LOCAL GOVERNMENT Pension FUNDS GUIDE

UNISON the public service union

SEPTEMBER 2016

UNISON Capital Stewards

Welcome to our Local Government Pension Scheme (LGPS) fund bulletin!
Dedicated to helping you understand how the LGPS works so that you can be better informed. We are going to take the stress out of the word 'pension' for you with bite-size sections.

Each section will give you an explanation and some facts and figures in an easy to understand way.
On the last page we have added a guide to the jargon. But please note this information isn't about your benefits it's about how the LGPS works.

UNISON would like to see more members getting involved with their pension scheme; after all it is your money! Every workplace should have a 'Pension Champion' someone who wants to get informed and get involved so that they can be trained, gain knowledge and help their fellow members.

What are the mechanics of your pension system?

People fill the world of pensions with jargon. Most of the time they do it without thinking. Some of the time they do it to make it harder to understand what is going on! So let's start at the beginning with what is the LGPS? The LGPS is a pension scheme that uses investments to make money to help towards paying pensions.

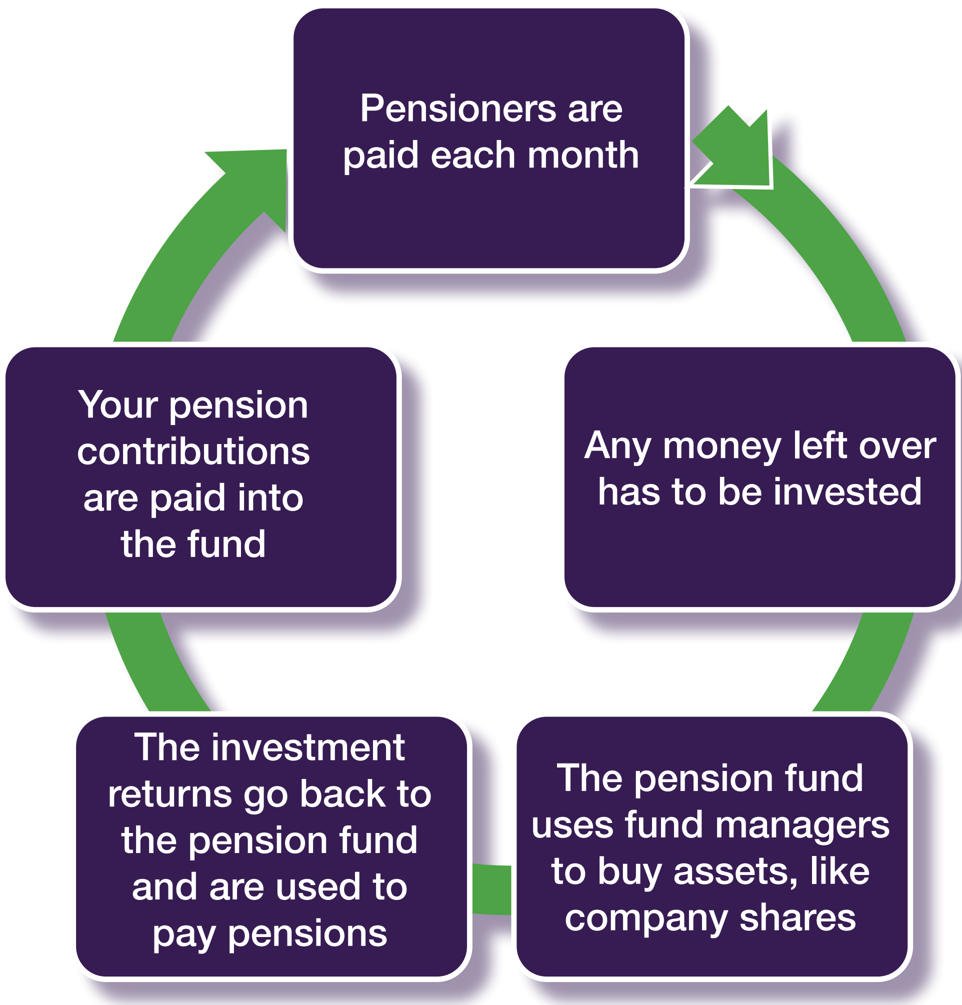
The rest of the public sector pension system, like the NHS, do not. The entire NHS pay and pension budget comes from government spending that it raises through taxation.

