTS** only.

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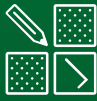
Q2 2023
**ESG
impact
report**
Global engagement to
deliver positive change

Our mission

We aim to use our influence to ensure:



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.

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 seek to deliver long-term success.

Promoting market resilience

As a long-term investor for our clients, it is essential that markets (and, by extension, the companies within them) are able to generate sustainable value. In doing so, we believe companies should become more resilient amid change and therefore seek to benefit the whole market. We use our influence and scale to ensure that issues affecting 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 across markets as a whole.

Action and impact

In this report, we highlight some of our key activity in the Investment Stewardship team, including updates on the climate-related shareholder resolutions that we co-filed at Exxon Mobil* and Glencore*, our work on diversity, and some voting highlights from the most recent AGM season.

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Environmental | Social | Governance

ESG: Environment



Nature Squaring the circular economy: GREGs update

Mind the gap: Circular economy engagement

While the basic premise of the 'circular economy' appears well known, its interpretation varies widely. For us as LGIM, the circular economy represents a system-wide solution to challenges such as climate change and nature loss. Circularity manifests itself in all levels of operations from sourcing of materials, asset utilisation and eco-product design to business model execution, capital deployment, cost mitigation and unlocking new revenue streams.

From the stewardship angle, we are pursuing two lines of action:

1. Policy engagement: Engaging with policymakers to improve related policy and regulation (for example, standardising corporate disclosure)
2. Company engagement: Improving overall data disclosures and circularity of products from our investee companies – both [collaboratively and with other investors](#) as well as through LGIM's annual climate engagement campaign, called the [Climate Impact Pledge](#)

More details on our engagement approach can be found on our blog: [Mind the gap... Circularity in action](#).

Turning ideas into actions

From an investment perspective, how can companies embed the circular economy into their day-to-day operations? We share some insights from our Active Equity team's engagements on company approaches:

- Ashtead's* asset rental business is just one example of prolonging the life of products by increasing utilisation and reducing both production and consumption of new goods
- As a fibre-based packaging business, DS Smith* is pursuing a closed-loop model on cardboard recycling, and improving recovery rates of valuable resources
- Equipment aftermarket focused business Weir Group* saw record orders for its spares and expendable parts in 2022 as customers attempted to meet market demand for resources, while looking to reduce emissions intensity of operations
- In construction, Genuit Group's* recycling capability allows it to convert waste into products with a design life of over 100 years

For more detail on business models that we believe are finding opportunities in the circular economy, please read our blog post: [How companies are incorporating the circular economy concept into their business models](#).

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Water

As concerns have mounted over Thames Water*, our Fixed Income team has been keeping our investors updated via our [LGIM blog](#). In summary, while the company has been under pressure from rising costs and inflation, consumers have simultaneously been voicing concerns about leaks, pollution and a lack of investment in infrastructure. At the time of writing, a number of scenarios are possible, and until a solution for the financial position for the company is agreed, the situation will, in our view, remain unstable.

We are members of the [Ceres Valuing Water Finance Initiative](#), which aims to engage with companies to value and take action on water as a financial risk, and drive large-scale change to better protect water systems. In addition to this collaborative initiative targeting companies, we also believe that policy action is vital in achieving the systemic improvements we need to see in order to combat water-based threats such as pollution and antimicrobial resistance. For more details on our policy activities in this area, please see [our policy section](#).

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Climate

UK stakeholder event: Climate voting to 2025 and beyond

The Investment Stewardship team reviews its policies regularly. As part of our forthcoming review of our approach to climate and voting, we were delighted to welcome 30 key stakeholders to our London offices for a roundtable event for a lively debate on three key climate voting topics: management 'say-on-climate' votes, climate-related shareholder resolutions, and the future of new fossil fuels. These three areas are critical to LGIM as we look to assess the alignment of our policies with our clients' and stakeholders' views, and to further develop our policies so that they can remain suitably ambitious and market-leading into the future.

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LGIM's Climate Impact Pledge: Latest results

In June, we released the results of our latest expanded Climate Impact Pledge engagement programme. Having extended the pledge to cover 5,000+ companies across 20 climate-critical sectors, incorporating in-depth engagement with around 100 dial-mover companies, we announced that:

- We have removed one company, *China Mengniu Dairy, from our divestment list, following improvements including publishing a new deforestation policy and setting a carbon neutrality commitment by 2050, covering all scopes of emissions
- We have added two companies to our divestment list (*Air China and *Cosco Shipping Holdings) following lack of improvement versus our minimum expectations¹

For a full update, please read our Climate Impact Pledge report: [LGIM's Climate Impact Pledge 2023](#).

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1. Companies are divested from selected funds with £158 billion in assets under management (as at 31 December 2022), including funds in the Future World fund range, LGIM's ESG fund ranges and all auto-enrolment default funds in L&G Workplace Pensions and the L&G Mastertrust. Companies are divested up to a pre-specified tracking-error limit. If the tracking error limit is reached, holdings are reduced rather than fully divested. LGIM's total AUM was £1.2 trillion as at 31 December 2022.



Significant votes

Company name	Yum! Brands Inc*		
ISIN	US9884981013		
Market cap	\$38.44bn (as at 30 June 2023, source: MarketWatch)		
Sector	Consumer, cyclical: retail		
Issue identified	The issue at stake in this resolution was plastic pollution and transparency around the company's efforts to reduce plastic use. LGIM believes that improving the recyclability of products will have a positive impact on climate change and biodiversity.		
Summary of the resolution	Resolution 5 – Report on Efforts to Reduce Plastic Use AGM date: 18 May 2023		
How LGIM voted	For Resolution 5 (against management recommendation)		
Rationale for the vote decision	As the filer of this resolution noted, the company has not aligned its packaging targets with key initiatives such as the Pew Report , which suggests that companies should commit to reducing plastic demand by at least a third through elimination, reuse and new delivery models. Although the company published its Sustainable Packaging Policy, the policy does not make any reference to single-use plastics (but rather mentions "unnecessary packaging") and its disclosures do not seem to sufficiently address the regulatory risks and the risk of higher costs in case of inaction. Therefore, a vote for this resolution was warranted.		
Outcome	Over a third of shareholders supported the resolution , which is a significant level of support for a shareholder proposal. This demonstrates that investors are increasingly putting pressure on companies to take action to tackle plastic pollution, and at LGIM we will continue our engagement on these issues with companies and policymakers.		
Why is this vote 'significant'?	The circular economy is a key component of LGIM's approach to nature, and we believe solving plastic pollution is critical in a just transition to net-zero and nature-positive economies.		

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Significant votes

Company name	Toyota Motor Corp*		
ISIN	JP3633400001		
Market cap	\$218.12bn (6 July, source: Toyota (TM) - Market capitalization (companiesmarketcap.com))		
Sector	Consumer, cyclical: auto manufacturers		
Issue identified	Climate lobbying: we believe all economic actors must use their influence positively and advocate for public policies that would support the delivery of a net-zero economy		
Summary of the resolution	Resolution 4 – Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement AGM date: 14 June 2023		
How LGIM voted	For resolution 4 (i.e. against management recommendation)		
Rationale for the vote decision	We acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years, and we welcome planned improvements to expand the number of trade associations in scope of assessment and intentions to seek third-party alignment reviews. However, we believe that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, we expect Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. We believe the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.		
Outcome	15% of shareholders voted in favour of the proposal. We will continue to engage with the company on the alignment of its climate lobbying practices with its climate ambitions, and on governance.		
Why is this vote 'significant'?	LGIM views climate lobbying as a crucial part of enabling the transition to a net-zero economy, and we have disclosed our expectations across all companies in our blog .		

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Climate shareholder resolutions

As a large investor, we believe we have a responsibility to urge companies to achieve their climate goals by escalating our engagement, in collaboration with our peers and key industry bodies. Our engagement process with companies is structured: we have a number of different 'levers' we can pull to escalate an issue. We use different tools depending on the company, market and topic that needs addressing. Filing a resolution puts pressure on a company and encourages management to discuss and resolve issues with us. This may encourage the company to propose and take action long before the shareholder meeting, thereby potentially avoiding the topic being included on their meeting agenda, which in turn could avoid a shareholder showdown and eventual public vote. This means our sought-after change can occur without the resolution ever being tabled. For the 2023 AGM season, we filed climate-related shareholder resolutions at Exxon Mobil* and Glencore*.

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Exxon Mobil

At Exxon Mobil, our shareholder proposal, co-filed by LGIMA with Christian Brothers Investment Services ('CBIS'), called on the company to provide full disclosure on their asset retirement obligations (AROs). In our view, this is a highly relevant and financial material matter, and by filing this proposal we are seeking greater clarity into the potential costs Exxon may incur to retire its assets in the event of an accelerated energy transition. Such information is currently not factored into the company's financials.

The proposal received over 16% support from shareholders, which, although lower than we would have liked, demonstrated an increasing recognition of the importance of this issue for investors. In terms of our next steps, we will continue our direct engagements with the company under our Climate Impact Pledge and separately, to better understand and challenge Exxon on their approach to the energy transition, where financial material issues such as disclosure and the potential costs to retire their long-lived assets and decarbonisation levers being some of the key discussion points. We will also be engaging with proxy advisers and fellow investors to better understand their voting rationale.

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Glencore

Our shareholder proposal at *Glencore was co-filed together with the Ethos Foundation on behalf of Pensionskasse Post and Bernische Pensionskasse, Vision Super, HSBC Asset Management, the Australasian Centre for Corporate Responsibility (ACCR) and ShareAction. This proposal called for Glencore to disclose how the company's thermal coal production plans and capital allocation decisions are aligned with the Paris objectives. This proposal received 29.2% support from shareholders, which is significant for a shareholder proposal, and we are pleased that the company has [published its intention](#) to continue to engage with shareholders and improve understanding on this matter.

Environmental | Social | Governance

ESG: Social

Ethnic diversity

Identify and engage

At LGIM, we believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better economy and society.

Continuing our ethnic diversity campaign,² since 2022, we have voted against companies in the FTSE 100 and S&P 500 indices where the board does not include at least one person from an ethnic minority background. In 2023, so far, we have voted against three companies for this reason: Caesars Entertainment*, Dish Network Corporation* and The UNITED Group Plc*. We pre-declared these votes on our [pre-declaration blog](#) in order to be transparent about the application of our voting policy and increase public pressure on these companies to meet our minimum expectations.

Escalate

Ethnic diversity will be an ongoing campaign – as board membership refreshes, we may see fluctuations in companies meeting or falling behind our minimum expectations.

We have also widened our scope for ethnic diversity to include the FTSE 250 and Russell 1000 indices. Our expectation for the companies in these additional indices is identical (one ethnically diverse board member) but, in line with the UK's Parker Review, we allow these smaller companies more time to meet our expectations and will therefore expect compliance by 2024.

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2. For a full summary, please see p.69 of our Active Ownership report, here: [Active Ownership report 2022 \(lgim.com\)](#)

Diversity disclosure in the US

As part of the Midwest Investors Diversity Initiative (MIDI), LGIM is leading on engagement with three companies within the Russell 3000 that are not meeting expectations around diversity disclosure. We sent letters to three companies requesting to meet and discuss strengthening their policy regarding the consideration of women and people of colour as board candidates, and adopting disclosure best practice regarding the demographic make-up of the companies' workforces.

Emerging markets diversity

Having recently published [our research and findings](#) from expanding our diversity campaign work into Brazil, India, China and South Africa, we have kicked off our engagement with stock exchanges to improve market standards on diversity – starting in Asia.

Diversity in Japan

Through our membership of and collaboration with the Asian Corporate Governance Association (ACGA), we have joined their discussions with the Japan Financial Services Authority (FSA) about corporate governance reform and about diversity. Last year, we helped to draft, and co-signed, [an open letter](#) to FSA and Tokyo Stock Exchange (TSE), which was shared with the Cabinet Office. It was confirmed during our engagement with FSA that our view in the letter has fed into government's broader announcement on diversity at Japanese companies. The letter touched on the importance of strengthening the female talent pipeline internally and expanding the pool of female executives.

On 5 June, the Japanese Government's Gender Equality Bureau of the Cabinet Office announced the draft of the 2023 Main Policy for Women's Empowerment and Joint Gender Participation. The Policy includes the following three measures:

- I. Promote initiatives to realise a virtuous cycle of women's empowerment and economic growth, with the following targets:
 - (1) Strive to appoint at least one female officer by 2025
 - (2) Aim to increase the ratio of female officers to 30% or more by 2030
 - (3) At the same time, we will further enhance training for female leaders who will be responsible for corporate management and support skill improvement through re-skilling
- II. Strengthening efforts to improve women's income and economic independence
- III. Realisation of a society where women can live with dignity and pride

We are pleased to see the commonality between the recommendations [set out in our joint letter](#) and the steps announced by the Japanese government. We firmly believe in the value of collaborative engagements such as this, which enable us to tackle systemic market issues at the policy level.



Significant votes

Company name	McDonald's Corp*
ISIN	US5801351017
Market cap	\$217.86bn (as at 3 July 2023; source: McDonald (MCD) - Market capitalization (companiesmarketcap.com))
Sector	Consumer cyclical, retail
Issue identified	LGIM considers antimicrobial resistance (AMR) to be a systemic risk. The overuse of antibiotics, one form of antimicrobial, is known to exacerbate AMR. The majority of antibiotics used globally are consumed by animals, not humans. It is essential to limit the use of antimicrobials, and in particular antibiotics, to stem the speed at which AMR is occurring. The World Bank estimates that AMR could result in a 3.8% loss in global GDP, an impact comparable to that of the 2008 financial crisis, and in an AMR worst-case scenario, additional healthcare expenditures could amount to \$1.2 trillion globally on an annual basis. Further, in a study published in January 2022 in the Lancet it was established that in 2019 1.27 million deaths occurred due to bacterial AMR, and 4.95 million deaths were indirectly linked to AMR.
Summary of the resolution	Resolution 6: Comply with World Health Organization Guidelines on Antimicrobial Use Throughout Supply Chains AGM date: 25 May 2023
How LGIM voted	For resolution 6 (i.e. against management recommendation)
Rationale for the vote decision	For the last two years we supported AMR shareholder proposals filed at McDonald's, pre-declared our votes in relation to these resolutions, and engaged with the company. We also signed a collaborative investor letter under the leadership of ICCR asking the company to publish targets related to the reduction of medically important antibiotics for the routine prevention of disease in its global beef supplies, which in 2018 they had announced that they would do by end of 2020. Given insufficient progress on these issues, we decided it was time to further escalate our concerns. During the autumn of 2022, we were approached by The Shareholder Commons to co-file a shareholder proposal asking McDonald's to apply the World Health Organization Guidelines on Use of Medically Important Antimicrobials in Food-Producing Animals throughout its supply chains. We co-filed the shareholder proposal on 1 December 2022. The company has since released its antibiotics reduction targets, two years after the initial deadline. However, we do not deem that to be sufficient progress within the company's AMR activities.
Outcome	The proposal received 18% votes in favour, which, although slightly lower than we had hoped, still draws attention to the issue and has put pressure on the company to acknowledge it. LGIM is looking forward to working with the company, both individually and collaboratively with other shareholders over the course of 2023 and beyond, to meet our request.
Why is this vote 'significant'?	This vote is significant because it relates directly to antimicrobial resistance, an area of focus for us and a core 'sub-theme' under our 'health' 'super theme'.

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Case study: Amazon*

As predicted, Amazon received another host of shareholder proposals in their 2023 AGM, covering a cross-section of ESG issues, although social issues continue to dominate. Given the size and influence of the company, and continued interest from stakeholders, we again pre-declared our voting intentions for some of the proposals on [our blog](#), and we provide below a brief update of some of the more significant vote results.

Environment-focused proposals

Resolution 10 – Report on impact of climate change strategy consistent with just transition guidelines

This is the first year that Amazon has received this proposal, and it's interesting to see that proponents are now starting to move towards some environmentally focused proposals. We supported the proposal as more transparency around how Amazon is understanding the just transition and how its actions as a business will have impact and how they could be beneficial. The proposal gained 26% of support from shareholders, which is significant for a first-time proposal.

Resolution 12 – Report on climate lobbying

Amazon has had general lobbying proposals in the past, but this is the first time that the company has received a proposal related specifically to climate lobbying. We supported the proposals, as the ask is consistent with those under our Climate Impact Pledge and currently the company only reports details of contributions, not what the company would do if their beliefs don't align with those of lobbying organisations with which they are involved. 23% of shareholders supported the proposal, which again is significant support for a first-time proposal.

*For illustrative purposes only. This is not a recommendation to buy or sell any security.

Resolution 22 – Report on efforts to reduce plastic waste

This is the third time that Amazon has received this proposal. LGIM supported it last year, and it gained 48.9% support. We supported again this year as Amazon hasn't set any forward-looking targets to reduce plastic waste, which the Ellen McArthur foundation does. All the information that Amazon provide is backward-looking and doesn't include targets to maintain progress. 31% of shareholders supported.

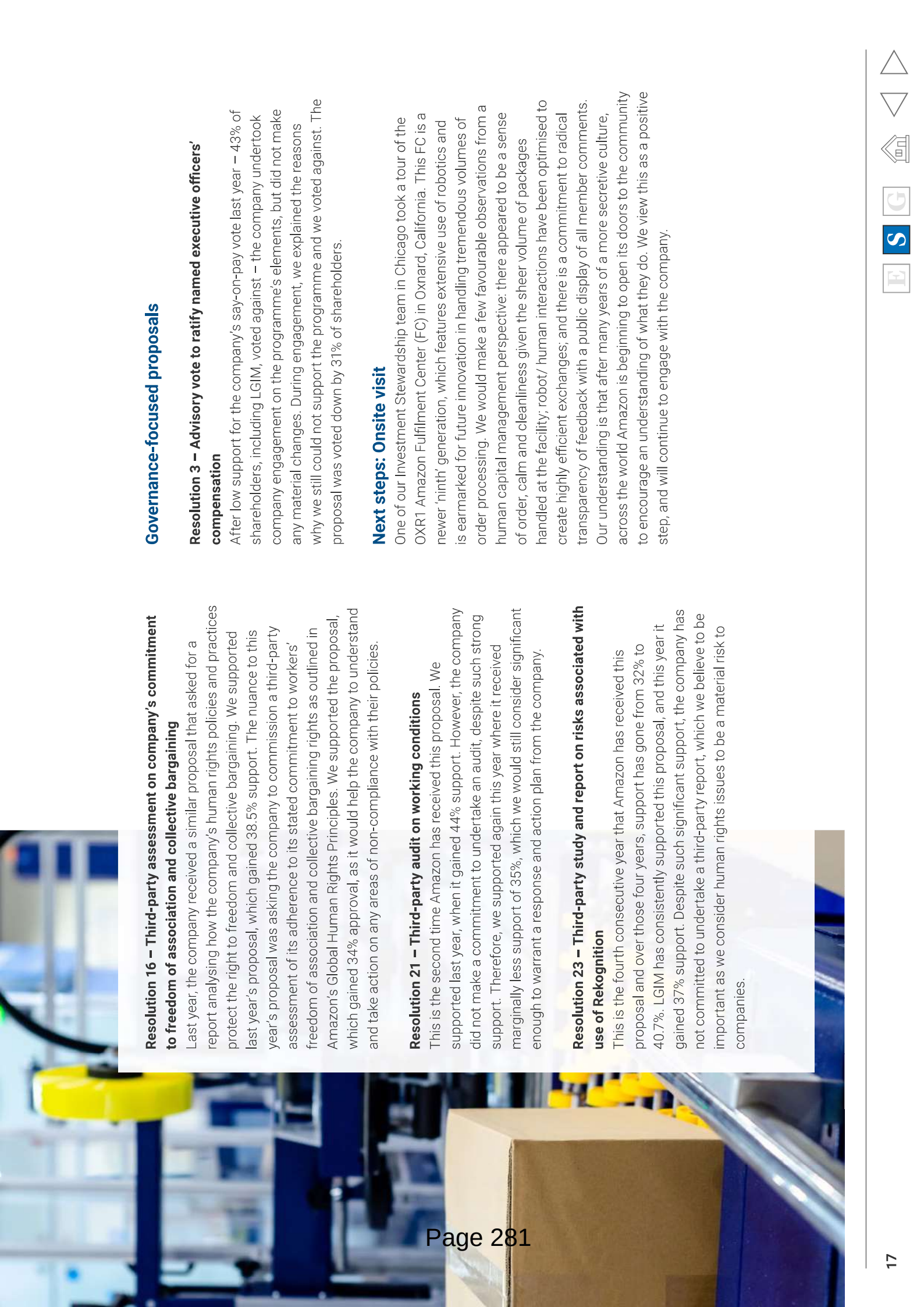
Social-focused proposals

Resolution 7 – Report on customer due diligence

Amazon has received similar proposals for the last two years, asking the company to disclose a third-party report on whether the company's customer use of its products and services with surveillance, computer vision, or cloud storage capabilities contributes to human rights violations. The proposal gained 35% and 40% support previously, and LGIM also voted in favour. Given we couldn't see any evidence of a due diligence exercise on human rights violations relating to products and services, or a commitment to undertaking one, we supported the proposal again, and it gained 33% shareholder support.

Resolution 13 – Report on median and adjusted gender/racial pay gaps

This is the fifth year Amazon has received a proposal on the issue of pay equity, and for the last three years it has gained upwards of 25% support. We supported the proposal again this year as we expect companies to disclose meaningful information on the gender pay gap. On engagement with the company we have consistently asked the company to provide disclosure, although the company continues to explain that they don't believe shareholders will find this information useful. This year, the proposal gained marginally greater support of 29%.



Resolution 16 – Third-party assessment on company's commitment to freedom of association and collective bargaining

Last year, the company received a similar proposal that asked for a report analysing how the company's human rights policies and practices protect the right to freedom and collective bargaining. We supported last year's proposal, which gained 38.5% support. The nuance to this year's proposal was asking the company to commission a third-party assessment of its adherence to its stated commitment to workers' freedom of association and collective bargaining rights as outlined in Amazon's Global Human Rights Principles. We supported the proposal, which gained 34% approval, as it would help the company to understand and take action on any areas of non-compliance with their policies.

Resolution 21 – Third-party audit on working conditions

This is the second time Amazon has received this proposal. We supported last year, when it gained 44% support. However, the company did not make a commitment to undertake an audit, despite such strong support. Therefore, we supported again this year where it received marginally less support of 35%, which we would still consider significant enough to warrant a response and action plan from the company.

Resolution 23 – Third-party study and report on risks associated with use of Rekognition

This is the fourth consecutive year that Amazon has received this proposal and over those four years, support has gone from 32% to 40.7%. LGIM has consistently supported this proposal, and this year it gained 37% support. Despite such significant support, the company has not committed to undertake a third-party report, which we believe to be important as we consider human rights issues to be a material risk to companies.

Governance-focused proposals

Resolution 3 – Advisory vote to ratify named executive officers' compensation

After low support for the company's say-on-pay vote last year – 43% of shareholders, including LGIM, voted against – the company undertook company engagement on the programme's elements, but did not make any material changes. During engagement, we explained the reasons why we still could not support the programme and we voted against. The proposal was voted down by 31% of shareholders.

Next steps: Onsite visit

One of our Investment Stewardship team in Chicago took a tour of the OXR1 Amazon Fulfilment Center (FC) in Oxnard, California. This FC is a newer 'ninth' generation, which features extensive use of robotics and is earmarked for future innovation in handling tremendous volumes of order processing. We would make a few favourable observations from a human capital management perspective: there appeared to be a sense of order, calm and cleanliness given the sheer volume of packages handled at the facility; robot/ human interactions have been optimised to create highly efficient exchanges; and there is a commitment to radical transparency of feedback with a public display of all member comments. Our understanding is that after many years of a more secretive culture, across the world Amazon is beginning to open its doors to the community to encourage an understanding of what they do. We view this as a positive step, and will continue to engage with the company.

Environmental | Social | Governance

ESG: Governance

Investor rights: dual-class shares campaign update

Identify

We believe voting is an essential right for shareholders to promote market efficiency and to hold company boards accountable. We are strong proponents of the 'one share, one vote' standard, based on the principle that control of a company should be commensurate with the economic interests of investors.

Engage and escalate

As part of our campaign initiated in 2022, we announced that from 2023, we will be voting against the re-election of the board chair at US-incorporated companies with dual-class structures, where:

- The company does not have a plan to set a time limit on a dual-class structure
- Shareholders have not been given the opportunity to regularly vote on its continuation

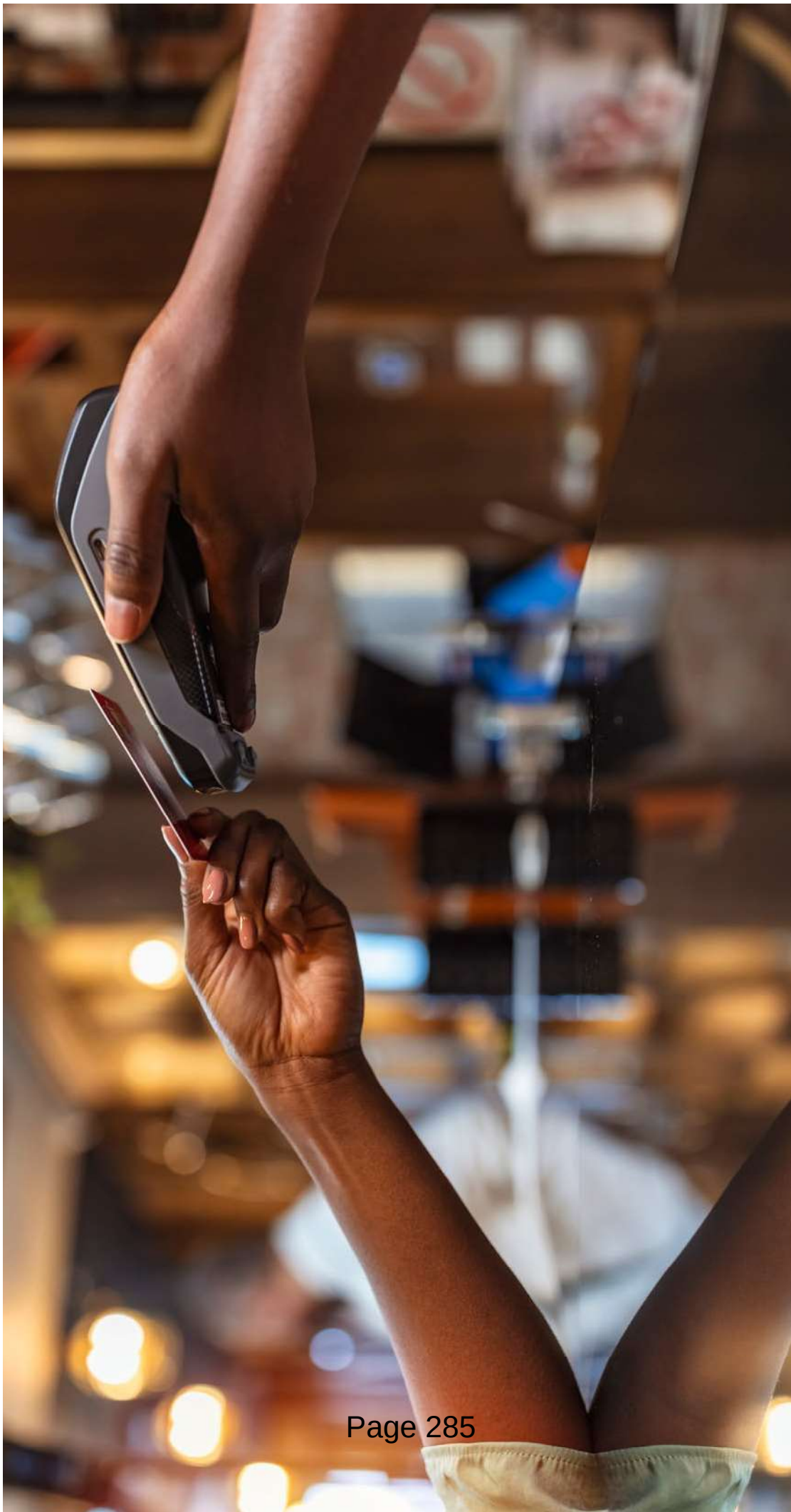
Up to the end of May 2023, we have voted against 95 companies under this campaign, demonstrating how widespread this issue has become. We have also been looking at whether there is any overlap with any other areas of governance issues: looking at the overlap between these votes and those against combined chair/CEO roles, we can see that there is commonality in about a third of cases. We will return to this analysis later in the year for more insight into potential governance trends.

Significant votes

Company name	Mastercard Inc*
ISIN	US57636Q1040
Market cap	\$370bn (03 July 2023, source: Mastercard (MA) – Market capitalization (companiesmarketcap.com))
Sector	Financials: diversified financial services
Issue identified	The prevalence of unequal share class structures, also called 'dual-class' shares (i.e. two or more types of share, with different voting rights) continues to impede shareholders' rights.
Summary of the resolution	1.a Elect Director Merit E Janow AGM date: 27 June 2023
How LGIM voted	LGIM voted for this resolution (i.e. in line with management recommendation).
Rationale for the vote decision	Our vote policy would ordinarily be to vote against this resolution, due to the dual-class share structure at this US company. However, following engagement with the company, a vote for this resolution was applied because, while we note the dual-class share structure with A and B shares outstanding, the company has confirmed that the legacy B shares do not confer any rights and therefore do not negatively affect the rights attached to the commonly traded A shares.
Outcome	98.1% of shareholders voted in favour of the resolution.
Why is this vote 'significant'?	This vote was significant because it demonstrates the value of engagement in situations where an individual company's circumstances or structural elements may be unclear.

* For illustrative purposes only. Reference to a particular security is on a historic basis and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.





Public policy update

As a long-term investor, we share a responsibility to ensure that global markets operate efficiently to protect the integrity of the market and address systemic risks, foster sustainable and resilient economic growth, and aim to protect the value of our clients' assets. Part of how LGIM acts on these responsibilities is by engaging in global policy dialogue, providing practical advice to policymakers and regulators on the key systemic issues.

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Nature: EU Nature Restoration Law

LGIM signed an [open letter](#) to European Policy leaders in support of the proposed EU Nature Restoration Law, urging them to:

- Urgently adopt regulations that promote nature protection, restoration and sustainable use of natural resources, with clear implementation roadmaps
- Uphold, strengthen and enforce existing environmental legislation to address the nature and climate crises together

Alongside not just our financial peers, but also large organisations from across a range of sectors, from food and fashion to chemicals and construction, we emphasised the vital role of robust regulatory systems in supporting businesses to take vital action to combat deforestation.

Sadly, the law [has not passed](#), although scope for negotiation among the European policymakers remains, and there is reason to be hopeful that, as part of the European 'Green Deal', further regulations supporting the nature should be forthcoming. Support from a range of industry executives is clearly strong, and through continued policy engagement and public pressure we join those voices to call for a robust regulatory framework to remove barriers to industry progress towards restoring and protecting the natural world.



Deforestation

We have [publicly stated our support](#) for an amendment to the UK Financial Services & Markets Bill, which would introduce compulsory due diligence to prevent the financing of deforestation. Alongside other investors with [£2.7 trillion](#) in assets, we believe that introduction of this amendment is a necessary step in holding the financial sector accountable for its role in financing deforestation. As Michael Marks, LGIM Head of Investment Stewardship, says, "The UK has a real opportunity to demonstrate global leadership and accelerate action on ending deforestation by strengthening the Financial Services and Markets Bill to include mandatory deforestation due diligence in the financial sector."



Circular economy: Collaborative action on microfibres

We continue to be active members of the collaboration on microfibres, organised by First Sentier Investors, which recently won the [Environmental Finance ESG engagement initiative of the year award, EMEA](#). Through this

collaboration, alongside 30 of our peers, we have put pressure on governments around the world to introduce legislation for compulsory microfibre filters on new washing machines. While [France](#) leads the way, the movement appears to be gaining traction in [California](#). Disappointingly, the Microplastic Filters (Washing Machines) Bill making its way through the UK parliamentary system appears to have been delayed, against a backdrop of policy developments on water and eco design standards. We place a high value on collaborations, which enable us, with and guided by our peers, to strengthen our voice on important issues and bring them forward in policy dialogue to encourage a robust regulatory response. The different paces at which countries are adopting legislation in this area and the twists and turns that may happen along the way (as currently evident in the UK) illustrate the particular nature of policy engagement, where progress may be non-linear, and may develop over extended timeframes, with inputs from numerous stakeholders and angles.

Our focus on the circular economy stems from our belief in its fundamental importance to nature, and the systems and ecosystems upon which our world depends, and upon which much of the global economy is dependent. Further on this theme, during the quarter, we also signed a [collaborative investor letter](#), co-ordinated by the VBDO (Dutch Association of Investors for Sustainable Development), calling for accelerated corporate action on plastics and emphasising the urgent need to reduce plastic waste. By collaborating with our international peers, being public about our commitments, and showing a collective expectation for action amongst the companies in which we invest, we aim to increase the pressure on companies failing to take commit to reducing single-use plastics, including eliminating use of the hazardous chemicals used to make these plastics.



Health: AMR field trip: Groundswell Regenerative Agriculture Festival

At LGIM, we engage across the value chain – we seek to structure our engagements so that we are using our voice as effectively as we can as investors, by engaging with companies, policymakers and broader stakeholders on financially material ESG issues.

Regular readers will have been [following our engagement](#) on antimicrobial resistance. In June, a member of our investment stewardship went on an AMR field trip to speak at the Groundswell Regenerative Agriculture Festival in Hertfordshire. Taking place over two days, the festival attracts attendees not only from the farming community, but also politicians, scientists, representatives from the fashion industry and, through LGIM, from finance. Panels covered a range of topics, from soil health and potato production, lessons learned from establishing agroforestry systems, and certification of regenerative agriculture, to crop rotation and climate-friendly sheep farming.

Our stewardship team member was one of three headline speakers on a session titled [Nutrition, human health and soil: Antimicrobial resistance \(AMR\) and farming. How deep is the problem and what can we do about it?](#)

The visit brought together our two 'health' sub-themes and provided an opportunity to engage directly with not only the farming community, but other key stakeholders vital to the food production industry (including the Chief Executive of the Soil Association, the Programme Director for Defra's Future Farming and Countryside Programme, the Defra shadow minister, to name but a few). Explaining LGIM's position and ability to influence as a responsible investor, and using this platform to communicate and connect with these crucial stakeholders at very different parts of the value chain, is a powerful way not only to raise awareness of problems such as AMR and what we believe different stakeholders could be doing to mitigate and monitor the threat, but also to learn about the challenges and barriers each of these stakeholders may be facing when it comes to taking action on these topics. Participating in these events is also a way for LGIM to galvanise action and show that engagement isn't just restricted to the boardroom.



Keeping up the pressure on the policy side, together with our peers and as representatives of Investor Action on AMR, we again co-signed letters to some of the finance ministers of the G7 countries in light of in-person meetings taking place. We emphasised the crucial need for them to expedite action to mitigate AMR, including taking the appropriate steps to address the antibiotic market failure and create the right economic conditions to preserve essential existing antibiotics. Through meaningful collaborations with our industry peers, we are able to command the attention of prominent decision-makers in governments around the world, putting pressure on them to improve the policy and regulatory backdrop to mitigate systemic risks.

Nutrition: Good Food Finance

Bookworms among our readers may have noticed a recent proliferation of works proposing serious critiques not just of the UK food system, but also the actual food (or ‘food’) that we eat.

At LGIM, we continue to believe that nutrition is fundamentally important to society as a whole and that we can use our voice as a large investor to put pressure on both food producers and governments to improve the nutritional quality of food available on our grocery store shelves. As highlighted in our [Active Ownership report](#), we are members of both the Access to Nutrition Initiative and the ShareAction Healthy Markets Initiative.

A member of our Investment Stewardship team, through our membership of ATNI, participated in a panel discussion during the Good Food Finance Week on Delivering food systems transformation to meet nutrition and finance returns - challenges and opportunities for evidence-based investing. The Good Food Finance Network brings together leaders from a cross-set of industries and the public sector, with the aim of promoting investment and providing solutions for sustainable food systems. The debate was lively and, like all good discussions, could have extended far beyond the time allotted. Topics covered included nutrition and its role in transformation of food systems, the critical role of metrics, and how to engage investors and increase public sector accountability. The session was opened by the CEO and Founder for Food Systems for the Future (and former executive director of the UN World Food Programme and former US Ambassador to the UN Agencies for Food and Agriculture), and was closed by the WHO Director of the department of Nutrition for Health & Development.



Governance: Response to FCA consultation on proposed changes to the listing regime

LGIM has been working with the Investment Association and other groups (e.g. FTSE Committees) on the response to the FCA proposals. We also submitted our own response. In summary, we believe the changes in the FCA proposals have the potential to dilute shareholder rights, with a shift of responsibility and control from investors (except if you are a controlling shareholder) to management.

The three key issues in the proposed changes centre on the intended permissive approach to:

- Dual-class share structures (DCSS)
- Significant transactions
- Related-party transactions

Overall, our concerns relate to the combined effect of deregulation, loss of sponsor oversight, and the impact upon corporate accountability. We are longstanding advocates for equal voting rights and have been conducting a campaign on dual-class shares at US companies.³ In these proposals, we also see potential for constraints on effective stewardship, and in our view, the alternative accountability mechanisms or suggested market responses may not be practical. Our feedback has reflected both our general and more specific concerns.

3. Please see p.88: [Active Ownership report 2022 \(lgim.com\)](#)



Regional updates

Global - Q2 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (total)	70979	22403	390	74%	23%	0%
Routine Business	13366	1140	0	81%	7%	0%
Director Election	29361	10431	270	73%	26%	1%
Director Related	6148	1411	9	81%	19%	0%
Audit Related	4897	1057	98	81%	17%	2%
Non-Routine Business	1952	238	0	86%	11%	0%
Compensation	5956	5434	5	52%	48%	0%
Capitalization	5224	1280	0	80%	20%	0%
Miscellaneous	225	70	0	53%	16%	0%
Company Articles	2081	504	0	79%	19%	0%
Strategic Transactions	1079	558	0	64%	33%	0%
Takeover Related	402	57	0	87%	12%	0%
No Research	29	166	8	9%	53%	3%
E&S Blended	58	0	0	97%	0%	0%
Social	179	47	0	74%	19%	0%
Mutual Funds	11	0	0	100%	0%	0%
Environmental	11	10	0	46%	42%	0%

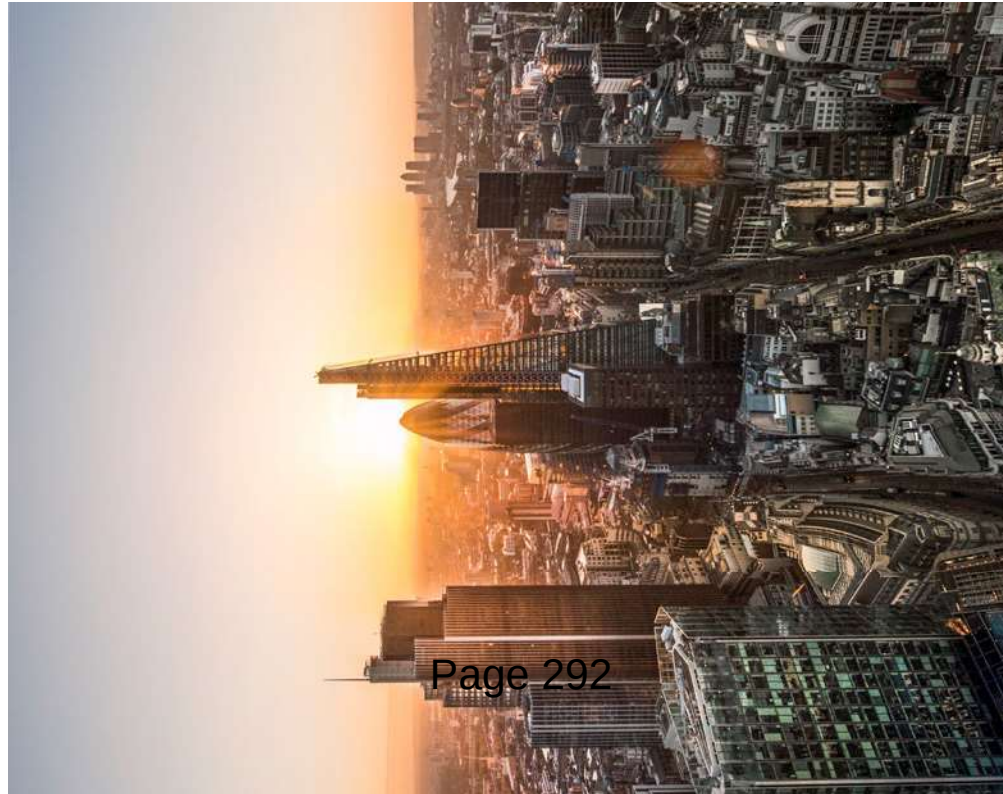
Global - Q2 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (total)	1487	672	17	67%	30%	1%
Director Election	517	204	16	68%	27%	2%
Routine Business	15	81	0	16%	84%	0%
Miscellaneous	107	51	0	67%	32%	0%
Corporate Governance	49	10	0	80%	16%	0%
Audit Related	215	56	0	79%	21%	0%
Social	166	45	0	78%	21%	0%
Company Articles	12	26	0	30%	65%	0%
Environmental	102	67	0	60%	39%	0%
Director Related	187	29	0	85%	13%	0%
E&S Blended	22	32	0	41%	59%	0%
Compensation	63	51	1	55%	44%	1%
Non-Routine Business	32	20	0	62%	38%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	72466	74%
Against	23075	74%
Abstain	407	69%

Number of	Values
Resolutions	98751
AGM resolutions	95291
EGM resolutions	3458

Number of companies where LGIM voted:	Values
In Total	7927
For in all resolutions	1307
Against or Abstain in at least one resolution	6620



UK - Q2 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (Total)	5603	358	0	94%	6%	0%
Routine Business	573	6	0	99%	1%	0%
Compensation	457	124	0	79%	21%	0%
Director Election	2351	168	0	93%	7%	0%
Audit Related	629	6	0	99%	1%	0%
Capitalization	1176	35	0	97%	3%	0%
Takeover Related	226	0	0	100%	0%	0%
Strategic Transactions	16	13	0	55%	45%	0%
Social	120	0	0	100%	0%	0%
Mutual Funds	10	0	0	100%	0%	0%
Company Articles	33	3	0	92%	8%	0%
No Research	2	1	0	20%	10%	0%
Director Related	5	0	0	100%	0%	0%
Miscellaneous	2	0	0	50%	0%	0%
Environmental	2	2	0	50%	50%	0%
Non-Routine Business	1	0	0	100%	0%	0%



UK - Q2 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (Total)	1	7	0	12%	88%	0%
Director Election	0	2	0	0%	100%	0%
Environmental	1	2	0	33%	67%	0%
Compensation	0	2	0	0%	100%	0%
Miscellaneous	0	1	0	0%	100%	0%

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	5604	94%
Against	365	91%
Abstain	0	0%

Most Popular Shareholder Resolutions	Values
GHG Emissions	3
Company-Specific--Compensation-Related	2
Elect a Shareholder-Nominee to the Board (Proxy Access Nominee)	2
Company-Specific -- Miscellaneous	1

Number of	Values
Resolutions	5984
AGM resolutions	5940
EGM resolutions	42

Number of companies where LGIM voted:	Values
In Total	343
For in all resolutions	180
Against or Abstain in at least one resolution	163



EU - Q2 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (total)	13615	4292	26	69%	22%	0%
Routine Business	3154	311	0	63%	6%	0%
Director Election	2300	1278	21	64%	36%	1%
Director Related	3167	373	0	89%	10%	0%
Audit Related	783	105	4	88%	12%	0%
Non-Routine Business	148	24	0	68%	11%	0%
Compensation	1723	1620	1	51%	48%	0%
Capitalization	1540	335	0	82%	18%	0%
Miscellaneous	47	7	0	34%	5%	0%
E&S Blended	51	0	0	98%	0%	0%
No Research	25	159	0	9%	59%	0%
Company Articles	595	55	0	92%	8%	0%
Takeover Related	23	14	0	62%	38%	0%
Strategic Transactions	45	3	0	94%	6%	0%
Social	7	0	0	100%	0%	0%
Environmental	7	8	0	39%	44%	0%