The easiest way to think about your pension fund is like this. It:

- administers the pension system
- collects contributions
- pays pensions
- hires investment managers
- invests surplus cash and buys assets – the returns on these investments go toward paying pensions.

This cycle continues until all of the benefits are finally paid and there is no one left entitled to a payment.

The mechanics



Facts and figures

There are 89 administering authorities (86 of which are councils), these are the employers that run the pension funds. The other three are the London Pension Fund Authority, the South Yorkshire Pension Fund Authority and the Environment Agency.

- 12,603 different employers pay into the pension funds including
- Local authorities and connected employers – e.g. a county council, district council
- Centrally funded public sector employers – e.g. an academy, further education corporation, sixth form college or higher education corporation
- Other public sector employers
- Private sector, voluntary sector and other employers
- 4.85 million members, pensioners and 'deferred members' (people who have left but will get their pension when they retire)
- The total income in 2015 was £15.2 billion
- Employers' contributions were £6.9 billion, an increase of £0.8 billion or 13% on 2013-14; employees' contributions £1.9 billion.
- The market value of the assets in your funds at end of March 2015 was more than £200 billion.
- If the LGPS was one pension fund, instead of 89, it would be the fourth largest in the world

Who looks after the LGPS?

The LGPS is a pension scheme whose rules are created by government laws – hence the term ***statutory*** pension scheme. Looking after the scheme is called ***'governance'***.

The European Union – creates ***'directives'***. These are legal instructions to the member states to create legislation. The main piece of legislation from the EU on pensions – and currently applicable to the LGPS – is the EU Directive 41/2003 Institutions for Occupational Retirement Provision or the IORP Directive.

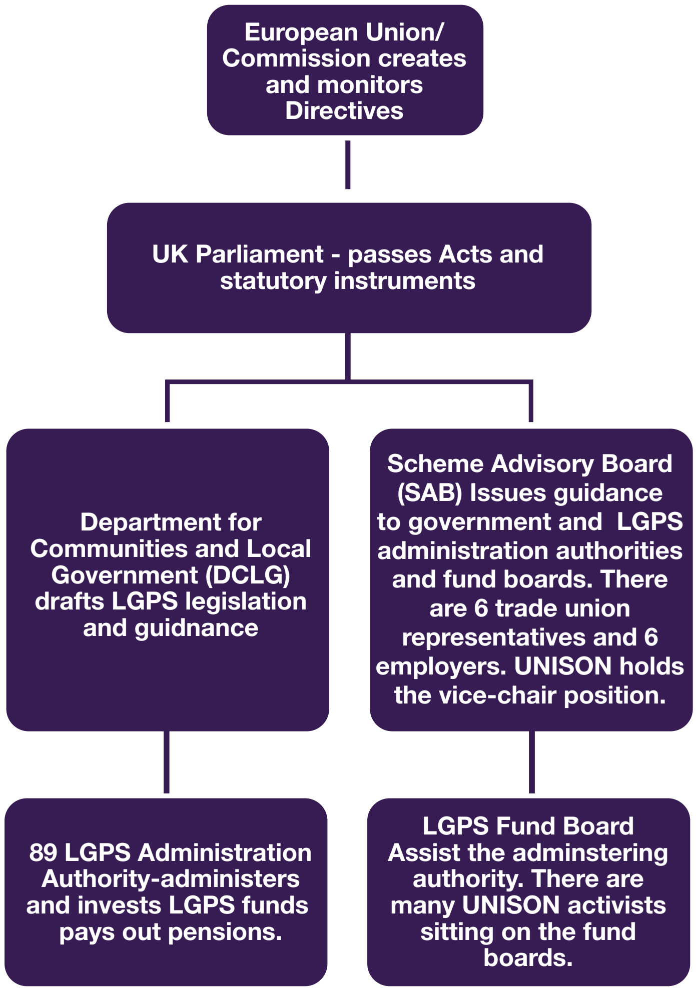
Even though there has been a referendum that voted in favour of leaving the EU it may be some time before we do. In the mean time all of the EU laws and regulations apply.

The UK parliament creates the legislation for the LGPS, including all of the main acts and statutory instruments. Parliament also created the Public Services Pension Scheme Act 2013, which in turn allows for the creation of the advisory board and fund boards.