EU - Q2 2023 voting summary

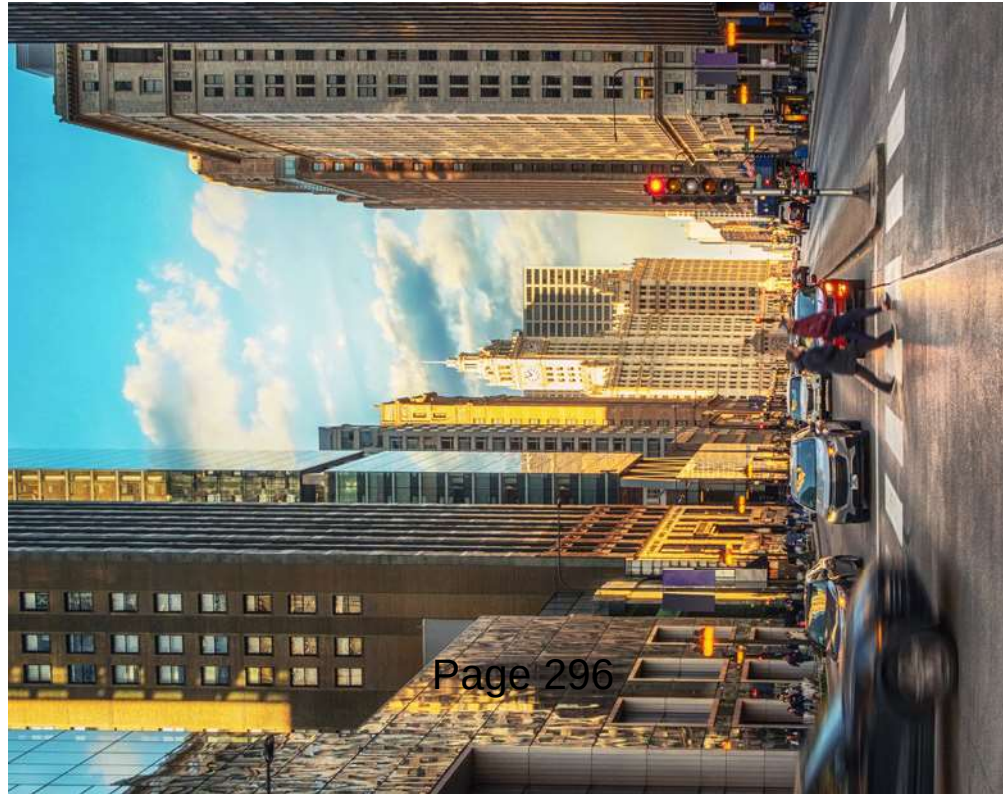
Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (total)	177	148	0	54%	45%	0%
Social	0	3	0	0%	100%	0%
Environmental	1	11	0	8%	85%	0%
E&S Blended	0	2	0	0%	100%	0%
Director Election	50	44	0	53%	47%	0%
Audit Related	43	38	0	53%	47%	0%
Director Related	79	12	0	87%	13%	0%
Miscellaneous	2	25	0	7%	89%	0%
Non-Routine Business	0	4	0	0%	100%	0%
Compensation	0	7	0	0%	100%	0%
Company Articles	2	2	0	50%	50%	0%

Number of	Values
Resolutions	20058
AGM resolutions	19625
EGM resolutions	433

Number of companies where LGIM voted:	Values
In Total	1012
For in all resolutions	57
Against or Abstain in at least one resolution	955

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	13792	68%
Against	4440	69%
Abstain	26	54%

Most Popular Shareholder Resolutions	Values
Elect Supervisory Board Members (Bundled)	69
Appoint Alternate Internal Statutory Auditor(s) [and Approve Auditor's/Auditors' Remuneration]	67
Company-Specific Board-Related	66
Elect a Shareholder-Nominee to the Board (Proxy Access Nominee)	24
Company-Specific -- Miscellaneous	23



North America - Q2 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (total)	16509	9834	137	62%	37%	1%
Director Election	12115	6080	23	66%	33%	0%
Compensation	1628	2807	4	37%	63%	0%
Audit Related	1847	802	94	67%	29%	3%
Capitalization	229	58	0	80%	20%	0%
Director Related	330	40	8	87%	11%	2%
Routine Business	74	12	0	85%	14%	0%
Miscellaneous	15	7	0	68%	32%	0%
Company Articles	75	11	0	85%	12%	0%
Takeover Related	144	10	0	93%	6%	0%
Mutual Funds	1	0	0	100%	0%	0%
Strategic Transactions	43	2	0	96%	4%	0%
Social	3	0	0	100%	0%	0%
Environmental	2	0	0	100%	0%	0%
No Research	2	5	8	9%	23%	36%
Non-Routine Business	1	0	0	100%	0%	0%



North America - Q2 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (total)	464	154	10	70%	23%	2%
Routine Business	1	0	0	100%	0%	0%
Corporate Governance	49	10	0	80%	16%	0%
Social	164	42	0	78%	20%	0%
Company Articles	1	16	0	5%	84%	0%
Environmental	85	19	0	81%	18%	0%
Director Related	85	9	0	88%	9%	0%
Compensation	33	22	0	60%	40%	0%
E&S Blended	22	30	0	42%	58%	0%
Non-Routine Business	6	3	0	67%	33%	0%
Director Election	16	0	10	32%	0%	20%
Miscellaneous	2	3	0	40%	60%	0%

Number of	Values
Resolutions	27300
AGM resolutions	26968
EGM resolutions	332

Number of companies where LGIM voted:	Values
In Total	2777
For in all resolutions	40
Against or Abstain in at least one resolution	2737

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	16973	61%
Against	9988	61%
Abstain	147	55%

Most Popular Shareholder Resolutions	Values
Require Independent Board Chairman	77
Eject Director (Dissident)	50
Amend Articles/Bylaws/Charter - Call Special Meetings	37
Submit Severance Agreement (Change-in-Control) to Shareholder Vote	36
GHG Emissions	32



● Japan - Q2 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (total)	9947	1492	0	87%	13%	0%
Routine Business	685	4	0	99%	1%	0%
Director Election	7892	1073	0	88%	12%	0%
Audit Related	18	0	0	100%	0%	0%
Director Related	847	289	0	75%	25%	0%
Company Articles	167	36	0	82%	18%	0%
Compensation	311	52	0	86%	14%	0%
Takeover Related	5	33	0	13%	87%	0%
Capitalization	5	3	0	62%	38%	0%
Non-Routine Business	6	1	0	86%	14%	0%
Strategic Transactions	11	1	0	92%	8%	0%

Japan - Q2 2023 voting summary

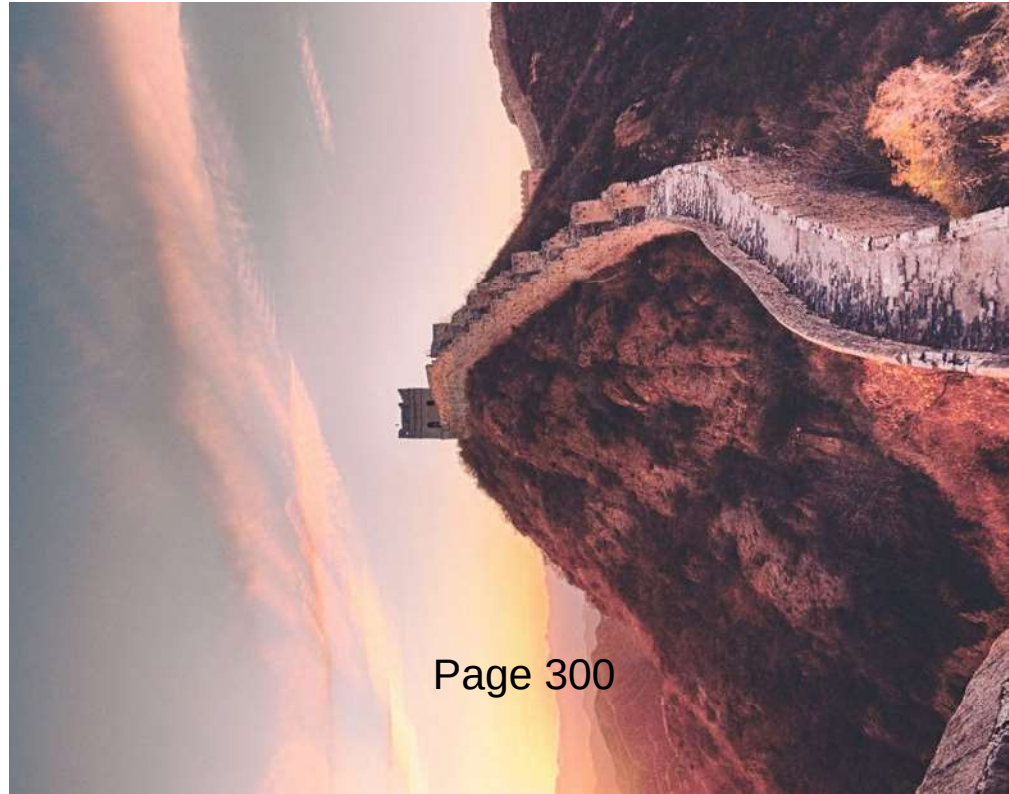
Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (total)	116	196	1	37%	63%	0%
Miscellaneous	0	5	0	0%	100%	0%
Director Election	14	48	0	23%	77%	0%
Compensation	25	11	1	68%	30%	3%
Environmental	13	35	0	27%	73%	0%
Non-Routine Business	26	13	0	67%	33%	0%
Director Related	22	6	0	79%	21%	0%
Routine Business	12	78	0	13%	87%	0%
Audit Related	2	0	0	100%	0%	0%
Social	2	0	0	100%	0%	0%

Number of	Values
Resolutions	11752
AGM resolutions	11689
EGM resolutions	63

Number of companies where LGIM voted:	Values
In Total	1074
For in all resolutions	289
Against or Abstain in at least one resolution	785

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	10063	86%
Against	1688	86%
Abstain	1	100%

Most Popular Shareholder Resolutions	Values
Amend Ordinary Business Items	85
Removal of Existing Board Directors	32
Phase Out Nuclear Facilities	27
Elect Director (Dissident)	23
Initiate Share Repurchase Program	22



Asia Pacific ex Japan - Q2 2023 voting summary

Management proposed resolutions:							
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %	
Management (total)	5504	1817	1	75%	25%	0%	
Routine Business	1475	72	0	95%	5%	0%	
Non-Routine Business	200	12	0	94%	6%	0%	
Audit Related	524	73	0	88%	12%	0%	
Director Election	1457	482	1	75%	25%	0%	
Compensation	567	283	0	67%	33%	0%	
Capitalization	852	730	0	54%	46%	0%	
Company Articles	161	87	0	65%	35%	0%	
Strategic Transactions	112	55	0	67%	33%	0%	
Director Related	117	18	0	87%	13%	0%	
Miscellaneous	28	4	0	88%	12%	0%	
Social	8	0	0	100%	0%	0%	
Takeover Related	3	0	0	100%	0%	0%	
No Research	0	1	0	0%	100%	0%	

Asia Pacific ex Japan - Q2 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder (total)	125	19	0	86%	13%	0%
Miscellaneous	17	0	0	100%	0%	0%
Audit Related	38	0	0	100%	0%	0%
Director Election	64	17	0	78%	21%	0%
Compensation	0	2	0	0%	100%	0%
Director Related	1	0	0	100%	0%	0%
Company Articles	3	0	0	100%	0%	0%
Environmental	2	0	0	100%	0%	0%

Number of	Values
Resolutions	7483
AGM resolutions	7161
EGM resolutions	322

Number of companies where LGIM voted:	Values
In Total	636
For in all resolutions	78
Against or Abstain in at least one resolution	558

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	5629	76%
Against	1836	79%
Abstain	1	100%

Most Popular Shareholder Resolutions	Values
Elect Director (Cumulative Voting or More Nominees Than Board Seats)	57
Appoint Alternate Internal Statutory Auditor(s) [and Approve Auditor's/Auditors' Remuneration]	38
Elect a Shareholder-Nominee to the Board (Proxy Access Nominee)	25
Company-Specific -- Miscellaneous	15
Amend Articles/Bylaws/Charter -- Non-Routine	3

Emerging Markets - Q2 2023 voting summary

Management proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Management (total)	19717	4565	226	78%	18%	1%
Routine Business	7376	735	0	86%	9%	0%
Company Articles	1047	312	0	75%	22%	0%
Non-Routine Business	1588	201	0	88%	11%	0%
Capitalization	1421	119	0	91%	8%	0%
Director Election	3228	1324	225	66%	27%	5%
Director Related	1680	679	1	71%	29%	0%
Audit Related	1089	68	0	93%	6%	0%
Compensation	1256	545	0	69%	30%	0%
Strategic Transactions	851	483	0	61%	35%	0%
No Research	0	0	0	0%	0%	0%
Miscellaneous	132	52	0	58%	23%	0%
E&S Blended	7	0	0	88%	0%	0%
Social	41	47	0	39%	45%	0%
Takeover Related	1	0	0	100%	0%	0%



Emerging Markets - Q2 2023 voting summary

Shareholder proposed resolutions:						
Proposal category	Total for	Total against	Total abstentions	For %	Against %	Abstain %
Shareholder	604	148	6	80%	19%	1%
Director Election	373	93	6	79%	20%	1%
Audit Related	132	18	0	88%	12%	0%
Miscellaneous	86	17	0	83%	16%	0%
Compensation	5	7	0	42%	58%	0%
Routine Business	2	3	0	40%	60%	0%
Company Articles	6	8	0	43%	57%	0%
Director Related	0	2	0	0%	100%	0%
Number of companies where LGIM voted:				Values		
In Total						2072
For in all resolutions						662
Against or Abstain in at least one resolution						1410

How LGIM Voted	Number of Votes	% Alignment with Management Recommendations
For	20321	79%
Against	4713	78%
Abstain	232	81%

Most Popular Shareholder Resolutions	Values
Elect Director (Cumulative Voting or More Nominees Than Board Seats)	358
Appoint Alternate Internal Statutory Auditor(s) [and Approve Auditor's/Auditors' Remuneration]	119
Elect a Shareholder-Nominee to the Board (Proxy Access Nominee)	68
Company-Specific -- Miscellaneous	62
Miscellaneous -- Equity Related	42

Global engagement summary

In Q2 2023, the Investment Stewardship team held

167



with



146

engagements

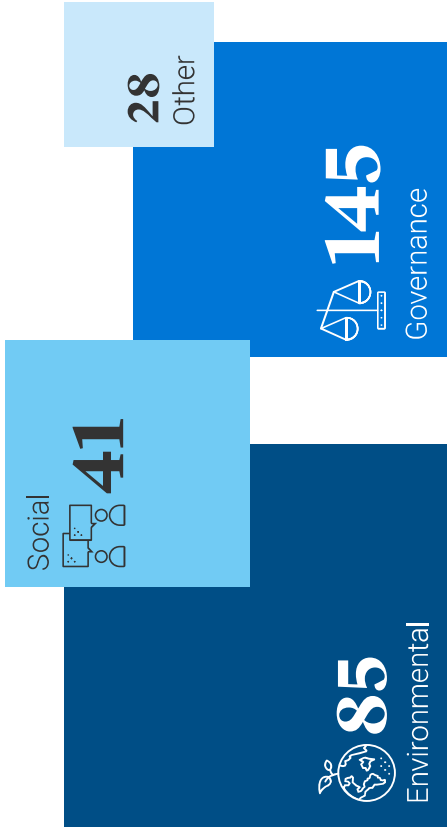
companies

(vs. 535 engagements with 491 companies last quarter)