Local pension boards had to be established by 1 April 2015 under section 5 of the Public Service Pensions Act 2013 and regulation 106 of the LGPS Regulations 2013 (as amended)

To assist in the establishment of these boards the Scheme Advisory Board (SAB) has developed guidance on the creation and operation of local pension boards for 89 administering authorities. You can go this website for the document **http://www.lgpsboard.org/index.php/about-the-board/board-guidance**

The flow of LGPS governance legislation



Where does your money go?

Investment costs and transaction charges are one of the biggest issues facing LGPS pension funds, not one fund can tell you at present how much all of these charges amount to. There are four cost headings a pension fund incurs. Controlling these costs is essential if the funds are going to be able to pay the pension benefits promised to members in the most efficient way. Pension funds should be able to know how much it costs, no one buys anything without knowing the price and UNISON has been in the forefront of demanding cost transparency for the LGPS.

Pension funds should be run with a constant eye on reducing costs so that the scheme employers (i.e. local authorities etc.) can maintain their financial commitment to pay benefits. Every penny increase in the employers' contributions means a penny less going out on jobs, pay and services.

The costs taken out of pension funds are

1. benefits paid to members
2. administration, including staffing costs and member communications
3. investment charges
4. investment transactions.

Cost number 1, pension benefits are the largest cost to the pension fund. The cost of your benefits can be reduced if the government wants to change them, but they should do this by negotiation with UNISON. They can also be increased by agreement if the financial health of the pension fund allows for this and this is the key point of controlling or reducing costs. If done successfully it's a win win for both scheme members and employers.

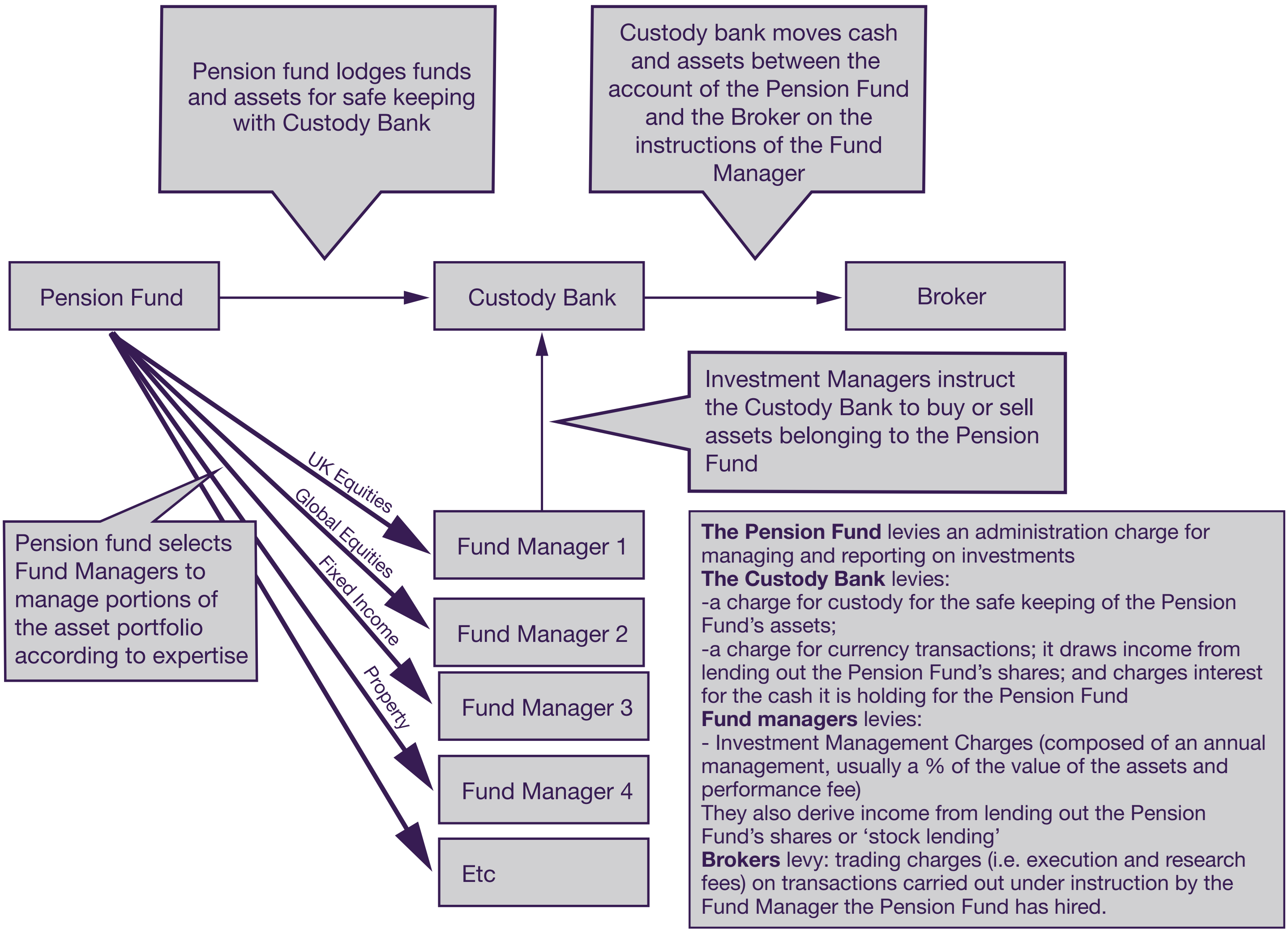
Cost number 2, administration costs are the lowest. They can be calculated and can be reduced or increased. However, savings from administration are much smaller than the other cost headings and cost reductions could affect the quality of service provided to scheme members. For example moving from paper based to computer based records