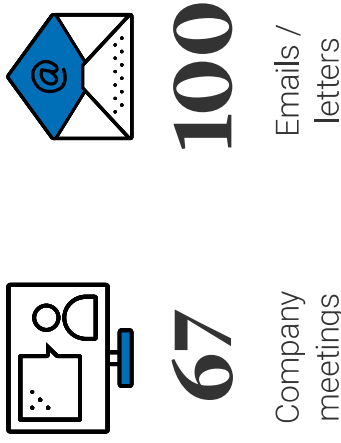


Breaking down the engagement numbers - Q2 2023

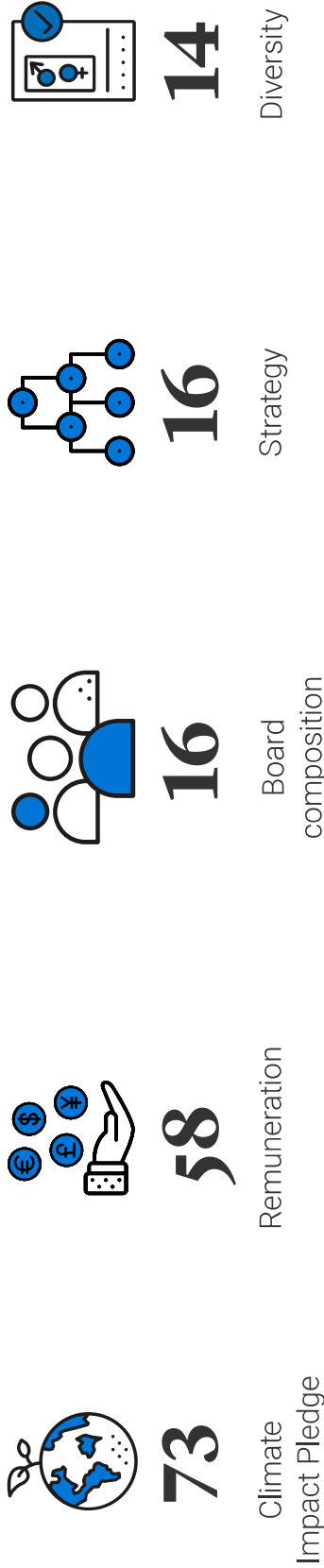
Breakdown of engagement by themes



Engagement type

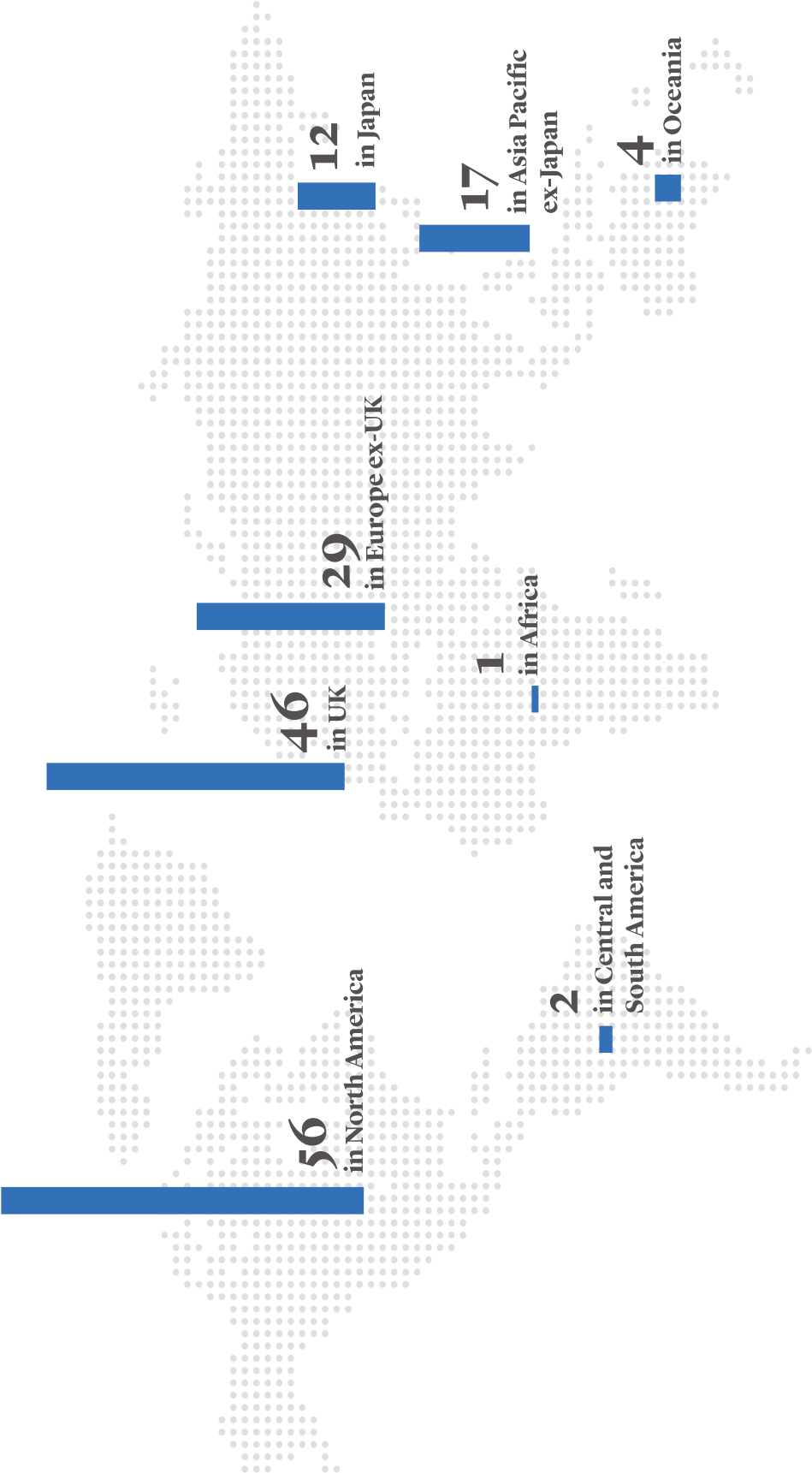


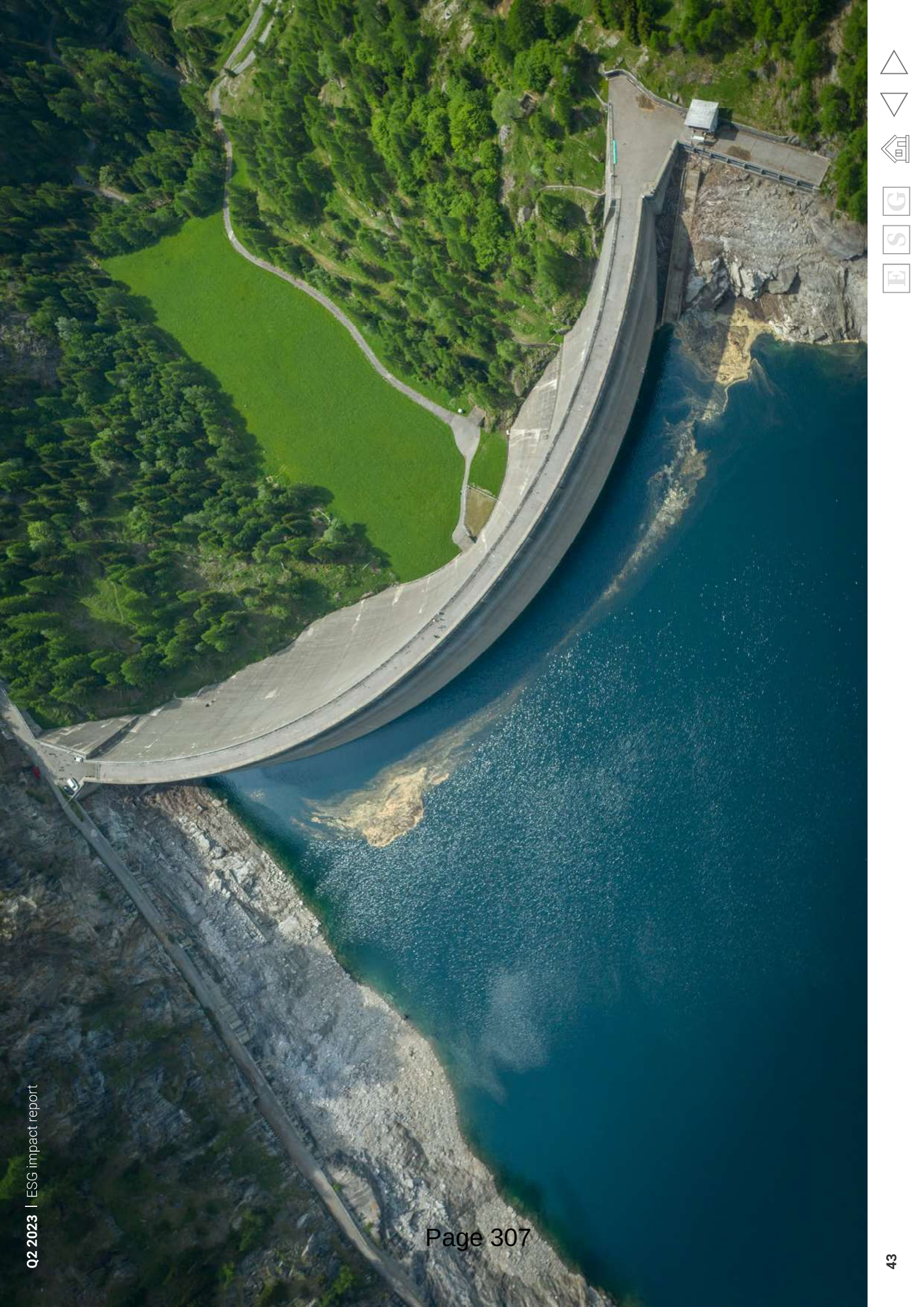
Top five engagement topics*



*Note: an engagement can cover more than a single topic

Regional breakdown of engagements





Contact us

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



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Key Risks

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Shropshire County Council

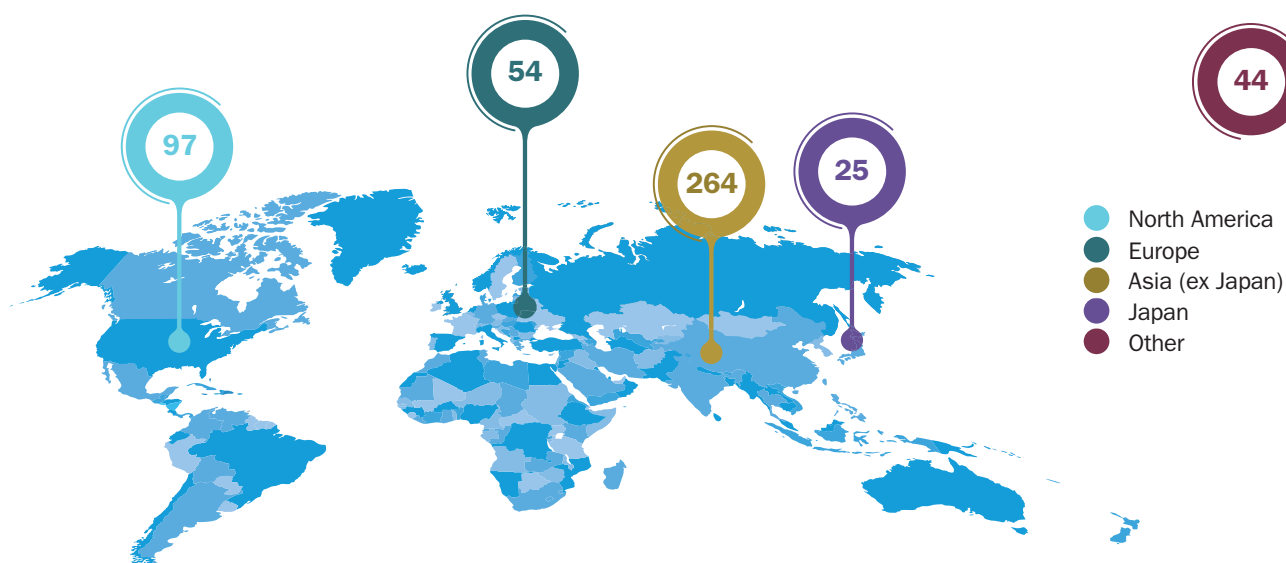
Q2 2023

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 this quarter

Engagement	Companies Engaged	Milestones achieved	Countries covered
590	484	23	38

Companies engaged by region



Engagement by theme *



Milestones achieved by theme



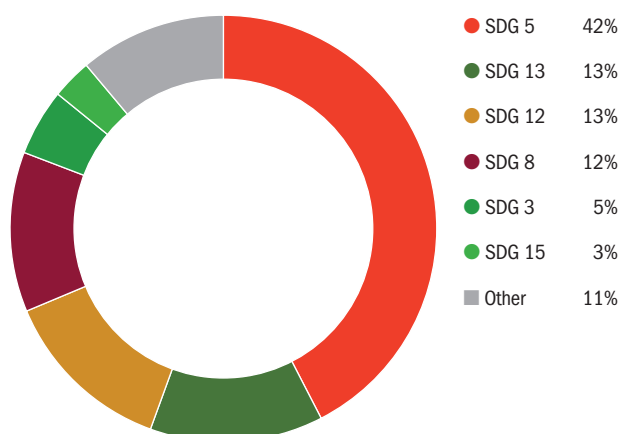
* Companies may have been engaged on more than one issue.

Engagements and Sustainable Development Goals (SDGs)

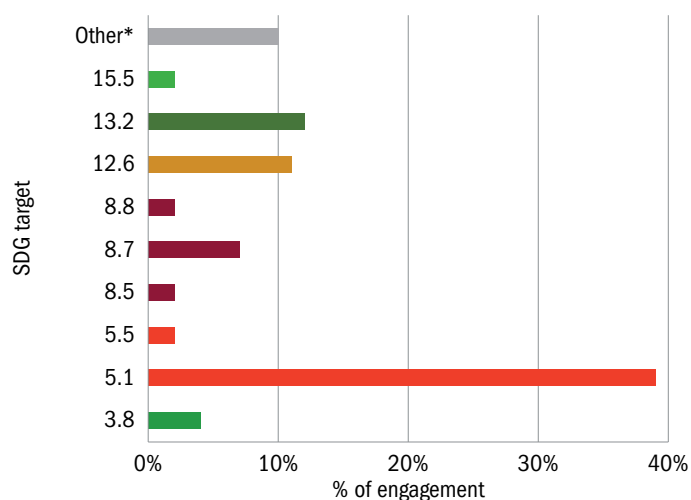
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

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.

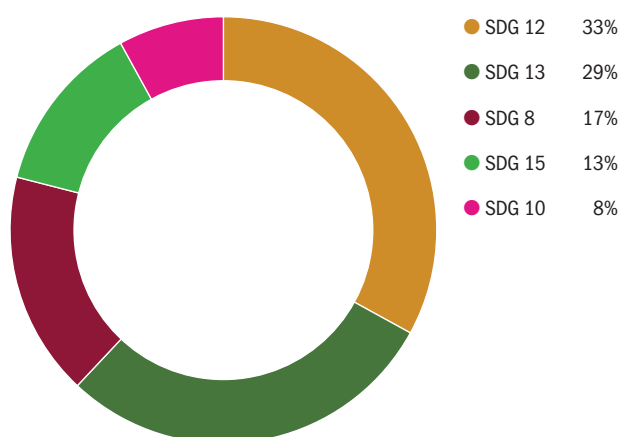
Engagement: SDG level



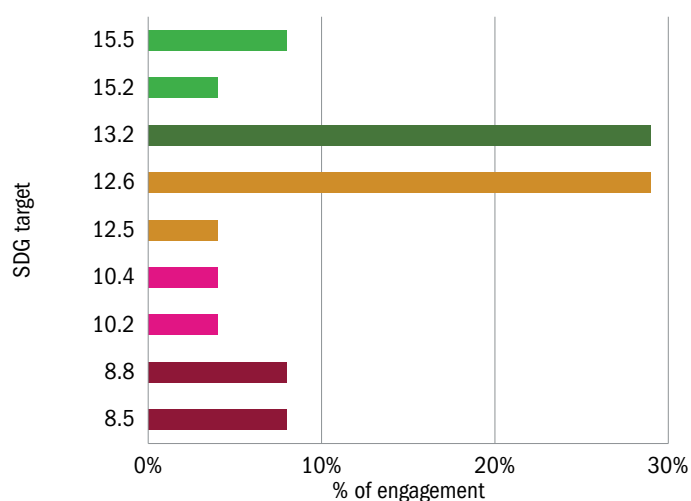
Engagement: SDG target level



Milestone: SDG level



Milestone: SDG target level



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

Engagement case studies

Company: CoStar Group Inc

Country: United States

Sector: Information Technology

Priority Company: -

ESG Risk Rating: 

Response to engagement: Good

Theme: Climate Change, Corporate Governance

Issue: Value found in pre-Annual General Meeting engagement

SDG:  13.2

Background

CoStar is a US based company within the professional services industry. We reached out to the company ahead of the AGM to discuss the company's board composition, as we consider them to have excessive tenure with an average board tenure of 16 years vs our threshold of 13 years. Their last director was added in 2019. The company also received a shareholder proposal on adopting GHG emissions reduction targets aligned with Paris Agreement Goals – we discussed their approach to addressing the concerns raised by the proponent.

Action

The company emphasized they are looking to add new directors as well as update the mandates of the Gov. Committee by adding more responsibilities and incorporating an additional level of scrutiny, a gap analysis on skills, when assessing the board quality to inform their board refreshment. Regarding the shareholder proposal, while the company had begun its first steps in disclosing on climate risk mitigation, as it released its first emissions report in February and added ESG responsibilities to the board in December, we expressed that given their lack of reduction targets (failing our Net Zero Model expectations), they lag their peers. The company noted they were likely to move towards setting targets—the ask of the proposal—but also expressed hesitations. We underscored that companies should improve their public disclosure and strategy setting in relation to climate change in a timely manner and signaled we would likely support the proposal.

Verdict

Two days after our engagement, the company signed a public commitment letter to set near term and long-term science-based greenhouse gas emission reduction targets in accordance with Science Based Targets Initiative (SBTi). We believe the company demonstrated receptivity to our feedback on climate risk disclosure in subsequently signing the SBTi commitment letter. After our dialogue with the company, we voted against two heavily tenured directors, one serving CoStar for 36 years and another serving CoStar for 21 years, as they also lead two key committees. We will continue to monitor the evolution of the board composition and the mandates of the Gov. Committee.

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:

GREEN

Second quartile:

YELLOW

Third quartile:

ORANGE

Bottom quartile:

RED

Engagement case studies

Company: Kansai Electric Power Co Inc/The

Country: Japan

Sector: Utilities

Priority Company: ✓

ESG Risk Rating:



Response to engagement: Adequate

Theme: Climate Change

Issue: Engaging on an uncertain Japanese low carbon transition

SDG:



13.1

Background

In February 2021, Japan's Kansai Electric published a zero carbon vision, highlighting high-level supply and demand-side actions they would take to reduce GHG emissions. They followed this in March 2022 with a zero carbon roadmap with more detail on their efforts to support the Japanese government's 2050 carbon neutrality goal. This included a target to reduce Scope 1 emissions from their domestic operations by 50% by 2025 vs 2013 levels, and to increase installed capacity of renewable energy by 50% to 6million kW.

Action

We engaged with the company most recently in June 2023 to seek more information on the implementation of their zero carbon roadmap. While they have made good progress on their Scope 1 emissions reduction target with a 48% decrease by FY22, we highlighted areas for further improvement such as expanding the scope to cover all global operations, beyond just Japan, as well as to cover CO₂-equivalents instead of just CO₂ emissions. Although their target is currently aligned with the government's commitment, we encouraged the baseline year to be updated in order to increase its ambition. The company also stated that they would consider setting a science-based target. Regarding their decarbonisation strategy, they have entered into MoUs and feasibility studies with several companies to test the technical and economic feasibility of producing and importing hydrogen and ammonia to use in co-firing at domestic gas and coal-fired power plants. We discussed the estimated costs associated with power generation using these technologies, and how they are assessing the life-cycle emissions. They are also exploring carbon capture, usage and storage, and we discussed how they are looking to overcome the limited domestic storage sites, and the costs associated with offshore and overseas storage options.

Verdict

It has been difficult to get access to the company historically, however the company has responded positively to recent engagements with us. Significant uncertainty remains regarding their decarbonisation strategy, and particularly the apparent reliance of their strategy on imports of ammonia and hydrogen to co-fire into existing coal and gas-fired power plants. We followed up with the company to further encourage them in setting a science-based target. We also requested additional transparency into the outcomes of their feasibility studies. We will monitor future updates on their emissions reduction targets and decarbonisation strategy.

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:

GREEN

Second quartile:

YELLOW

Third quartile:

ORANGE

Bottom quartile:

RED

Engagement case studies

Company: Mitsubishi UFJ Financial Group Inc

Country: Japan

Sector: Financials

Priority Company: -

ESG Risk Rating: 

Response to engagement: Good

Theme: Climate Change

Issue: Including client engagement in effective climate risk management

SDG:  13.2

Background

In May 2021, the Japanese banking group MUFG announced their Carbon Neutrality Declaration, and followed this in June as the first Japanese bank to join the Net Zero Banking Alliance (NZBA). In April 2022, the company published a progress report which included an updated fossil fuel lending policy prohibiting financing to new thermal coal mining projects, a coal power corporate financing phase out by 2040, and 2030 financed emissions targets for the power and oil and gas sectors. These are positive steps, but we believe there are further areas for improvement as they start to implement these commitments.

Action

We engaged several times with the company in 2022 on a range of issues including climate risk management, biodiversity, and corporate governance. These included individual meetings, and collaborative engagements through our involvement in the Asian Corporate Governance Association and Asia Research & Engagement. We have had two meetings with MUFG on climate risks since the start of this year. In April 2023, the company expanded their financed emissions targets to cover commercial and residential real estate, shipping and steel, and expect 70% of their loan book to be covered by targets by June 2024. They also noted that they will enhance their climate risk management and disclose more information on their client engagement. Through our engagements we have sought information on their approach to setting financed emissions targets, and their fossil fuel lending policies. Our engagement has also focused on the implementation of these targets. This includes further understanding of how they assess the credibility of their clients' transition plans as they develop a transition finance framework, further information on their client engagement and expectations they have for clients regarding climate risks, and additional transparency on the ESG component of their executive remuneration.

Verdict

MUFG have responded well to both our private and collaborative engagements, making important improvements in their disclosure and climate risk management policies. However, they do not currently have thermal coal mining phase-out or financed emissions targets, which we will continue to engage with them on. They assess their exposure to high transition risk sectors, as part of their climate risk management framework, and we will encourage them to include an assessment of their client's management of transition risk within this. We will also continue to engage with them on their environmental & social policy and risk management framework.

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:

GREEN

Second quartile:

YELLOW

Third quartile:

ORANGE

Bottom quartile:

RED

Engagement case studies

Company: PepsiCo Inc

Country: United States

Sector: Consumer Staples

Priority Company: -

ESG Risk Rating: 

Response to engagement: Good

Theme: Labour Standards

Issue: Addressing child labour risk in Pepsi's supply chains

SDG:



8.8

8.7

Background

Pepsi, headquartered in New York, is one of the world's largest snacks and beverage companies. Aside from its eponymous cola, it owns a portfolio of well-known brands including Mountain Dew, Lay's, and Doritos. In February, the New York Times reported that migrant children had been working in US factories run by Hearthside - one of Pepsi's suppliers - allegedly working long hours, overnight shifts, and being exposed to hazardous conditions. Outsourcing of labour is widespread in food manufacturing, with companies relying on agencies to match workforce size with production demand. This flexibility can result in reduced visibility of processes to ensure legal compliance and responsible recruitment. In 2022, the US saw a 37% rise of child labour violations, reinforcing the importance of companies conducting due diligence along their value chains and frequently monitoring all markets, even those previously considered lower risk. Labour within both their direct operations as well as their suppliers should be included in this assessment.

Action

We wrote to Pepsi to express our concerns and requested a dialogue to understand the company's reaction to the case, the remediation efforts focused on the underage individuals involved, and the strengthening of due diligence processes to avoid a reoccurrence. In our dialogue with the Head of Human Rights, it was explained that the factory in question had been audited for several years but without indication of this type of risk. Pepsi also reported that Hearthside was unable to provide individual remediation as the individuals in question had not returned to the site. This highlights the importance of readiness to act quickly when cases are identified in order to provide victim-focussed remediation.

Verdict

Labour provision into supplier factories had not received sufficient scrutiny at Pepsi, despite a robust governance structure for labour standards in both operations and supply chain, as well as third-party labour providers being explicitly in scope of supplier policies. This highlights the need for a regular examination of the shifting risk landscape, as well as the need to challenge assumptions and test operational readiness. We believe Pepsi has taken concrete steps to mitigate risk, including revising policies to mandate stronger age verification during recruitment. The sustainability team has also engaged the procurement function to assess the link between short lead times and the risk of quick recruitment without necessary checks.

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:

GREEN

Second quartile:

YELLOW

Third quartile:

ORANGE

Bottom quartile:

RED

Engagement case studies

Company: TotalEnergies SE

Country: France

Sector: Energy

Priority Company: -

ESG Risk Rating: 

Response to engagement: Good

Theme: Climate Change, Environmental Stewardship **Issue:** Engaging holistically on the climate-nature nexus

SDG:

	13.2		15.5		7.2
---	------	---	------	---	-----

Background

The French energy company Total was one of the first in the oil and gas sector to set a scope 3 target in 2020. They remain a global leader, although their strategy can seem unclear at times due to an apparent “two speed” approach between European operations and the rest of the world. We believe their approach still has room for improvement, as highlighted below.

Action

We have engaged the company bilaterally and through CA100+, and they have gradually improved the clarity of their reporting on their future energy mix and forecast capex across green and brown assets, in line with our engagement. The company's approach touches all of the constituent parts of our proprietary net zero model, showing a strong foundation. Total upgraded their interim targets earlier in 2023: · Improved 2025 scope 1, 2 and 3 intensity reduction target to 15% from 10%, and 2030 target to 25% from 20% · Upgraded targets to reduce scope 3 emissions from oil sales by 30% by 2025 and 40% by 2030 · Maintaining scope 3 total emissions at <400 mt in 2025 and 2030 Despite these improvements their strategy is still misaligned with a 1.5C scenario, primarily due to the absence of significant absolute emissions reductions. Carbon Tracker, an energy focused financial thinktank, has highlighted several projects that Total are supporting which are misaligned with even a 2.5C scenario, such as their oil and gas expansions in Uganda, Angola and Norway. We also engaged the company specifically on their project in Uganda, highlighting the reputational importance of living up to their claims around community engagement and biodiversity protection. In addition, Total's plans to significantly scale up Nature Based Solutions (NBS) is a concern due to questions around their permanence and additionality as well as the reputational risks from accusations of land grabbing for some projects.

Verdict

Despite clear disclosure on where the company intends to be in 2030, Total is misaligned with a 1.5C path and were the subject of a case brought under the French Duty of Vigilance law regarding the EACOP (East African Crude Oil Pipe Line) project. Based on their plans to increase gas production, we expect Total to become the largest EU hydrocarbon producer by 2030. With their low carbon capex projected to be a third of their total spending by 2030, they lag peers including bp, Shell and Equinor, who all aim for 50%. We will continue to engage Total to encourage capex alignment and consistency between their actions in Europe and elsewhere, as well as on ensuring their NBS plans are implemented responsibly from a climate, nature and community perspective.

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:

GREEN

Second quartile:

YELLOW

Third quartile:

ORANGE

Bottom quartile:

RED

Engagement case studies

Company: Volkswagen AG

Country: Germany

Sector: Consumer Discretionary

Priority Company: ✓

ESG Risk Rating: 

Response to engagement: Adequate

Theme: Climate Change

Issue: Shining a light on climate change lobbying disclosures

SDG:  13.2

Background

Germany's Volkswagen (VW) is the largest automotive company globally, with significant influence on automotive climate policy, especially in Europe. However, VW has been very reluctant to provide investors with more transparency on its positioning on public policies, and its lobbying on climate related policies directly and through industry associations. Many peers have published lobbying reports, including General Motors, Ford, Mercedes, BMW, Volvo and Toyota. This lack of transparency is especially concerning given the role that the Porsche CEO and Volkswagen Chairman played in successfully advocating for an e-fuel exemption in the EU's 2035 combustion engine ban.

Action

We have engaged the company bilaterally and through CA100+ on this topic since 2019. In 2022 we sent a letter to the company together with the other CA100+ co-leads to flag that we would seek escalatory action if the company did not begin to demonstrate progress on this topic. Towards the end of 2022 and 2023 we had a series of calls with investor relations and the external affairs team. We reviewed early drafts of the company's lobbying disclosures, and due to our concerns with the level of detail, we sent an email to the Chairman to clearly articulate our expectations. We had another call in Q2 2023 in which we discussed updates to the draft report that VW would make to better align with our expectations, and to encourage them to publish the report well in advance of the AGM. As VW could not commit to publishing the report before the AGM, and we have experienced the company over-promising and under-delivering in the past, we escalated our engagement by choosing to vote against several items on the company's ballot, including the Actions of the Board of Management, Actions of the members of the Supervisory Board and Re-election of members of the Supervisory Board.

Verdict

With just two days before the AGM, VW did in fact publish its Association Climate Review 2023. This report is the joint-highest rated automotive company lobbying report assessed by InfluenceMap (the climate-lobbying focused NGO). We welcomed this report and believe that our close work with VW's external affairs team delivered a marked improvement in its quality. Although VW has an especially developed method to assess industry association alignment vs its peers, we have still identified several areas for improvement such as evaluating their direct lobbying, and appraising more industry associations and rating associations on their activities (rather than stated positions). We will continue engaging with the company to secure these improvements.

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:

GREEN

Second quartile:

YELLOW

Third quartile:

ORANGE

Bottom quartile:

RED

Appendix



SDG	Target	Target Summary
SDG2	2.1	End hunger and ensure access to safe and nutritious food
SDG2	2.2	End all forms of malnutrition, particularly for children and women
SDG3	3.3	End AIDS, TB, malaria and other water-borne and communicable diseases
SDG3	3.4	Reduce mortality from non-communicable diseases and promote mental health
SDG3	3.8	Access to medicines and health-care
SDG5	5.1	End all forms of discrimination against women and girls
SDG5	5.5	Ensure full equality of opportunity for women, including at leadership levels
SDG6	6.3	Improve water quality by reducing pollution
SDG6	6.5	Implement water resource management at all levels
SDG7	7.2	Substantially increase the global share of renewable energy
SDG7	7.3	Double the global rate of improvement in energy efficiency
SDG8	8.2	Achieve greater productivity through innovation.
SDG8	8.5	Achieve full and productive employment for all
SDG8	8.7	Eradicate forced labour, modern slavery & human trafficking
SDG8	8.8	Protect and promote safe working environments for all workers
SDG9	9.1	Develop resilient and sustainable infrastructure
SDG9	9.4	Upgrade and retrofit industries to increase sustainability
SDG10	10.2	Empower and promote inclusivity for all
SDG10	10.3	Ensure equal opportunity and legislation for all
SDG10	10.4	Adopt policies to progressively achieve greater equality
SDG10	10.7	Facilitate safe migration through managed policies
SDG10	10.a	Implement the WTO's special rights provisions
SDG11	11.1	Ensure universal access to safe and affordable housing
SDG11	11.2	Provide access to safe and affordable transport systems
SDG11	11.5	Reduce social and economic losses caused by disasters
SDG11	11.6	Reduce the negative environmental externalities of cities
SDG12	12.2	Sustainably manage and make efficient use of natural resources

Appendix (continued)



SDG	Target	Target Summary
SDG12	12.4	Manage chemical usage and waste throughout their life cycle
SDG12	12.5	Reduce waste through prevention, reduction, recycling and reuse
SDG12	12.6	Encourage companies to adopt sustainable practices and enhance ESG reporting
SDG13	13.1	Strengthen adaptive capacity to climate-related events
SDG13	13.2	Integrate climate change plans into policies and strategies
SDG13	13.3	Improve education & the capacity for climate change mitigation
SDG13	13.a	Address climate change mitigation for developing countries
SDG14	14.1	Prevent and reduce marine pollution of all kinds
SDG14	14.2	Sustainably manage and protect marine and coastal ecosystems
SDG15	15.1	Ensure sustainable usage of terrestrial freshwater ecosystems
SDG15	15.2	Promote the implementation of sustainable management of forests
SDG15	15.5	Take urgent action to reduce degradation of natural habitats
SDG16	16.5	Reduce corruption and bribery in all their forms
SDG16	16.6	Develop effective, accountable and transparent institutions
SDG16	16.10	Ensure public access to information and protect fundamental freedoms
SDG16	16.b	Promote non-discrimination laws for sustainable development



Quarterly
Engagement
Report

April-June
2023

Local
Authority
Pension
Fund
Forum

AGM Season, LAPFF Brazil Visit Report, Climate Voting Alerts, BP, Shell

UPDATES

AGM Season

LAPFF is always busy during AGM season, and this year was no different. In addition to attending six AGMs (including the US-based Home Depot's meeting) this quarter, LAPFF drafted a record number of voting alerts. These alerts showcased LAPFF's climate voting alert initiative, for which voting alerts were issued on over 50 climate-related shareholder resolutions.

LAPFF also issued 55 voting recommendations for environmental, social and governance (ESG) resolutions at mining companies and technology companies. These recommendations were prompted by another round of shareholder resolutions at US technology companies covering a range of ESG issues. Notably, Amazon faced 16 resolutions this year, with Alphabet and Meta Platforms each facing 10 and 11 respectively. A couple of LAPFF members even co-filed resolutions on freedom of association and collective bargaining.

LAPFF issued a voting alert for Starbucks this year in support of a shareholder resolution calling for the company to uphold better practices on freedom of association and collective bargaining. This resolution was supported by a whopping 52 percent of the shareholder vote. There were a

number of shareholder resolutions on this topic at US AGMs this year, and LAPFF anticipates more during the 2024 season.

Oil and gas companies and banks were a further area of focus for LAPFF this AGM season. LAPFF supported the Follow This resolutions at BP and Shell. The resolution received nearly 15 percent support at BP and over 20 percent support at Shell. LAPFF also raised concerns about HSBC's approach to human rights and engaged extensively with Barclays.

Drax's rhetoric and practices on climate have been a particular concern for LAPFF over the last few years. Consequently, LAPFF Vice Chair, Cllr Rob Chapman, attended the Drax AGM on the back of a LAPFF voting alert that raised significant concerns about the company's climate practices and reporting in this area.

It is interesting to note that while many ESG resolutions, and in particular socially oriented resolutions, gained traction this year, the so-called 'anti-ESG' resolutions aimed at questioning the value of ESG issues in relation to financial performance, appeared to lose ground. LAPFF will continue to issue voting alerts throughout the year as appropriate.

LAPFF Report on Visit to Brazil

As reported previously, LAPFF Chair, Cllr Doug McMurdo, visited communities devastated by the Mariana tailings dam collapse of 5 November 2015 and the Brumadinho tailings dam collapse of 25 January 2019 during the summer of 2022. The Mariana dam is owned by Samarco, which is a joint venture between BHP and Vale. The Brumadinho dam is wholly owned by Vale. LAPFF also visited Conceição do Mato Dentro to see Anglo American's Minas Rio tailings dam, which has not collapsed but about which surrounding community members have concerns.

The report of LAPFF's findings from this visit has now been made public. A related video is also available.

The report flags a host of human rights and environmental concerns that have yet to be addressed in the wake of the Mariana and Brumadinho disasters. Apart from issues related to housing, health, and livelihoods, the impact on cultural rights was a prominent problem for affected community members to whom LAPFF spoke throughout the visit. Among the range of environmental impacts noted in conversations with affected community representatives, severe concerns about water quality and availability arose consistently. There were underlying concerns about the companies' failure to engage meaningfully and effectively with all communities affected by all three of the companies' mining operations.

Cllr McMurdo also met with company



"I knew the visit would be difficult, but I wasn't prepared for the scale of devastation I saw nearly seven years on from the Mariana collapse and three and a half years on from the Brumadinho collapse. Seeing it with my own eyes was a wake up call – investors must do more! It was truly heartbreaking. My main concerns were the issues around water quality and availability and the apparent lack of communication between the companies and the communities. I can't see how there can be meaningful progress until this communication gap is rectified, but it is a tall order. I am also now more convinced than ever that this is an issue of financial materiality."

LAPFF Chair, Cllr Doug McMurdo

VOTING ALERTS

representatives and Brazilian investors during his visit. Vale Chair, José Penido, spent two days showing Cllr McMurdo two resettlement areas in Mariana and the site of the dam collapse at Brumadinho. Cllr McMurdo met with staff at Samarco to understand better how the collapse had happened and measures the company is taking to rectify the problems. JGP Asset Management then organised a meeting of LAPFF, Brazilian investors, and Vale to discuss a sustainable way to rectify the outstanding reparations work. BHP declined to make a representative available to meet with LAPFF in Brazil.

It was clear to LAPFF from these meetings that the companies need to do a better job of communicating to both communities and investors the steps they are taking to address human rights and environmental concerns.

CLIMATE VOTING ALERTS

Objective: Due to the scale of the investment risks and as part of a continued focus on mitigating climate risks, LAPFF has been issuing a series of dedicated climate change voting alerts. These alerts recommend voting positions on climate-related shareholder resolutions with the aim of ensuring companies properly address the climate risks they face. The alerts covered companies in different sectors and centred on climate topics that LAPFF engages on, including transition plans, adequate targets, lobbying, and a just transition.

Achieved: Over the quarter, LAPFF issued climate alerts covering over 50 resolutions with half receiving the backing of 20 percent or more shareholder votes. The scale of support highlights the support for climate action among responsible investors and delivered a strong message to companies on the need for credible climate action policies and plans.

Resolutions focused on climate transition plans did well. Almost half (48 percent) of shareholder votes backed a resolution at Quest Diagnostics and over a third at Raytheon Technologies (37 percent), and JPMorgan Chase (35 percent). Similar resolutions received significant support at Lockheed Martin (33 percent), Wells Fargo (31 percent), Mosaic Company (30 percent) and Bank of America (28 percent).

Several resolutions focused on emission targets, including targets that cover all emission scopes, absolute emission reductions targets and Paris aligned targets. There were significant votes on the issue at Public Storage (35 percent), Valero Energy (32 percent), Chubb Limited (29 percent), TotalEnergies (29 percent) and Berkshire Hathaway (23 percent).

Shareholder requests for reports into alignment of direct and indirect lobbying activity with climate goals gained significant backing by shareholders. Cenovus board supported the shareholder proposal which received backing of 99 percent of shareholder votes. Lobbying resolutions were also strongly supported in spite of board opposition at Paccar (46 percent), Coterra Energy (37 percent), Wells Fargo (32 percent) and Amazon (24 percent).

This year also saw shareholder resolutions on just transition reporting, a topic which LAPFF has focused on over the past few years. The just transition resolution at BorgWarner received 31 percent of shareholder votes, 27 percent at Amazon and 16 percent at Marathon Petroleum.

In Progress: LAPFF will continue to issue climate voting alerts to support resolutions aligned with LAPFF engagement objectives. LAPFF also intends to follow up with the companies where there were significant votes in favour of shareholder resolutions to understand how the board intends to respond.

MINING VOTING ALERTS

Objective: LAPFF issued voting alerts this quarter for Rio Tinto, Anglo American, Glencore, and Vale. The aim of these voting alerts was to draw attention to both the companies and investors that there is still significant work to do on both human rights and decarbonisation in respect of creating shareholder value for investors.

Achieved: Three of the resolutions for which LAPFF recommended oppose votes at Rio Tinto were related to executive remuneration and the re-election of the sustainability committee chair. These resolutions received the highest number

of oppose votes from voting shareholders. The sustainability committee chair is scheduled to step down later in the year because she reached her nine-year limit on the board. However, LAPFF has opposed her re-election since 2021 because she has been in this role since before the company's destruction of Juukan Gorge in 2020. LAPFF also recommended opposing Anglo American's remuneration implementation and policy reports, which received oppose votes at the AGM of over five and four percent respectively.

In addition to issuing voting alerts for Rio Tinto and Anglo American, LAPFF attended the AGMs of these two companies. As with the Rio Tinto sustainability committee chair, the Anglo American sustainability committee chair received a high oppose vote (over six percent). However, unlike his Rio Tinto counterpart, he was not present at the AGM. The Anglo American chair also received an oppose vote of over three percent. LAPFF was quite surprised and disappointed when he requested that people asking questions at the meeting do so only in English, especially given that a number of affected community members had travelled from South America to attend the AGM and ask questions.

The Vale and Glencore AGMs were in Brazil and Switzerland, respectively, so LAPFF was not able to attend. Nearly 22 percent of votes opposed and abstained on Vale's annual report (the vast majority abstaining); LAPFF had recommended an oppose vote on this report in relation to its coverage of the Mariana and Brumadinho tailings dam collapses. LAPFF recommended a vote in favour of the shareholder resolution on climate at Glencore, which received nearly 30 percent support from voting shareholders.

In Progress: LAPFF will continue to engage all of these companies on both their human rights and environmental practices on the basis that improved practice in these areas will set the conditions for sustainable shareholder returns.

COMPANY ENGAGEMENTS



The headquarters of Tesla Motors

TECHNOLOGY VOTING ALERTS

Objective: LAPFF has issued voting alerts largely supporting ESG shareholder resolutions filed at technology companies over the last few years and did so again this year. In LAPFF's experience, US companies do not have a culture of engaging with investors in the way that UK and Australian companies do. Therefore, while voting alerts are part of an engagement escalation strategy in most markets, LAPFF often issues voting alerts as an initial point of engagement with US companies with which it deems there are ESG or financial concerns. LAPFF continues to have concerns about corporate governance and social practices at large US technology companies.

Achieved: LAPFF issued voting alerts for Amazon, Tesla, Meta Platforms, and Alphabet, supporting shareholder resolutions on platform content and improved corporate governance practices, among others.

In Progress: Prior to issuing voting alerts, LAPFF sends the draft alerts to the target companies for comment. If the companies comment, LAPFF includes the company comments in the alert issued to its members. However, none of the technology companies receiving voting alerts provided comments or responses to LAPFF. LAPFF continues to seek ways to engage these companies meaningfully in relation to the issues of concern to LAPFF.

COMPANY ENGAGEMENT MEETINGS

Shell

Objective: LAPFF has been seeking a meeting with the new CEO given concerns about the company's climate transition strategy under the previous CEO. Instead, Shell offered a meeting with the Chair, Sir Andrew Mackenzie.

Achieved: After a difficult start to the meeting, the tone and content of the engagement improved, and there was a more refreshing and open conversation about the challenges of decarbonisation. For that reason, and because Sir Andrew is relatively new, and was appointed after the deficit 2021 Climate Transition Plan, LAPFF recommend voting for his re-election and against the incumbent NEDs that were appointed prior to him.

In Progress: LAPFF noted at the AGM that Sir Andrew indicated that Shell would be presenting a new Climate Transition Plan before the 2024 AGM; the Forum will be engaging further on that plan. Of particular interest is the extent of disclaimers in the Transition Plan itself and in the Annual Report's reference to the Transition Plan. We therefore have the conclusion that the Transition Plan is not reliable enough to be included for strategic purposes in the Annual Report, the requirements for which have legal thresholds of reliability.

BP

Objective: LAPFF sought a meeting with the CEO to better understand BP's decision to move down its 2030 reduction targets.

Achieved: LAPFF had a cordial meeting and gained some explanations of BP's thinking, with further research and engagement in this area to follow.

In Progress: Further contact and engagement with the company is ongoing.

HSBC

Objective: LAPFF's aim in engaging with HSBC is to ensure the company continues to show leadership in climate and addresses the human rights concerns arising from the increasing integration of Hong Kong into mainland China. While

HSBC has made substantial progress on climate, certain aspects of its strategy need strengthening, in particular over the assessment of credible transition plans when lending. HSBC also faces growing human rights challenges from the increasing integration of Hong Kong into mainland China and has faced criticism for blocking the accounts of activists and the payment of pensions to those leaving Hong Kong. This point relates to shareholder proposals to split the UK and Hong Kong businesses, which have been strongly opposed by management but would be one approach to easing human rights concerns.

Achieved: LAPFF met with the Senior Independent Director to discuss its concerns. On the issue of the company split LAPFF explained that it is prepared to support the company for now, but this issue does link with broader human rights concerns over strategy and involvement in mainland China.

As a result of this meeting, LAPFF decided to issue a voting alert, recommending voting against the report and accounts as the human rights disclosures were inadequate and a broader strategy in response to the changes in Hong Kong is needed. Climate disclosure too could be improved, in particular around credible transition plans.

In Progress: The company has invited LAPFF to a follow up meeting to focus on human rights. LAPFF will seek to explore further with HSBC how it can manage the challenge of having substantial retail operations in Hong Kong now that it is under effective direct control of mainland China, while maintaining a progressive international reputation. LAPFF has also been invited to have further discussion with the company on climate finance and reporting.

Barclays

Objective: The aim of meeting with Barclays was two-fold. The first objective was to ensure continued progress on climate related disclosure and investment, including challenging the company on fossil fuel investments. The second objective was to seek to improve governance, noting CEO appointments have been a long-term issue for the company.

COMPANY ENGAGEMENTS



Headquarters of Barclays Bank in Canary Wharf

Achieved: LAPFF was offered a very late meeting with the Chair, where it expressed its concerns primarily over governance. The discussion centred on why the Financial Conduct Authority (FCA) investigation reached a different conclusion to that of the Board a year earlier, and what that might mean for the analysis and judgement of the Board. Recent press allegations had further heightened our concerns, with suggestions that the Board could have known more. LAPFF was considering issuing a voting alert recommending abstaining on the election of the Chair. However, in light of further discussions with the Chair, the alert was withdrawn.

In Progress: LAPFF expects to follow up with the Chair shortly and will further discuss governance, seeking reassurances and identifying any possible actions. LAPFF will also follow up with Barclays on climate action and disclosure, in particular the rate of wind down of fossil fuel lending.

Rio Tinto

Objective: LAPFF was outspoken about Rio Tinto's destruction of Juukan Gorge and has been engaging consistently with communities around the world affected by the miner's activities. Although LAPFF met briefly with Rio Tinto's new Chair, Dominic Barton, at the 2022 Rio

Tinto AGM, it had not met with him one-on-one. LAPFF's aim was to have a meaningful meeting with him and ensure that the company is being overseen by an effective chair.

Achieved: LAPFF Chair, Cllr Doug McMurdo, met with Mr Barton toward the end of March to discuss the company's on-going transformation in the wake of Juukan Gorge. The meeting was cordial, and Mr Barton was receptive to LAPFF's thoughts and observations. LAPFF also met with community representatives from the US, Serbia, and Madagascar to hear about their experiences with Rio Tinto. Shortly after meeting Mr Barton, Cllr McMurdo attended the Rio Tinto AGM and posed a question about how the company is seeking to improve its social license to operate.

The morning of the AGM, LAPFF also met with Vicky Peacey, the new head of Rio Tinto and BHP's joint venture, Resolution Copper, in Arizona. Having met with a community representative from Arizona, it was helpful to hear about Resolution Copper's view on the project's developments and its perceptions of community concerns about the project.

In Progress: In addition to continued community concerns about Rio Tinto's engagement with them on social and environmental matters, LAPFF continues to question the company's approach

to social and environmental impact assessments. LAPFF's view is that these impact assessments need to be more methodologically rigorous, independent, and more reflective of concerns raised by affected stakeholders critical of the company's operations.

Anglo American

Objective: LAPFF's main objective in engaging with Anglo American this quarter was to obtain the company's views on its report from LAPFF's time in Brazil visiting communities affected by Anglo American's Minas Rio mine. However, as a member of the PRI Advance group on Anglo American, LAPFF also sought to work with the other group members to establish a relationship with the company through that forum.

Achieved: Anglo American engaged significantly with LAPFF in relation to the Brazil report. Part of the engagement included a meeting with operational staff familiar with Minas Rio and with community concerns in relation to the mine and its tailings dam. The company's insights and contributions were extremely useful, and LAPFF was able to include many of them in the Brazil report.

LAPFF also attended the Anglo American AGM after having met community members from Peru, Colombia, and one of the Brazilian community members it had met during its visit. LAPFF's AGM question was whether the board would commit to visiting community members affected by Anglo American's operations during its visits to various Anglo American project sites throughout the year. The Anglo American Chair, Stuart Chambers, stated that the board would make this commitment.

Toward the end of the quarter, LAPFF joined with lead investors, Morgan Stanley and Schroders, to meet with Anglo American through the PRI Advance initiative. The company representatives appeared to welcome the engagement. LAPFF asked about the company's perceptions of why affected community members did not want to meet with local management at Anglo American sites.

In Progress: LAPFF was surprised at the Chair's request that AGM participants ask

COMPANY ENGAGEMENTS

their questions in English given the effort and expense made by the community members in traveling to the UK to attend the AGM. In the PRI Advance meeting, LAPFF asked whether the company would be willing to re-think this requirement at the next AGM. LAPFF will also seek to engage the chair about this decision.

BHP

Objective: LAPFF was pleased that BHP began to respond to LAPFF's request for engagement in relation to Brazil given that the company did not grant a meeting with BHP Brazil during LAPFF's visit. LAPFF's aim was to meet with the company to discuss further its approach to non-operated joint ventures and its community engagement approach, as well as developments in Brazil.

Achieved: The company provided helpful comments on LAPFF's report about its visit to Brazil and offered a meeting to discuss the UK litigation pertaining to the company's activities in relation to the Samarco tailings dam collapse. Samarco is a joint venture between Vale and BHP, with BHP being the non-operating joint venture partner.

In Progress: LAPFF will continue to try to engage meaningfully with BHP, including in relation to its role in the reparations for the Mariana communities in Brazil affected by the Samarco tailings dam collapse.

Vale

Objective: An ongoing area of engagement with Vale has been the time it has taken for affected community members to be resettled following the destruction of their homes in the tailing dam disasters. Alongside gaining assurances regarding the resettlement process, LAPFF sought to engage the company on other findings in the report from LAPFF's time Brazil.

Achieved: LAPFF met with representatives from the company. Whilst still slow, the company indicated that progress was being made regarding the resettlement process. LAPFF heard how the company was continuing to seek to learn from what happened to improve its practices and that the changes occurring were in part due to engagement it has had with



B&Q DIY store, Kingfisher plc

LAPFF. The meeting also discussed the importance of investors spending time with NGOs and communities, as LAPFF did in its visit to Brazil.

In progress: LAPFF will continue to follow the progress of the resettlement projects and engage on issues highlighted in LAPFF's report, including dam safety and water quality.

Kingfisher

Objective: Kingfisher was cited in a Financial Times article as providing above inflation wage increases for its lowest paid staff, in contrast to the vast majority of FTSE100 companies. LAPFF sought a meeting to understand the company's approach to remuneration and employee engagement, particularly in the context of a cost-of-living crisis.

Achieved: LAPFF met with Kingfisher in April, when company representatives provided an overview of its efforts around employee engagement and where it had provided support for its employees, looking at benefits as well as salary increases. Overall, Kingfisher described steps it was taking business-wide in this context.

In Progress: LAPFF continues to monitor company remuneration, looking at both CEO and employee pay.

Bank Leumi

Objective: As a part of the Forum's engagement with companies considered to be active in the Occupied Palestinian Territories, LAPFF has sought a meeting with Bank Leumi, an Israeli bank, to encourage the company to undergo an independently led human rights impact assessment, and to better understand the company's approach to human rights in its financing decisions.

Achieved: LAPFF met with representatives from the bank, who were open to dialogue. The Forum pointed out areas it believed disclosures could be enhanced around human rights and how the company managed such risks in its investment decisions. Whilst the company talks about human rights in its reporting, it does not provide any detail on its risk management protocols when looking at investment decisions, and how it manages potential direct and indirect adverse human rights impacts.

In Progress: LAPFF continues to push companies for meetings to discuss their approaches to human rights risk management in relation to the Occupied Palestinian Territories.

COMPANY ENGAGEMENTS



Garment factory workers in Myanmar

Home Depot

Objective: The Home Depot was reported to have alleged links to forced labour in its polyvinyl chloride (PVC) supply chain in the 'Built on Repression' report produced by Sheffield Hallam University. Alongside members from the Investor Alliance on Human Rights Uyghur Working Group, LAPFF met with the company in December and subsequently asked a question at the company's AGM in May.

Achieved: At the AGM, LAPFF asked the company if it would commit to undertaking a mapping of its supply chain in higher-risk areas such as Xinjiang, and whether it would undertake an independently led human rights impact assessment on its PVC supply chain. The company provided a general response on its supply chain due diligence but did not commit to either of LAPFF's requests.

In Progress: Alongside the other investors involved in the engagement, LAPFF will be seeking to organise another call with

the company to further discuss its global supply chain due diligence with a focus on its PVC supply chain and Uyghur forced labour.

Next

Objective: Myanmar has been under an extended state of emergency and fraught with a variety of human rights issues since the military coup in February 2021. The Ethical Trading Initiative posted guidance last September for companies in the country's garment sector, with many choosing to exit the country having exhausted efforts to leverage positive human rights outcomes. Next is one of just a few companies still operating in the country, so LAPFF wanted to understand why the company has chosen to stay.

Achieved: LAPFF Executive member, Sian Kunert, met with Next to discuss its position in the country and what it was doing in the context of human rights risk management and due diligence. Sian asked the company representatives if they thought that Next was doing something different from its peers that allowed it to stay in the country and to respect

workers' and community members' human rights in doing so. Whether it was safe to carry out audits in the country was also probed. LAPFF requested increased disclosure of child labour concerns and remediation practices.

In Progress: LAPFF will continue to monitor the company's response to the ongoing coup in Myanmar and potential labour rights issues that may arise and affect its approach to human rights.

Adidas

Objective: Adidas is another company that maintains operations in Myanmar. It was also subject to a letter from the US House Select Committee on the Chinese Communist Party regarding supply chain links to cotton produced with Uyghur forced labour. As with Next, LAPFF was keen to understand why Adidas has decided to maintain operations in the country.

Achieved: LAPFF met with Adidas to discuss these supply chain issues in the context of the company's approach to human rights risk management in its

COLLABORATIVE ENGAGEMENTS

global supply chains. LAPFF Executive member, Sian Kunert, asked questions about the development of the company's human rights policy, its decision to remain in Myanmar, and on its due diligence regarding Uyghur forced labour in its supply chains, which the company provided comprehensive answers to.