Cost number 3, investments charges, these are usually calculated by giving the fund manager an upfront percentage of the value of the assets that are managed. Let's say the fund manager is given a contract where the assets managed are worth £50million and they charge 1% per year. This means your pension fund will be charged £500,000 and if the price of the assets increases then the charge increases. So if in year two the assets are now worth £100million then the fund manager will be paid £1million and may also be due a 'performance bonus' because the asset value has gone up.

Cost number 4, investment transactions these costs are often hidden from the pension fund. It's like buying a washing machine for £300 but then not knowing the additional running costs – but they are still taken from your bank account. The costs are always linked to the buying and selling of assets that are bought for the pension fund and the more buying and selling takes place the higher the cost. Every minute we don't do something about it, the pension fund's ability to pay pensions gets eroded. Fund managers and others make money by being obscure and making things hard to understand.

UNISON has made a big issue with the government over these hidden costs. The Local Government Pension Scheme Advisory Board is going to publish a costs and charges collection spread sheet and will start collecting data on costs (from September 2016). But we can't sit back and hope this will be the end of the story. We need to ensure that this will lead to big reductions in costs so that we can take pressure off the employer contributions and hopefully ensure that there are no attempts to reduce LGPS benefits.

What are some of the costs charged on my pension?



Everything you need to know about LGPS investments

Imagine your pension fund is a bucket – it must be filled to the top with assets and cash. The bucket holds all of the resources to pay out pensions; the job of the pension fund is to keep the bucket full to the top at all times.

But the level of money and assets in the bucket falls – it does this because it has to pay pensions and it has the costs of running the administration and paying the fund managers and others. Not only that, the economy is causing the value of the assets to rise and fall constantly.

A pension fund must decide its investment strategy, what assets it is going to invest in and how much return it thinks this will make for them. A pension fund can employ its own in-house fund managers, but most LGPS funds use external fund managers, mainly from the City of London and Wall Street.

As your pension fund will already own assets it still has to decide how it is going to invest the surplus cash it has once it has collected all of the contributions, paid out all pensions and all the other costs.