In Progress: It is unclear whether Adidas' response to the House Select Committee is something that will be made public. LAPFF will continue to monitor how the company chooses to publicise its supply chain practices, as well as continuing to monitor labour rights issues in both Myanmar and Xinjiang.

COLLABORATIVE ENGAGEMENTS

Toyota – CA100+

Objective: Transportation is a major cause of carbon emissions and therefore a strategically important sector to decarbonise. It is also a sector in the middle of significant transition, as technology advances and regulations and public policies make EVs more price competitive. Those companies not making the shift and seeking to slow the passage of environmental laws and regulation are therefore creating investment risks associated with not staying within 1.5 degrees of warming and being left behind by competitors shifting to EVs. One company of concern about its lobbying alignment and its plans and targets for moving to electric vehicles has been Toyota. Through the CA100+ transportation group, LAPFF has been seeking to ensure these risks are properly addressed.

Achieved: This quarter LAPFF signed on to a letter to Toyota organised by NYC Office of the Comptroller and Domini Impact Investments, which called on the company to align its strategy and lobbying activity to a 1.5 degree scenario.

Concern about Toyota's lobbying activity led to a shareholder resolution, calling for an annual review and report on the impact on Toyota caused by climate-related lobbying activities and the alignment of their activities with the goals of the Paris Agreement. As part of its climate voting alerts LAPFF supported

the resolution.

During the quarter, LAPFF also met with the company as part of the collaborative engagement. The meeting covered proposed US regulations and the company's likely position towards it. The company outlined capital expenditure on EVs, its plans for EV production, and discussed the challenges around battery sourcing.

In Progress: LAPFF will continue to engage with Toyota, and other carmakers, to ensure that plans for EV production are aligned to a 1.5 degree pathway and also ensure alignment of public policy positions with the Paris agreement.

Welltower – IIRC

Objective: LAPFF is a member of the Investor Initiative for Responsible Care (IIRC), a coalition of 138 responsible and long-term investors in the care sector with \$4.4 trillion in assets under management, coordinated by UNI Global Union. The initiative aims to address investment risks associated with employment and care standards within the social care sector. The initiative not only engages with care providers, but also Real Estate Investment Trusts to ensure that they are supporting operators meet expectations on such standards. As part of the initiative, LAPFF wrote to Welltower, a US-based REIT, seeking a meeting. LAPFF also requested the company provide information including on exposure levels and oversight mechanisms.

Achieved: As the company had not responded to requests for a meeting and information, LAPFF decided to issue a voting alert. As set out in LAPFF's policy guide, investee companies are expected to engage with shareholders and LAPFF expects boards to keep in touch with shareholder opinion. Given the lack of engagement from the company and the potential investment risks, LAPFF recommended voting against the chair of the company. In total 6.9 percent of shareholders voted against the chair, which although a minority position does indicate some concern from shareholders with the chair of the company.

In Progress: LAPFF will continue to participate in the IIRC and will follow up

with Welltower to engage on the potential social risks facing the REIT.

National Grid – CA100+

Objective: LAPFF's aim in engaging National Grid is to ensure that the company remains at the forefront of the energy transition. LAPFF is one of the co-leads at CA100+ on National Grid. Despite a positive superficial impression, detailed analysis reveals substantial issues – gaps in disclosure and transition plans, particularly on climate lobbying and a just transition, continuing involvement in gas distribution without a clear long term transition plan for it, and growing delays in connecting to the grid in UK, affecting the roll out of clean energy in the UK.

Achieved: Several meetings as part of LAPFF's leadership of the group have been held with the company, giving it the chance to explain its concerns and suggest best practice. The company has acknowledged some of LAPFF's comments, particularly on climate lobbying, and shortly before the AGM announced that it would publish a comprehensive review of its climate lobbying activities, a key demand of LAPFF and other CA100+ members. The company has publicised a policy proposal for addressing the delays in grid connection, which is broadly sensible, and a welcome development. In our meeting with the Chair, she acknowledged some of our concerns over strategy communication, and therefore LAPFF will expect to see further improvement on this in the coming year.

In Progress: LAPFF's focus is on understanding the company's broader long-term strategy and the assumptions behind it, in particular the role it sees for domestic gas. Continuing support for gas may explain much of its reluctance to embrace Net Zero more fully. Improved strategic disclosure would help address this, including a more balanced discussion of the use of low carbon gas, and the Company's own plans or vision for improving grid connections (ideally with targets) rather than passing the blame to regulators. These areas will form the focus on LAPFF ongoing engagement with the company over the coming year.

COLLABORATIVE/STAKEHOLDER ENGAGEMENT



National Grid gas distribution operations

Vale and Anglo American - PRI Advance

Objective: LAPFF continued to engage with both the Vale and Anglo American groups through the PRI Advance initiative on human rights. Both groups are in the process of establishing their engagement strategies, and LAPFF's aim is to contribute its knowledge from its own engagements with both companies to these engagement strategies, and to the engagements themselves.

Achieved: The Vale group held a meeting to establish its engagement strategy, and the Anglo American group held its first meeting with the company. Anglo American appeared to be very receptive to a meeting with the group, and the meeting was cordial. LAPFF contributed content to the questions posed at the meeting.

In Progress: LAPFF has been asked to become a lead investor in the Vale group given its work in Brazil and has accepted this invitation. It will continue to work with both the Vale and Anglo American

groups to engage the companies and push for meaningful human rights improvements.

30% Club Investor Group

Objective: LAPFF continues to support the 30% Club Investor Group, a coalition of investors pushing for women to represent at least 30% of boardroom and senior management positions at FTSE-listed companies. The group has extended its remit globally and has been engaging in different markets, encouraging companies to join regional charters and looking at other aspects of diversity in company practices.

Achieved: LAPFF met with Sanwa Holdings and Kamigumi Co in April. Although neither company is currently a member of the Japanese 30% Club Charter, both companies provided information around their company wide, and senior level diversity efforts.

In Progress: The Group has continued to extend its outreach to companies outside of the UK, with LAPFF set to lead on

engagements through the Group's Global Workstream subgroups.

STAKEHOLDER ENGAGEMENT

OECD Forum on Responsible Supply Chains

Objective: LAPFF was asked to present at a side event of the OECD Forum on Responsible Supply Chains. The aim of the presentation was to share LAPFF's learning from its visit to Brazil and, more broadly, its engagement with stakeholders affected by mining operations. It was also useful to engage with the other panellists to understand their work and perspectives better.

Achieved: LAPFF was approached by a number of event participants after its presentation. These participants stated that they were impressed with LAPFF's work in this area and wanted to learn more about LAPFF's experience.

In Progress: LAPFF is continuing to engage with these contacts and others made through them to explore

STAKEHOLDER ENGAGEMENT

opportunities to develop this work stream further.

Mining Communities and Workers

Objective: Communities affected by mining operations always approach LAPFF in the run up to mining company AGMs. LAPFF's aim in meeting with them is to listen to the communities' experiences in order to understand better any operational, reputational, legal, and/or financial risks associated with its members' investments. This information then feeds into questions LAPFF poses at company AGMs and company meetings.

Because LAPFF has been engaging with these communities for a number of years now, much of the engagement is focused on updates from community members about mining impacts. However, there are sadly always new communities and new concerns arising from community experiences. LAPFF is keen to learn about the perspectives of these new communities too.

LAPFF also meets with trade union representatives and hears from workers at investee companies where possible to inform its engagements with these companies.

Achieved: LAPFF met with community representatives from the US, Serbia, Madagascar, Papua New Guinea, Mexico, Peru, Colombia, and Brazil to hear about their experiences with Rio Tinto, Anglo American, and Vale. LAPFF also virtually attended a 'pre-AGM' meeting hosted by ShareAction and IndustriALL in relation to Glencore where trade union leaders and community members from a range of countries reported their concerns about Glencore's practices.

LAPFF attended a webinar to hear about the Amazon shareholder resolution on freedom of association and collective bargaining. There were Amazon workers on the call who spoke about their experiences and views about Amazon's work place practices. This webinar informed the content of LAPFF's voting alert for Amazon.

In Progress: LAPFF is continuing to meet with representatives of all of these communities on a regular basis to obtain updates for company engagements. In LAPFF's experience, the companies are



Uyghur activists and other supporters gathered on Parliament Square

receptive to the information conveyed. The ultimate goal, though, is to ensure that company practice on human rights and the environment meets community needs so that it can create the conditions for more sustainable shareholder returns.

Uyghur Forced Labour in Green Technology Supply Chains

Objective: This year, the Modern Slavery and Human Rights Policy and Evidence Centre (Modern Slavery PEC) announced a project to explore and uncover links between the climate crisis and modern slavery globally. Within this, Anti-Slavery International, Sheffield Hallam University and the Investor Alliance for Human Rights are examining Uyghur forced labour in the production of green technology, such as electric vehicles and solar panels. The project aims to provide guidance on how investors can address the risk of Uyghur forced labour and other affected peoples in green technology holdings.

Achieved: LAPFF took part in an initial consultation process for the project, looking at the Forum's understanding of forced labour in these sectors. LAPFF subsequently joined a two-day workshop alongside other investors and NGOs, taking an in-depth look at the challenges investors face in addressing these risks, engagement barriers and information gaps, before looking at potential avenues to move forward.

In Progress: LAPFF is engaging with electric vehicle manufacturers on a range of issues, inclusive of human rights, and will raise these relevant supply chain issues in engagements with such manufacturers.

CONSULTATION RESPONSES

UN Working Group on Business and Human Rights

Objective: The UN Working Group on Business and Human Rights ran a consultation this quarter on extractives, human rights, and the just transition. LAPFF has been working heavily in all three of these areas so was keen to share its views and experiences.

Achieved: LAPFF submitted a consultation response that expressed support for good human rights and environmental due diligence legislation and emphasised the need for improved stakeholder engagement by extractive companies. LAPFF welcomed the opportunity to respond, appreciating the consultation's recognition that both state and business actors have imperatives to act effectively on these issues. LAPFF's response called for mandatory reporting on climate plans to cover just transition factors, including stakeholder mapping and free, prior and informed consent (FPIC), and for boards to regularly engage with stakeholders and undertake FPIC in good faith.

WEBINARS/MEDIA

In Progress: LAPFF will continue to look for opportunities to respond to consultations when it believes it can contribute helpfully based on its engagement and policy experience.

LAPFF WEBINARS

All-Party Parliamentary Group

In early April, the LAPFF-supported APPG on Local Authority Pension Funds held a meeting with LGPS minister, Lee Rowley MP, accompanied by a senior civil servant from the Department for Levelling Up, Housing and Communities.

The meeting focused in large part on the proposed consultations on LGPS pooling and investment in illiquid assets. The minister indicated the government's preference would be for a voluntary approach to both issues and stated that the pooling consultation would be published in the coming months. On the matter of TCFD reporting, because the department received so many responses to its consultation, it was suggested that reporting requirements may not come into force until the following financial year.

The APPG also met at the end of June to discuss the LGPS and investment in illiquid assets. In the 2023 Budget, the government stated that it would: "Consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as venture and growth capital, thereby seeking to unlock some of the £364 billion of LGPS assets into long-term productive assets."

On the back of the proposed consultation, the meeting heard from the Karim Palant (director of External Affairs) and Garry Wilson (chairman) of the British Private Equity & Venture Capital Association (BVCA) who highlighted the opportunities of such investment. The meeting also heard from Andrew Williamson of Cambridge Innovation Capital on the growth of venture capital. Sian Kunert, Head of Pensions at East Sussex Pension Fund and LAPFF Executive member, outlined what her fund was already doing and the opportunities and challenges of investing in illiquid assets.

LAPFF/IndustriALL Garment Workers Webinar

LAPFF again partnered with IndustriALL to host a webinar on the importance of concluding negotiated, binding agreements rather than relying on voluntary, business-driven standards to reduce both human rights risk and business risk. The webinar was chaired by LAPFF Vice Chair, Cllr John Gray, and included speakers from Due Diligence Design, Aviva Investors, IndustriALL Global Union, and the Bangladesh Garment & Industrial Workers Federation (BGIWF).

MEDIA COVERAGE

Climate

Financial Times: [Only 5% of FTSE100 companies have 'credible' climate transition plans, says EY](#)
Reuters: [UK's LAPFF recommends vote for BP climate activist resolution at AGM](#)
CNBC: [Oil major BP braces itself for shareholder revolt after scaling back its climate targets](#)

Minuto Mais [Portuguese]: [BP to quell shareholder anger after climate strategy flip](#)

Reuters: [Shell shareholders urged by LAPFF to back climate activist's resolution](#)

Syndicated in Canada's [Financial Post and Globe and Mail](#)

The Times: [Climate backlash from Shell investors](#)

The MJ: [Shell hits back after council fund criticism](#)

Offshore Technology: [LAPFF urges Shell shareholders to back climate resolution](#)

Net Zero Investor: [Shell's upcoming AGM showcases the challenges for shareholder activism](#)

CNBC: [Oil giant Shell braces for shareholder revolt over climate plans](#)

Reuters: [Analysis: Shell faces tense shareholder meeting as profits and climate collide](#)

Capital Monitor: [How investors voted on climate change at Big Oil AGMs](#)

Plastics

Business Green: [Investors sound alarm over weak corporate plastic pollution policies](#)

Mining and Human Rights

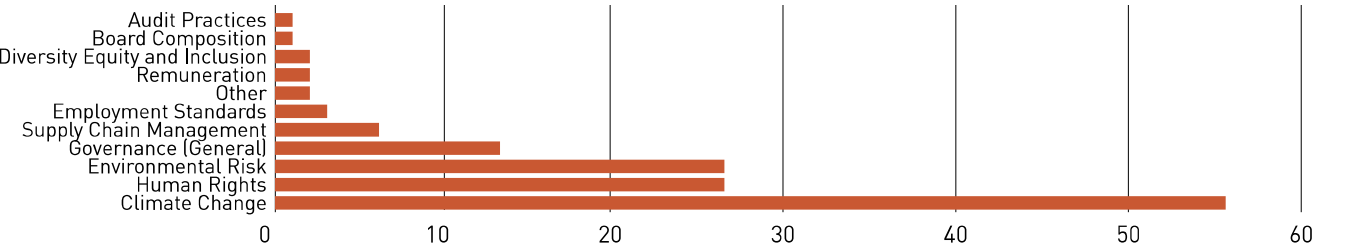
Daily Mail: [BHP blasted over clean-up of deadly mine disaster](#)

Legal Future: [Supreme Court will not hear appeal on largest-ever group action](#)

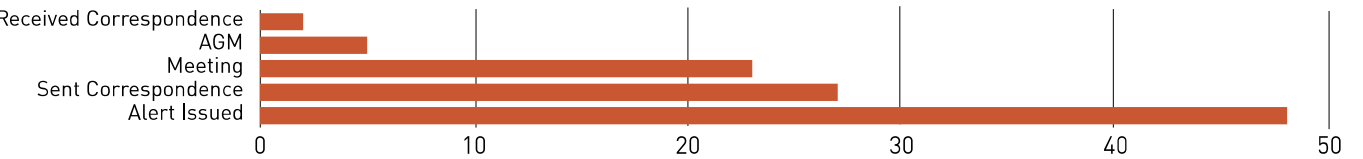
The Times: [Mindful miner Jakob Stausholm is trying to dig Rio Tinto out of a hole](#)

ENGAGEMENT DATA

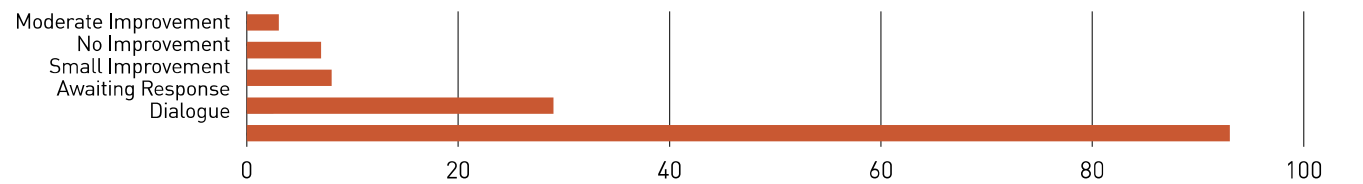
ENGAGEMENT TOPICS



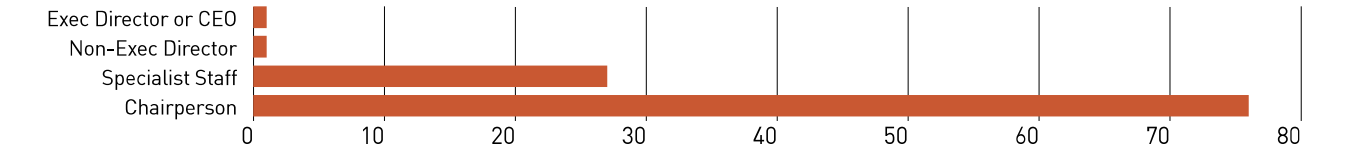
ACTIVITY



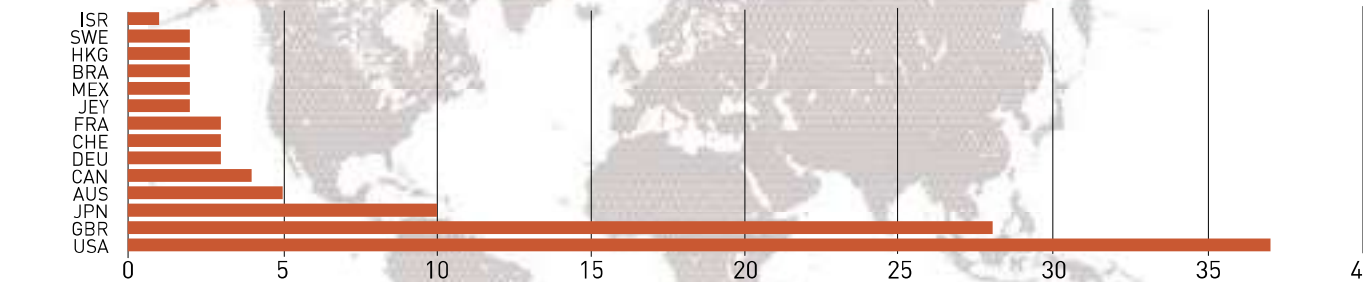
MEETING ENGAGEMENT OUTCOMES



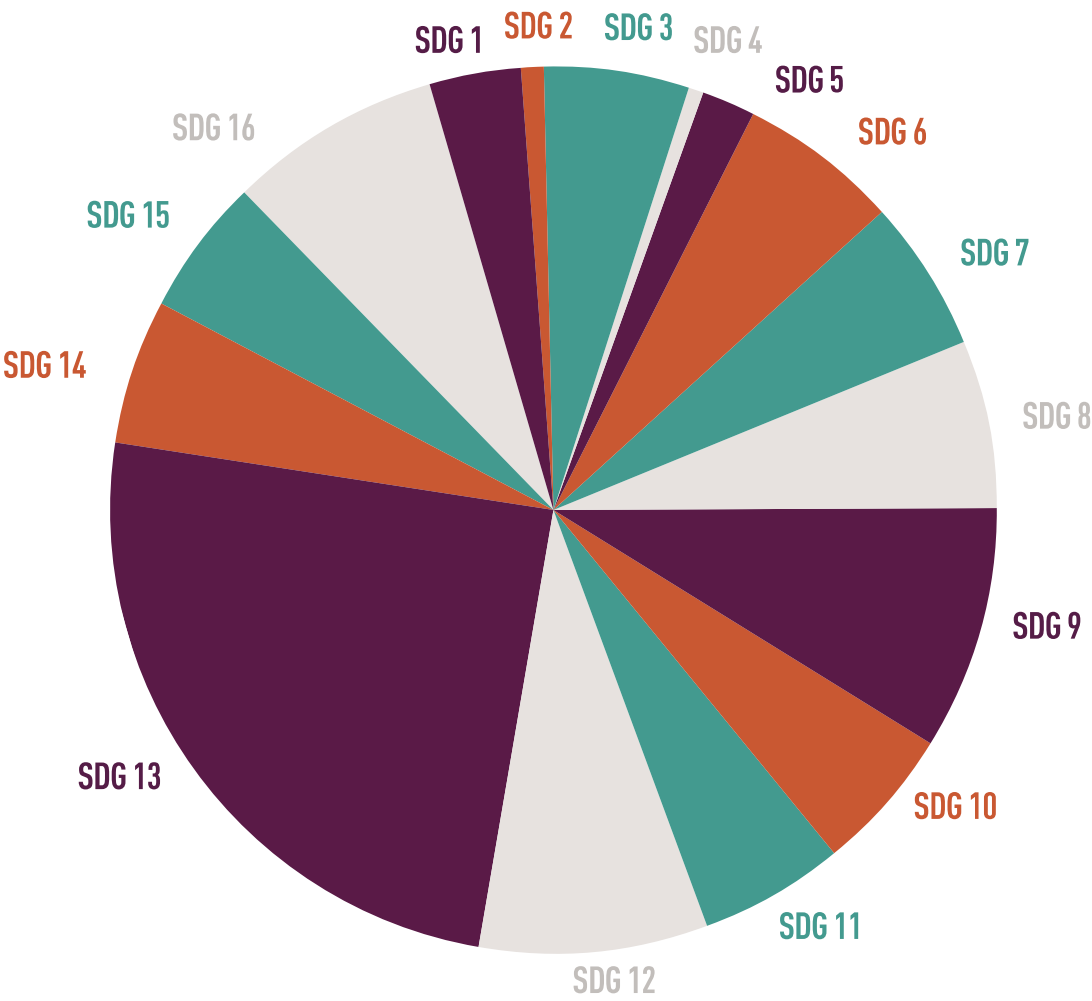
POSITION ENGAGED



COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS

SDG 1: No Poverty	10
SDG 2: Zero Hunger	3
SDG 3: Good Health and Well-Being	16
SDG 4: Quality Education	1
SDG 5: Gender Equality	6
SDG 6: Clean Water and Sanitation	18
SDG 7: Affordable and Clean Energy	16
SDG 8: Decent Work and Economic Growth	19
SDG 9: Industry, Innovation, and Infrastructure	26
SDG 10: Reduced Inequalities	16
SDG 11: Sustainable Cities and Communities	16
SDG 12: Responsible Production and Consumption	25
SDG 13: Climate Action	74
SDG 14: Life Below Water	16
SDG 15: Life on Land	15
SDG 16: Peace, Justice, and Strong Institutions	23
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