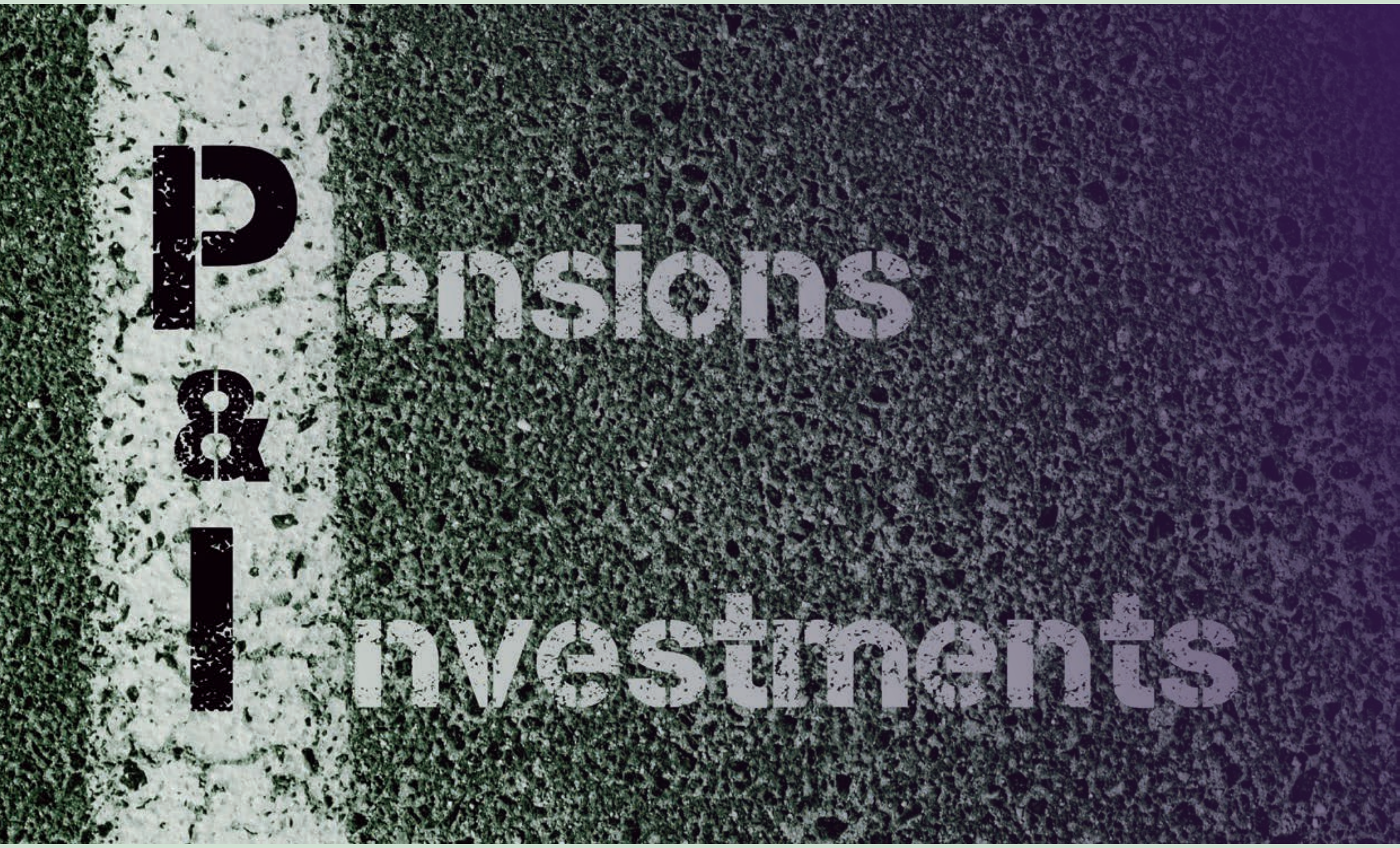
On average, across all of the LGPS funds, the assets currently held are:

- 60% in equities or shares – in companies registered on UK and other stock markets
- 15% in 'gilts' (government bonds - IOUs with interest)
- 10% in property – commercial real estate – you buy real estate and get rental income
- 5% in corporate bonds – IOUs issued by companies
- 5% in Alternatives – Infrastructure (PFI), Private Equity, Hedge Funds
- 5% in cash.

The investment process and the asset classes

Your pension fund administration authority is compelled by the LGPS investment regulations to invest the surplus cash, after contributions have been collected and pensions have been paid. It will seek to get the best return or set a 'benchmark return' overall and for each asset class.