COMPANY PROGRESS REPORT

LAPFF engaged 84 companies during the quarter

Company/Index	Activity	Topic	Outcome
ADIDAS AG	Meeting	Supply Chain Management	Moderate Improvement
ALPHABET INC	Alert Issued	Human Rights	Dialogue
AMAZON.COM INC.	Alert Issued	Human Rights	Dialogue
AMEREN CORPORATION	Alert Issued	Climate Change	Dialogue
ANGLO AMERICAN PLC	AGM	Human Rights	Dialogue
ASSOCIATED BRITISH FOODS PLC	Received Correspondence	Human Rights	Dialogue
BANK LEUMI LE-ISRAEL BM	Meeting	Human Rights	No Improvement
BANK OF AMERICA CORPORATION	Alert Issued	Climate Change	Dialogue
BARCLAYS PLC	Meeting	Climate Change	Dialogue
BERKSHIRE HATHAWAY INC.	Alert Issued	Climate Change	Dialogue
BHP GROUP LIMITED [AUS]	Meeting	Human Rights	Small Improvement
BORGWARNER INC	Alert Issued	Climate Change	Dialogue
BP PLC	Alert Issued	Environmental Risk	Dialogue
BRIDGESTONE CORP	Meeting	Board Composition	Small Improvement
CENOVUS ENERGY INC	Alert Issued	Climate Change	Dialogue
CENTERPOINT ENERGY INC	Alert Issued	Climate Change	Dialogue
CENTRICA PLC	Sent Correspondence	Social Risk	Awaiting Response
CHEVRON CORPORATION	Alert Issued	Climate Change	Dialogue
CHUBB LIMITED	Alert Issued	Climate Change	Dialogue
CK HUTCHISON HOLDINGS LTD	Sent Correspondence	Environmental Risk	Awaiting Response
COMCAST CORPORATION	Alert Issued	Climate Change	Dialogue
COSTAR GROUP INC	Alert Issued	Climate Change	Dialogue
COTERRA ENERGY INC	Alert Issued	Climate Change	Dialogue
DBS BANK LTD	Meeting	Climate Change	Dialogue
DOLLARAMA INC	Alert Issued	Climate Change	Dialogue
DRAX GROUP PLC	AGM	Governance (General)	Dialogue
E.ON SE	Sent Correspondence	Social Risk	Awaiting Response
EDF (ELECTRICITE DE FRANCE) SA	Sent Correspondence	Social Risk	Awaiting Response
ELECTRIC POWER DEVELOPMENT CO	Alert Issued	Climate Change	Dialogue
ENBRIDGE INC	Alert Issued	Climate Change	Dialogue
EXXON MOBIL CORPORATION	Alert Issued	Climate Change	Dialogue
GLENCORE PLC	Alert Issued	Human Rights	Dialogue
GRUPO MEXICO SA DE CV	Sent Correspondence	Human Rights	Dialogue
GSK PLC	Sent Correspondence	Climate Change	Awaiting Response
HENNES & MAURITZ AB (H&M)	Sent Correspondence	Human Rights	Awaiting Response
HONEYWELL INTERNATIONAL INC.	Sent Correspondence	Environmental Risk	Awaiting Response
HSBC HOLDINGS PLC	Alert Issued	Governance (General)	Dialogue
IBERDROLA SA	Sent Correspondence	Social Risk	Awaiting Response
IDEX CORPORATION	Sent Correspondence	Climate Change	Awaiting Response
IMPERIAL OIL LIMITED	Alert Issued	Climate Change	Dialogue
JPMORGAN CHASE & CO.	Alert Issued	Climate Change	Dialogue
KAMIGUMI CO LTD	Meeting	Diversity Equity and Inclusion	Small Improvement
KELLOGG COMPANY	Meeting	Other	No Improvement
KINGFISHER PLC	Meeting	Employment Standards	Moderate Improvement
LINDT & SPRUNGLI AG	Sent Correspondence	Environmental Risk	Awaiting Response
LOCKHEED MARTIN CORPORATION	Alert Issued	Climate Change	Dialogue
MARATHON PETROLEUM CORPORATION	Alert Issued	Climate Change	Dialogue
MARKEL CORPORATION	Sent Correspondence	Climate Change	Awaiting Response
META PLATFORMS INC	Alert Issued	Human Rights	Dialogue
MITSUBISHI UFJ FINANCIAL GRP	Alert Issued	Climate Change	Dialogue
NATIONAL GRID PLC	Alert Issued	Climate Change	Dialogue
NEW YORK COMMUNITY BANCORP INC	Alert Issued	Climate Change	Dialogue
NEXT PLC	Meeting	Supply Chain Management	Small Improvement
NIKE INC.	Sent Correspondence	Human Rights	Awaiting Response
NINTENDO CO LTD	Sent Correspondence	Environmental Risk	Awaiting Response
PACCAR INC.	Alert Issued	Climate Change	Dialogue
PENNON GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
PUBLIC STORAGE	Alert Issued	Climate Change	Dialogue

COMPANY PROGRESS REPORT

QUEST DIAGNOSTICS INCORPORATED	Alert Issued	Climate Change	Dialogue
RAYTHEON TECHNOLOGIES CORP	Alert Issued	Climate Change	Dialogue
RIO TINTO GROUP (AUS)	AGM	Human Rights	Dialogue
ROCHE HOLDING AG	Sent Correspondence	Environmental Risk	Awaiting Response
SANOFI	Sent Correspondence	Environmental Risk	Awaiting Response
SANWA HOLDINGS CORP	Meeting	Diversity Equity and Inclusion	Small Improvement
SEVERN TRENT PLC	Sent Correspondence	Environmental Risk	Awaiting Response
SHELL PLC	AGM	Climate Change	No Improvement
SOUTHERN COMPANY	Alert Issued	Climate Change	Dialogue
SUMITOMO MITSUI FINANCIAL GROUP	Alert Issued	Climate Change	Dialogue
TESLA INC	Alert Issued	Human Rights	Dialogue
THE GOLDMAN SACHS GROUP INC.	Alert Issued	Climate Change	Dialogue
THE HOME DEPOT INC	AGM	Human Rights	No Improvement
THE MOSAIC COMPANY	Alert Issued	Climate Change	Dialogue
THE TJX COMPANIES INC.	Sent Correspondence	Environmental Risk	Awaiting Response
THE TRAVELERS COMPANIES INC.	Alert Issued	Climate Change	Dialogue
TOKYO ELECTRIC POWER CO INC	Alert Issued	Climate Change	Dialogue
TOTALENERGIES SE	Alert Issued	Climate Change	Dialogue
TOYOTA MOTOR CORP	Meeting	Climate Change	Small Improvement
UNITED UTILITIES GROUP PLC	Sent Correspondence	Environmental Risk	Awaiting Response
VALE SA	Meeting	Environmental Risk	Dialogue
VALERO ENERGY CORPORATION	Alert Issued	Climate Change	Dialogue
VOLVO AB	Sent Correspondence	Human Rights	Dialogue
WELLS FARGO & COMPANY	Alert Issued	Climate Change	Dialogue
WELLTOWER INC	Alert Issued	Governance (General)	Dialogue
WH GROUP LTD	Sent Correspondence	Climate Change	Awaiting Response

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Brent (London Borough of)
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund

Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hillingdon Pension Fund
Hounslow Pension Fund
Isle of Wight Pension Fund
Islington Pension Fund
Kensington and Chelsea (Royal Borough of)
Kent Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund

Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Scottish Borders Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund

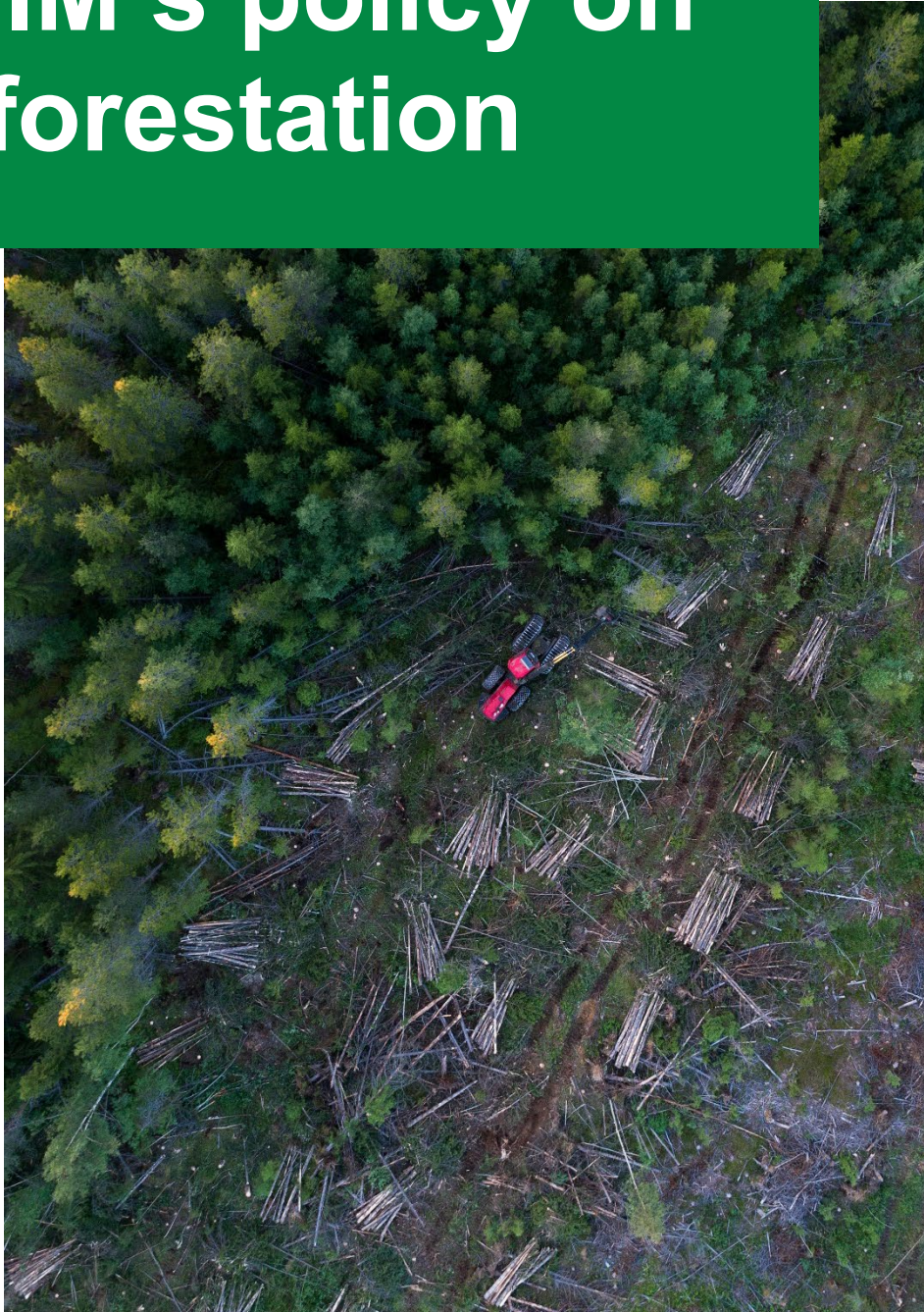
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members

Border to Coast Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

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LGIM's policy on deforestation



As a global investor, Legal & General Investment Management (LGIM) is committed to assessing and addressing the risks of deforestation, which we believe to be firmly part of our fiduciary duty of managing our clients' assets.

Summary

The world's forests store approximately 662 billion tonnes of carbon,¹ a number equivalent to approximately 20 years of current annual fossil fuel emissions.² They are also home to 80% of amphibian species, 75% of bird species, 68% of mammal species and 60% of all vascular plant³ species.⁴ Moreover, forests are home to 21% of the world's human population.⁵ From an economic standpoint, ecosystem services, such as carbon sequestration and crop pollination, underpinned by biodiversity, are worth over one and a half times the size of global GDP – between \$125-140 trillion annually.⁶

Between 1990 and 2020, around 420 million hectares of forest was lost due to conversion to other land uses.⁷ From 1970 to 2016, there was on average a 68% decrease in population sizes of mammals and birds, as well as amphibians, reptiles and fish.⁸ This decline in nature is occurring at an unparalleled rate, with the rate of species extinction simultaneously increasing.⁹

Agriculture, Forestry and Other Land Use (AFOLU) accounts for 22% of total anthropogenic (human-caused) greenhouse gas (GHG) emissions, around half of which come from deforestation and land conversion driven by commodities providing food, fibre, feed and fuel.¹⁰ Tropical deforestation linked to agricultural commodities such as palm oil, soy, beef, pulp and paper has been estimated to account for 8% of all CO₂ emissions – more than the entire European Union.¹¹

Delivering the goals of the Paris Agreement cannot be achieved without action on AFOLU emissions – with the largest potential for reduction coming from reduced deforestation and forest degradation. By stopping deforestation and maintaining forests, we could prevent emissions of approximately 3.6 gigatonnes of carbon dioxide (CO₂) between 2020 and 2050. Committing to reforesting degraded lands could remove up to 1.5 gigatonnes of CO₂ from the atmosphere per year through to 2050.¹²

We believe climate change and biodiversity loss are inextricably linked and should not be tackled in isolation. A changing climate threatens natural ecosystems, and nature loss amplifies climate change by reducing the ability of ecosystems to store carbon. **Changes in land use are the most significant drivers of biodiversity loss on land.**¹³ In Brazil, 17% of the Amazon rainforest has been lost in the past 50 years – mainly due to forest conversion for cattle ranching.¹⁴

¹ [The State of the World's Forests 2022 \(fao.org\)](https://www.fao.org/state-of-the-worlds-forests-2022)

² [How much is a ton of carbon dioxide? | MIT Climate Portal](https://climate.mit.edu/how-climate-change-affects-carbon-cycles)

³ Plants that have "veins" that transport water/food. These make up 80% of all plant species.

⁴ [The State of the World's Forests 2022 \(fao.org\)](https://www.fao.org/state-of-the-worlds-forests-2022)

⁵ [Deforestation and Forest Degradation | Threats | WWF \(worldwildlife.org\)](https://www.worldwildlife.org/threats/deforestation-and-forest-degradation)

⁶ <https://www.oecd.org/environment/resources/biodiversity/Executive-Summary-and-Synthesis-Biodiversity-Finance-and-the-Economic-and-Business-Case-for-Action.pdf>

⁷ [The State of the World's Forests 2022 \(fao.org\)](https://www.fao.org/state-of-the-worlds-forests-2022)

⁸ <https://www.worldwildlife.org/press-releases/68-average-decline-in-species-population-sizes-since-1970-says-new-wwf-report>

⁹ <https://www.un.org/sustainabledevelopment/blog/2019/05/nature-decline-unprecedented-report/>

¹⁰ [Why net-zero-needs-zero-deforestation-now-June-2022.pdf \(unfccc.int\)](https://unfccc.int/news/why-net-zero-needs-zero-deforestation-now-june-2022)

¹¹ [Deforestation Commitment Letter](https://www.fao.org/3/cb9360en/online/src/html/key-messages.html)

¹² <https://www.fao.org/3/cb9360en/online/src/html/key-messages.html>

¹³ <https://cpree.princeton.edu/land-use-change-and-biodiversity>

¹⁴ WWF, 2020. [Link](#).

Deforestation and why it matters to investors

We understand the critical importance that sustainable forestry has in both combating climate change and preserving biodiversity, two systemic risks facing the world economy today, with significant implications for our clients' assets if left unaddressed. We also recognise that deforestation needs to be considered through a holistic lens, assessing both the environmental and social aspects of this issue; for example, the impact on indigenous people, and respective labour rights in operations and supply chains.

Deforestation has therefore been a key focus area for LGIM for several years. Since the launch of our Climate Impact Pledge in 2016, deforestation policies have been a core theme of engagement with investee companies, over which time we have acted by voting against, and in certain cases divesting from, those not meeting our minimum expectations on deforestation. In 2016, we also joined the PRI Investor Working Group on Sustainable Palm Oil and we were subsequently an early member of the PRI/Ceres Investor Initiative on Deforestation, where engagement focus expanded to other forest risk commodities, such as soy and cattle. We have further amplified our voice by raising concerns with relevant governments and calling for the enforcement of regulations to halt deforestation. We have done this both directly and collaboratively through our involvement in initiatives such as the Investor Policy Dialogue on Deforestation (IPDD).

However, we know more needs to be done and that we need more finance and business leaders to see nature as a critical ally in net zero. That is why we were pleased to support the steps taken at COP26 in 2021 to accelerate and coordinate action across the public and private sector through signing the COP26 [Commitment](#) on Eliminating Agricultural Commodity Driven Deforestation from Investment Portfolios.

We believe that the most prevalent risk relating to deforestation and our clients' portfolios comes from the resulting system-wide implications of climate change and biodiversity loss.

As referenced in our [biodiversity policy](#), clients may also be exposed through their portfolios to other indirect and direct related risks, which in the case of deforestation could relate to:

- physical risk – for example, the loss of/insufficient access to raw materials
- litigation and reputational risks – such as companies involved in illegal deforestation through their value chains
- risk of increasing regulation – for instance, a sharpened focus on both illegal and legal deforestation the UK's Environment Act, EU Regulation and US Federal and State laws
- systemic risk – as outlined above, and as recognition grows of the linkages and interdependencies between deforestation, climate change and biodiversity

LGIM therefore believes it is vital that companies proactively analyse, assess and address deforestation risks within their operations and supply chains, and that they pay attention to the rising expectations of corporations from investors and a broader set of stakeholders. We believe it's vitally important that policymakers and regulators take action to provide an appropriate enabling backdrop.

LGIM has a crucial role to play in holding investee companies to account for understanding the deforestation risks, opportunities and impacts to which they are exposed or contributing, and in providing relevant disclosure about these issues. In addition, in our role as an owner and asset manager of direct investments, it is critical that we consider deforestation risk within our supply chain, in particular across real estate developments and major refurbishments. We comply with our internal sustainable sourcing principles, which provide internal guidance and a benchmark for sustainable and responsible procurement of timber and wood-derived products.

Deforestation commitment

In 2021 LGIM signed the COP 26 Commitment on Eliminating Agricultural Commodity Driven Deforestation from Investment Portfolios.

The commitment **encourages a focus on active ownership and ongoing stewardship**, to collectively work towards portfolios that are free from forest-risk agricultural commodity-driven deforestation activities.

As a signatory, **we commit to use best efforts** to tackle commodity driven deforestation impacts in investment portfolios by 2025, and work towards the following milestones:



By 2022:

Assess exposure to deforestation risk, with a focus on 'forest-risk' agricultural commodities -- palm oil, soy, beef and leather, pulp and paper.
Establish investment policies addressing exposure to agricultural commodity-driven deforestation.
Deepen engagement of the highest risk holdings on deforestation in their supply



By 2023:

Disclose deforestation risk and mitigation activities in portfolios, including due diligence and engagement.



By 2025:

Publicly report credible progress, in alignment with peers, on the milestones to eliminate forest risk agricultural commodity-driven deforestation in the underlying holdings in our investment portfolios through successful company engagement

LGIM's approach

Our approach to deforestation encompasses a number of different avenues, including:

- **Developing our capacity to assess deforestation-related risks and opportunities** – to integrate these into the investment management of relevant portfolios by establishing key indicators and acting on financially material information
- **Working with policymakers** – to promote and support policy efforts to deliver commitments to halt and reverse deforestation and land degradation by 2030
- **Taking action with companies in which we invest** – through direct engagement, proxy voting and investments, we seek to ensure investee companies' strategies and operations address deforestation risk, thereby helping to drive the shift towards sustainable production and consumption, and that this is overseen by the board, alongside appropriate public disclosure
- **Reporting to clients** – to communicate actions taken on their behalf and progress made on LGIM's deforestation commitment

Developing our capacity to assess deforestation risks and opportunities

We see it as our responsibility to provide the right framework to address ESG risks and opportunities, including those related to deforestation, in every part of our business.

At the highest level, overall responsibility for ESG risks, insofar as they are material to investments, lies with LGIM's CEO, who has oversight of relevant risks as reported through a series of risk and investment committees.

We have developed a variety of proprietary ESG tools, used across different asset classes and investment strategies, with the ability to incorporate relevant ESG metrics. Where relevant and available, deforestation metrics are incorporated into tools that are used to support investment analysts and fund managers, develop new investment solutions, assist the investment stewardship team in its engagements with companies, and help clients understand more about the ESG profile of portfolios.

Deforestation metrics and assessment criteria are already incorporated into certain Climate Impact Pledge frameworks and we will review their expansion into other forest-risk sectors. We will also look to further incorporate deforestation metrics and analysis into LGIM's investment and asset management processes across both public and private market portfolios.

While metrics related to deforestation are increasing in availability, we recognise that more needs to be done to improve the standardisation and increase the scope and coverage of this data to support assessment across investors' portfolios. We will continue to work with research and data providers to this end.

We also believe it is important to support and help shape initiatives such as the Taskforce on Nature-related Financial Disclosures (TNFD), of which LGIM is a 'Forum member', and which seeks to provide a framework for corporates and financial institutions to assess, manage and report on their dependencies and impacts on nature.

Policy engagement

As a global issue with system-wide implications, deforestation requires a market-wide approach. That is why engagement with governments and regulators is so important.

The Glasgow Leaders' Declaration on Forest and Land Use saw 141 countries (together representing 90% of the world's forests and including key exporters like Canada, Russia, Brazil and Indonesia) commit to halting and reversing deforestation and land degradation by 2030. The commitment was backed up by promises from 12 nations (including the UK) to allocate \$12 billion of public funds to protect and restore forests, alongside private investment. In support of this declaration by sovereigns, LGIM was proud to become a founding signatory of the COP26 Commitment on Eliminating Agricultural Commodity Driven Deforestation from Investment Portfolios, which was signed by 30 financial institutions representing about \$9 trillion in AUM.

We have already been emphasising the need for national and international policy ambition on deforestation. We have done this by engaging with policymakers in the UK, EU, and globally both directly and collaboratively with other investors, think-tanks and civil society. This has been carried out through various forums, including our membership of the Institutional Investor Group on Climate Change (IIGCC), the UN Principles for Responsible Investment (PRI), the Investors Policy Dialogue on Deforestation (IPDD) and the FAIRR initiative.¹⁵

Our policy work to date has included supporting letters sent to California and New York on strengthening deforestation regulation at a state level and providing comment on deforestation disclosure to the SEC. We have directly engaged with both the Brazilian and Indonesian governments on their deforestation regulation, historically through our members of the PRI Working Group on Sustainable Palm Oil and more recently via the IPDD. LGIM co-authored a paper and engaged with the European Commission on how to reform the EU's Common Agricultural Policy (CAP) with Net Zero, and to not undermine the Taxonomy through delegating responsibility to the CAP. LGIM also supported the ['Where is the Beef'](#) statement. Recognising the important links between deforestation and climate change, we wrote to the G20, calling on nations to enact ambitious policies and disclose effective targets for greenhouse gas reductions in agriculture.

We will continue to work with both regulators and governments to encourage them to establish and enforce policies related to deforestation and to ensure that these reflect the interconnected nature of biodiversity loss and climate change.

Company engagements and voting

LGIM seeks to protect clients' assets through raising market standards and best practice. One of the ways we do this is through the expectations we set of investee companies in public markets. Our engagement with company boards and executive directors are central to advancing on all facets of ESG, and deforestation is no exception.

We expect companies to build strategies that enable them to adapt and to thrive within the rapidly evolving political, societal and environmental backdrop.

While we have been incorporating deforestation into our stewardship activities since 2016, we know more needs to be done and we need more finance and business leaders to see nature as a critical ally in net zero.

As part of our commitment to eliminating agricultural commodity-driven deforestation from investment portfolios, we will deepen engagement, both direct and collaborative, on deforestation in the supply chains, operations and/or financing of our highest-risk holdings. This will allow us not only to further assess potential risks, but also to

push for greater transparency and progress in the market. As we do this, we will draw on external sources of data and research, as well as our investment and stewardship engagements and expertise.

From 2023, we will implement a new voting policy, with companies in critical sectors without a deforestation policy or programme – our minimum standard expectation – subject to a vote against. Application of this policy will be based on third-party data and voting will be escalated in subsequent years.

We will also expect companies in deforestation-critical sectors to work to improve their records against key assessment frameworks such as Forest 500 and SPOTT. Select data from these frameworks, as well as findings from our engagement activities, will be integrated into LGIM's internal ESG assessment tools.

In line with our voting policies, we will continue to vote on shareholder resolutions related to deforestation. We expect to vote in line with best practice on addressing drivers of deforestation in 2023.

Reporting

We are committed to communicating our efforts to our clients. Deforestation already forms part of our regular ESG reporting for listed portfolios, which are published quarterly and annually on our website. This includes publishing thought leadership pieces on the topic to inform investee companies and our clients and to help to drive the conversation forward.

In line with our commitment, we will continue to publicly report credible progress, in alignment with peers, on the milestones to eliminate forest-risk agricultural commodity-driven deforestation in the underlying holdings in our investment portfolios through successful company engagement.

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Key risks

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, you may not get back the amount you originally invested.

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<u>Committee and Date</u>	<u>Item</u>
Pensions Committee	9
15 September 2023	Public
10.00 a.m.	

PENSIONS ADMINISTRATION MONITORING REPORT

Responsible Officer: Debbie Sharp

Email: Debbie.sharp@shropshire.gov.uk

Tel: (01743) 252192

1. Synopsis

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

2. Executive summary

- 2.1. Detail is provided on team workloads and performance. Project updates such as McCloud and the SCPF Business Plan are also covered together with information on the 2023/2024 communication plans with retired, active and deferred members.
- 2.2. Updates have been provided on key national issues of pension scams, preparing the annual report, Pensions Dashboards, TPR new general code and new legislation.

3. Recommendations

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

REPORT

4. Risk assessment and opportunities appraisal

4.1. 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.

4.2. Human Rights Act Appraisal

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

4.3. Environmental Appraisal

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

5. Financial implications

- 5.1. Managing team performance and working with other administering authorities ensures costs to scheme employers for scheme administration are reduced. Complying with the national requirement to provide data to the Pension Dashboards will increase costs for the fund. These are presently unquantifiable. Compliance with the proposed Pensions Regulator's (TPR) one code will also increase fund costs.

6. Climate change appraisal

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

7. Performance and team update

- 7.1. The team's output and performance level to July 2023 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. The chart shows that tasks outstanding fell in the middle of the last three months but rose again during July 2023. Some work was stockpiled during this period due to a change in calculation factors by GAD, following changes to the SCAPE rate. The factors have been released in batches, which has not helped administrators. The team are now having to catch up with work that had to be put on hold. The team also implemented an improvement to the payroll module during June and July. This went live at the end of July.
- 7.2. Three permanent staff vacancies have recently arisen within the team. One is for a Pension Administration Manager. This post has been advertised internally & externally, the closing date was the 1 September 2023 and interview dates have been confirmed for the 19th September. A development officer role, being advertised internally initially and the Senior Governance & Communications Officer role has been re-advertised externally. A maternity cover will also be required for a Communications Officer.

8. Help Desk statistics

- 8.1. The chart at 8.2 shows work undertaken by the helpdesk team not covered by the workflow system and therefore not included in the wider team casework statistics in **Appendix A**.
- 8.2. An issue with Skype and Touchpoint, the system the fund's helpdesk uses to take calls, has meant some calls are not being answered. Skype intermittently crashes. This is council-wide Shropshire Council IT team has been working with Microsoft to get a fix in place, however in the meantime this is impacting on the number of calls able to be answered. Please note the increase in the number of members opting out of the Pension Scheme in July.

	May 2023	June 2023	July 2023
Telephone calls received to helpdesk team	781	656	698
% of calls answered	92%	92%	94%
Emails received to pensions@shropshire.gov.uk	1212	1224	1122
% of emails responded to within 3 working days	100%	100%	100%
My Pension Online activation keys issued	68	76	59
Member updates made through My Pension Online	427	419	750
Opt out requests directly dealt with by helpdesk	14	17	56
Incoming post received and indexed to the pensions administration system	3,167	3,545	3,932
1-2-1 video appointments held with scheme members	32	51	40
Users visiting the website	3,081	2,633	2,920

9. Communications and governance

9.1. 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, to 31.03.2023, for both active and deferred members are now available to view online. Paper copies have been issued to those members who have opted out of online communication. As at July 2023 a total of 50% active members and 42% of deferred members were registered to view their records on 'My Pension Online'.

9.2. An email was sent to all deferred members on 17/07/2023 with links to the annual benefit statement, notes explaining the statements and a newsletter, covering the following topics:

- Cost of living crisis and where to get help
- Changes to pension age
- McCloud update
- Deferred benefits
- Tax allowance changes
- Revaluation date
- Reminder to sign up for 'My Pension Online'

380 printed statements were sent to deferred members together with copies of the notes and newsletter.

9.3. An email was sent to all active members on 15/08/2023 with links to the annual benefits statements, notes and the newsletter, covering the topics:

- Pensions increase
- Pension scams warning
- Changes to tax allowances
- McCloud update
- Help with cost-of-living crisis
- Changes to pension age
- How much you need for retirement
- Pensions dashboards
- CARE revaluation date
- Reminder to sign up for 'My Pension Online'

249 printed statements were sent to active members on 29/08/2023 together with copies of the notes and newsletter.

- 9.4. An employer update is sent monthly via email bulletin to all registered contacts at participating employers within the fund. The topics covered in the last quarter were:

May 2023:

- Change to strain factors used in early retirement calculations
- McCloud remedy
- Employer role training

June 2023:

- Recruitment for a new Pensions Board member
- Pensions Committee changes after elections
- Pass-through arrangements for academy trusts outsourcing
- Help to process opt out requests
- New resources published by PLSA to help with cost of living

July 2023:

- Employers meeting 2023 – save the date!
- How to contact us
- Recruitment for a new Pensions Board member
- New resources published by PLSA on cost of living

- 9.5. The employers meeting is due to take place on 14/11/2023 (King Charles II's 75th birthday). This meeting was advertised to employers on 30/06/2023 and the main topic is likely to be McCloud as the remedy is due to be implemented on 01/10/2023.

- 9.6. Pensions saving statements (PSS) are due to be issued by October 6 2023 and, as in 2022, a webinar is being held by Mercers for anyone who receives a PSS as well as identified earners who may be impacted in the future. This is to be held on 10/10/2023, from 10am until noon. Following the webinar, for certain individuals, needing further support about their own personal circumstances, there will be an opportunity to attend a one-to-one 45-minute guidance session with a Mercer specialist.

These sessions will be for education only. The Mercer specialist will answer any questions of a generic nature, but no formal advice will be provided. Guidance will be provided on what options may now be available considering HMRC pension allowance changes announced in 2023. Dates for these sessions are: 07/11/2023, 10/11/2023, 24/11/2023 and 27/11/2023. Following the guidance sessions, should members decide they still require further specialist financial advice, they can choose to liaise directly with a Mercer specialist but charges for these sessions will need to be met by the individuals themselves.

10. Employer performance

- 10.1. In line with the Shropshire County Pension Fund administration strategy, employers must pay their contributions by the 19th of the month following the month deducted. 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.

	May 2023	June 2023	July 2023
i-Connect data	95%	98%	99%
Monthly contributions	98%	96%	100%
Monthly deficit	93%	75%	95%

11. Business Plan

- 11.1. The fund is working on a business plan for 2023-25. This document is in its first draft and each section will be allocated to a relevant officer/team to pull together information before a final draft version is produced ready for sign-off. Monthly meetings are scheduled for the project team to meet, discuss progress, and agree actions for the next meeting.

12. McCloud

- 12.1. The Government consultation asking key stakeholders for their views on changes to the Local Government Pension Scheme (LGPS) in England and Wales relating to the McCloud remedy concluded on 30 June 2023 with the final regulations due to come into force on 1 October 2023.
- 12.2. The team have been working on data collection and cleansing to be ready for McCloud. The recent proposals move things on to the next stage which involves how to implement the underpin for complex cases. The consultation acknowledges that there will be “additional administrative complexities” and some “exceptionally challenging” cases.
- 12.3. The fund has set up a core project team and meetings held to ensure a good understanding across the team of what the underpin means and

how this will be applied to member records. Heywood's have provided a report that can be used to determine the members in scope, but manual calculations will be needed to implement the remedy and further guidance is awaited on the expected implementation dates.

- 12.4. The fund has continued to expect employers to provide details of hours worked and break in service details for all employees covering the period 1 April 2014 to 31 March 2022.
- 12.5. Checks have been undertaken on the data held and queries found raised with employers.
- 12.6. In the first instance the data collected from the employer will be used to calculate the members pension benefits and should any query from the member arise on their membership of pay, the employer will be responsible for answering the query.
- 12.7. Where an employer is unable to supply full and accurate data or ceases to exist, the fund as the administering authority will look to estimate reckonable service and/or pay where necessary after taking all reasonable steps to collect, validate and query the member data and following any statutory guidance.
- 12.8. If service or pay must be estimated by the fund this will have to be communicated to the member and if still in the fund the employer. A reasonable time must be given to both to raise any objection before the estimated data is used to calculate and pay benefits.

13. Payroll implementation

- 13.1. The Enhanced Admin to Payroll (EA2P) facility went live on Thursday 27th July 2023 in advance of the August payroll. All went to plan, and the User Acceptance Testing was completed successfully ahead of go live. The team have been using the new facility for over a month with no major issues reported during the period. At the time of writing this report, the Operations team still have dedicated support from Heywood prior to being handed over to the Heywood Service Desk. A Post Project Review meeting will be scheduled between Heywood and the fund to discuss lessons learnt during the implementation.

14. Scheme Advisory Board Annual Report 2022 published

- 14.1. On 26 June 2023, the Scheme Advisory Board (SAB) published its tenth annual report. The report provides a single source of information about the status of the LGPS for its members, employers and other stakeholders. Continually improving key information about the scheme as a whole is one of the top priorities of the board.
- 14.2. The report combines information supplied in 86 fund annual reports, as at 31st March 2022. Key highlights for 2022 are:

- total membership of the LGPS increased slightly, growing by 161,871 (2.6 per cent) to 6.39 million members in 2022 from 6.23 million in 2021
- total assets of the LGPS increased to £369 billion (a change of 7.8 per cent), invested in:
 - pooled investment vehicles – 67%
 - public equities – 12%
 - bonds – 3%
 - direct property – 3%
 - other asset classes – 15%
- local authority return on investment over 2021/22 was 8.1 per cent. This compares to UK CPI year on year inflation of 8.8 per cent (Sept to Sept)
- the scheme maintained a positive cash-flow position overall, including investment income
- over 1.95 million pensioners were paid over the year
- life expectancy rebounded to pre-covid levels with an increase of 0.8 years for males and 0.6 years for females (2021 figures versus 2022)
- total management charges increased by £385 million (22.5 per cent) from £1,711 million. This was primarily driven by a £381 million (25.6 per cent) rise in investment management charges, while administration and oversight and governance costs remained broadly stable.

14.3. On 9 August 2023, the Scheme Advisory Board published a [report](#) summarising the outcomes of the 2022 actuarial valuation exercise for all funds (with information sourced from reports for individual funds).

14.4. Alongside setting out a summary of the main assumptions adopted (discount rate, life expectancy, inflation, salary increases etc.), the report sets out the following headline balance sheet / contribution outcomes:

- The average funding level has improved from 98% in 2019 to 107% at 2022 (on local funding bases), with all funds reporting an improvement in their position since 2019
- Average contribution rates to meet future service costs rose from 18.6% of payroll at 2019 to 19.8% of payroll at 2022
- Overall, contribution rates fell – reflecting lower deficit contributions – to 21.1% of payroll at 2022 from 22.9% of payroll at 2019
- Employee contributions increased marginally from 6.5% of pay to 6.6%

15. SAB Website

15.1. The [SAB's website](#) provides information about the board's work. Use the links below to find out more about:

- latest news – including articles on the review of the guidance on preparing the annual report, update on the LGPS gender pensions gap report and consultation on LGPS investment reform
- [SAB meeting and agenda papers](#)
- [committee meetings and agenda papers](#)

16. Report on pension scam regulations published

- 16.1. On 21 June 2023, DWP published a review of the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021. DWP agreed to publish the review within 18 months of the regulations being operational. The review considered the following questions:
- are the regulations effective?
 - are there any unintended consequences?
 - what does the pension fraud landscape look like following the regulations?
 - are the red and amber flags still appropriate?
- 16.2. The report concludes that the original policy intent remains appropriate. However, there is concern about applying the regulations, in particular regarding the incentive red flag and overseas investment amber flag. DWP will work with industry and TPR to consider if changes could be made to the regulations to improve the transfer experience, without undermining the policy intent.

17. Preparing the annual report guidance - review

- 17.1. Several areas in the 2019 CIPFA ‘preparing the annual report guidance’ require updating and clarification. A priority for Funds is for the guidance to be streamlined and reduce duplication with other reporting obligations. This message is fully endorsed by Department for Levelling up, Housing and Communities (DLUHC). Another key area for improvement is how funds should report and categorise the allocation of assets. This area is covered in the DLUHC consultation on LGPS investment reform. This proposes a requirement for ‘a single standard set of data on investments across annual reports and LGPS statistics. The new guidance is expected to suggest that administering authorities follow a ‘worked example’ template provided by the SAB.
- 17.2. The aim is to improve consistency and scheme-level reporting of asset allocation in the SAB annual report. Using standard data to report asset classes should make the annual report process simpler for funds and more consistent, allowing readers to compare data directly. A ‘worked example’ template for the categorisation of assets will shortly be shared by the SAB secretariat team. SAB aims to have the guidance in place for the 2023/24 reporting period. This will help deliver consistency in the asset allocation reporting area.

18. Gender pensions gap report

- 18.1. The LGPS gender pensions gap report produced in January 2023 identified a substantial difference between the average level of pension benefits built up by male and female scheme members. The benefits paid to males being higher than that to females. The difference is 34.7% for benefits in the CARE scheme and 46.4% for benefits in the final salary scheme. For benefits in payment, the difference is even greater at 49% greater to males.
- 18.2. While this indicates some progress towards equality, the board asked the Government Actuary's Department (GAD) to explore these gender gaps in more depth. The board asked them to focus on:
- career patterns, in particular evidence of recent and past part-time working
 - differences relating to employers or categories of employer
 - comparing the analysis with the LGA's 2019 gender pay gap report.
- 18.3. In June 2023, GAD provided their findings. They concluded that there is no simple answer. There seems to be a complex interaction between the types of work that women do, their career patterns (including part-time working and career breaks) and their ability to progress their careers after taking on childcare or other caring responsibilities. The report shows that:
- Part-time working patterns are closely related to gender pension (and pay) gaps for members. However, the observed differences between men and women in terms of both their current and historic part-time working patterns are not sufficient to account fully for these gender gaps.
 - Pay and pension gender gaps can be seen for staff working with the same employer. The size of the gap at scheme-level is also due to the difference in the proportion of males and females working at higher paying employers, as well as between different categories of employers.
- 18.4. The SAB has proposed that GAD puts in place a common reporting framework for all the public sector schemes. Potentially this could be worked into the quadrennial scheme valuation process. The SAB believes that the relationship between gender pay and pension gaps reporting needs to be addressed to allow for greater transparency and understanding. The SAB has decided to set up a small working group to consider next steps.

19. Pension dashboards regulations agreed in Grand Committee

- 19.1. The House of Lords approved the Pensions Dashboards (Amendment) Regulations 2023 on 12 July. This statutory instrument removes the staging profile from the 2022 regulations and introduces a single connection deadline of 31 October 2026 for relevant occupational pension schemes to connect to pension dashboards.

- 19.2. The staging profile in the 2022 regulations set out the order in which different types of schemes, categorised by size and type, would connect to pensions dashboards. However, the 2022 regulations did not provide the flexibility necessary to deliver a programme of this magnitude, hence why the Government considers it necessary for the Minister to enact the changes contained within this instrument.
- 19.3. Although the instrument amends the requirements on trustees or managers by removing schedule 2, there are no other material changes to the regulations. All other requirements have been retained, including the requirements to be satisfied for qualifying pension dashboard services, connection duties and requirements on “find” and “view”. Crucially, the requirement for the Secretary of State to provide six months’ notice ahead of the dashboards available point remains unchanged.
- 19.4. The Pensions Regulator (TPR) has amended its dashboard guidance and expects pension funds to continue to prepare for dashboards to:
- assess the potential impact of these changes on the fund and to agree a practical delivery plan
 - continue activity on getting to grips with members’ data, and
 - avoid competing demands on capacity and other resources.

The fund is working on creating its own delivery plan to meet the new timescales.

20. TPR new general code

- 20.1. In 2021, the Pensions Regulator consulted on its new single code of practice, which will set out the internal controls and governance processes that the schemes should have in place and how they should be monitored and reviewed. TPR’s new general code is expected to be published in the autumn 2023.

21. New legislation

- 21.1. The Finance (No.2) Act 2023 received Royal Assent on 11 July 2023. The act delivers the tax changes announced in the spring budget, including:
- no lifetime allowance tax charges for the 2023/2024 year or any future year
 - certain lump sums to be taxed at the marginal rate
 - changes to lifetime allowance protections
 - increase in the annual allowance to £60,000
 - changes to the tapered annual allowance and money purchase annual allowance.
- 21.2. The House of Lords debated and subsequently passed the second reading of the Pensions (Extension of Automatic Enrolment (No.2) Bill on 14 July. Originating in the House of Commons as a Private Members Bill,

sponsored by Jonathan Gullis MP, the bill is being taken through the Lords by Baroness Ros Altmann.

- 21.3. The bill's single substantive clause would amend the Pensions Act 2008 to give the Secretary of State powers to enact delegated legislation, which would act to fulfil the ambitions in the automatic enrolment review 2017: Maintaining the momentum paper. Specifically, allowing the Secretary of State to:
- Reduce the lower age limit at which otherwise eligible workers must be automatically enrolled (or re-enrolled) in a pension scheme
 - Reduce or repeal the lower earnings limit of the 'qualifying earnings band' so contributions are calculated from the first pound of earnings, as well as modify the requirements of the annual review of the qualifying earnings band.
- 21.4. The bill entered its committee stage in the Lords on 12 September 2023, following parliament's return from recess.

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

Pensions Committee Meeting 23 June 2023 Pensions Administration Report

Cabinet Member (Portfolio Holder)

N/A

Local Member

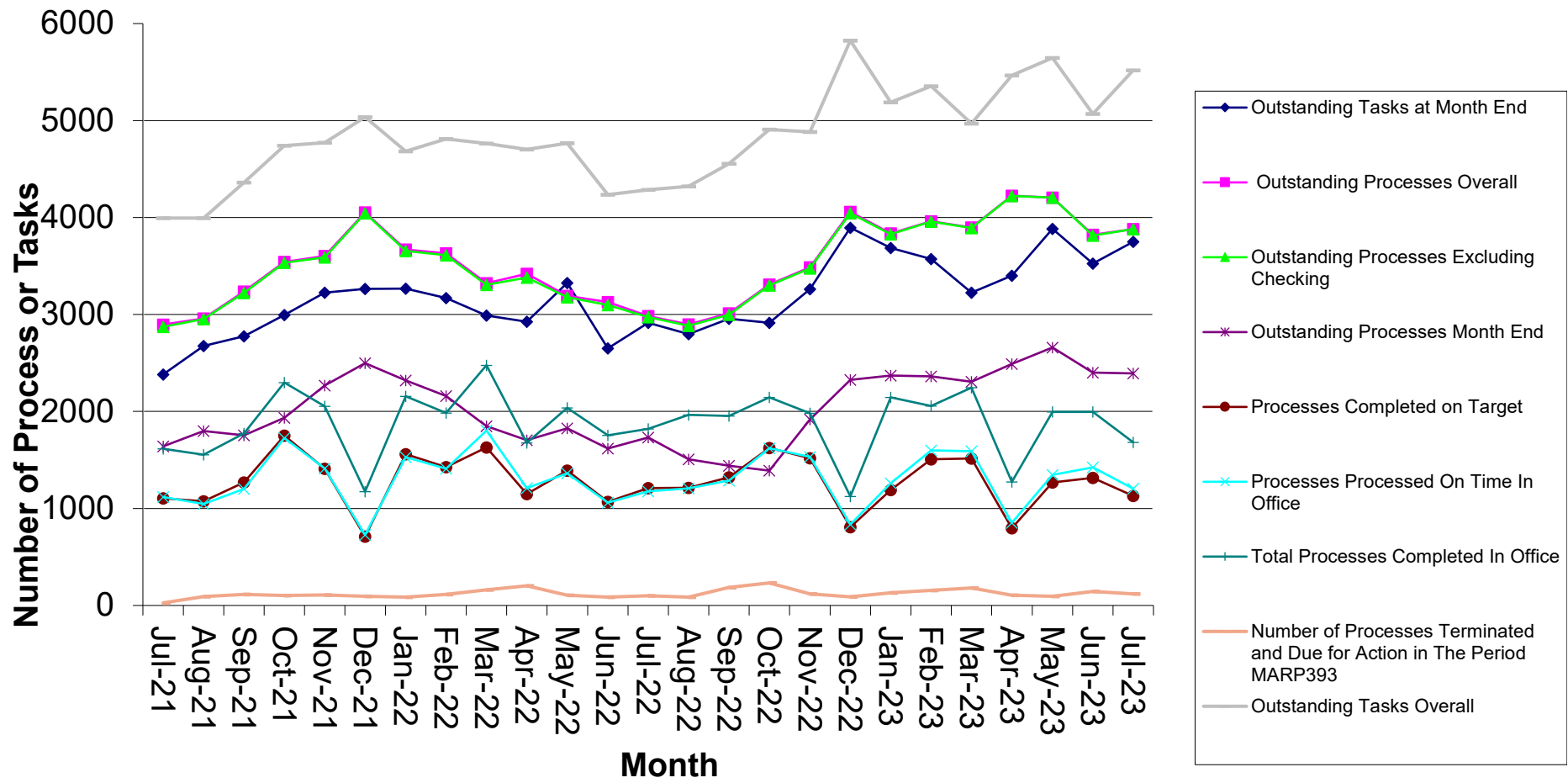
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Appendices

Appendix A – Performance Chart

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Process and Task Statistics



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