It will invest to pay pensions now, in the medium and the long term. It will also be required to fill any hole in the funding level, ie keeping the bucket full up. LGPS funds must ensure that they have enough in the fund to pay all the liabilities, i.e. it must have 100% funding level or it must have enough assets and cash to match all of the pension benefits. Please note that a pension fund does not need to "maximise their investment returns" it must simply ensure it keeps the bucket full of cash and assets to the top, remember that bucket equals 100% of the cost of paying the pension benefits



Investment styles

There are two main ways to invest pension funds:

Active management: This approach to investment involves continuous buying and selling of assets like company shares. An active investment manager will typically seek to out perform an investment benchmark such as – the FTSE100 returns – which is the amount paid in dividends by those companies. Fees charged by fund managers are high and complex to the untrained eye.

Passive management: This approach to investment typically involves tracking the investment performance of a specific market index. A passively managed fund is also known as an "index fund". There is very little trading involved, which means the fees are low.

Capital stewardship of your fund's assets

Responsibility for the stewardship of your fund's assets does not stop once they have been purchased. How your assets are governed is a very important part of a pension fund's role.

For example, your fund should have a policy on how it votes at company AGMs where your pension fund holds shares. Your pension fund should review and update your fund's policy position annually and consult with scheme members during this process

Every fund must produce a ***Statement of Investment Principles*** (SIP). This is the first document that should be read so that you understand what position your fund has taken.

The SIP must be consulted on and reviewed and must include policy on:

- choosing investments
- the kinds of investments to be held, and the balance between different kinds of investment
- risk, including how risk is to be measured and managed, and the expected return on investments
- realising investments
- the extent, if at all, you take account of environmental, social or governance considerations when taking investment decisions
- using the rights (including voting rights) attached to investments if you have them.

The government would like all pension funds to be active owners of their assets. To that end it has established the UK Stewardship Code.

UK Stewardship Code

The issues covered in the Statement of Investment Principles extend into the Stewardship Code:

Institutional investors (pension funds) should:

- Publicly disclose their policy on how they will discharge their stewardship responsibilities (voting at company AGMs and engaging with company boards)
- Have a robust policy on managing conflicts of interest in relation to stewardship – and this policy should be publicly disclosed
- Monitor their investee companies
- Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value
- Be willing to act collectively with other investors where appropriate
- Have a clear policy on voting and disclosure of voting activity
- Report periodically on their stewardship and voting activities.

Socially responsible investment covers

- Environmental – e.g. climate change
- Social e.g. how companies should employ and pay workers?
- Governance e.g. how much should the board members of the companies you own be paid?

Engagement with companies that your fund invests in

- Engagement – also known as shareowner activism or intervention – is encouraged in the UK through codes of practice. These have a 'comply' or 'explain' requirement, which means you have to comply with the code or explain why you do not.
- The evidence indicates that active engagement with companies by fund managers is by no means universal.
- To the extent that there is an economic value to this engagement, this is to the advantage of beneficial share owners of the company – your pension fund
- The responsibility for ensuring that the investment mandate agreed with the fund managers provides sufficient incentives to engage rests with the fund's governance as part of their 'fiduciary duties', which means the fund has to act on in the scheme members' interests
- Beneficial owners of shares might reasonably assume that fund managers are engaged in appropriate cases, to preserve and increase the value of their investments
- Company advisers and brokers should be in a strong position to play a key role in facilitating the engagement between boards and shareholders on governance issues.

More information is available at:
https://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Stewardship-Code.aspx

Big changes are coming

There are some big changes coming to your pension funds and UNISON will try to guide you through them. UNISON members and activists will need to get involved in putting pressure on your pension funds to make things happen.

In the autumn of 2015 the government announced that the 89 LGPS funds in England and Wales would be asked to bring forward proposals for pooling your investment assets.

Here are some of the main changes and what they mean for UNISON members in or eligible for the LGPS.

The government has instructed the 89 LGPS administering authorities to come up with proposals to create 'pools' of assets of no less than £25bn in size.

UNISON supports the pooling process but with qualifications, there should be trade union nominated scheme member representatives appointed to the pool governance structures. There must be a discussion with UNISON on how the financial benefits of pooling will be shared.

These pools of assets, known as Collective Investment Vehicles will be expected to be cost-transparent, reduce the costs of investing, and invest more in infrastructure.

UNISON supports the cost reductions and income improvements but the law requires pension funds to invest in the best interests of scheme members, therefore infrastructure investing must be in scheme members interest not the governments. The requirement for a full cost analysis of all of the LGPS funds is an endorsement of UNISON's consistent demands over the last five years for transparency of costs.

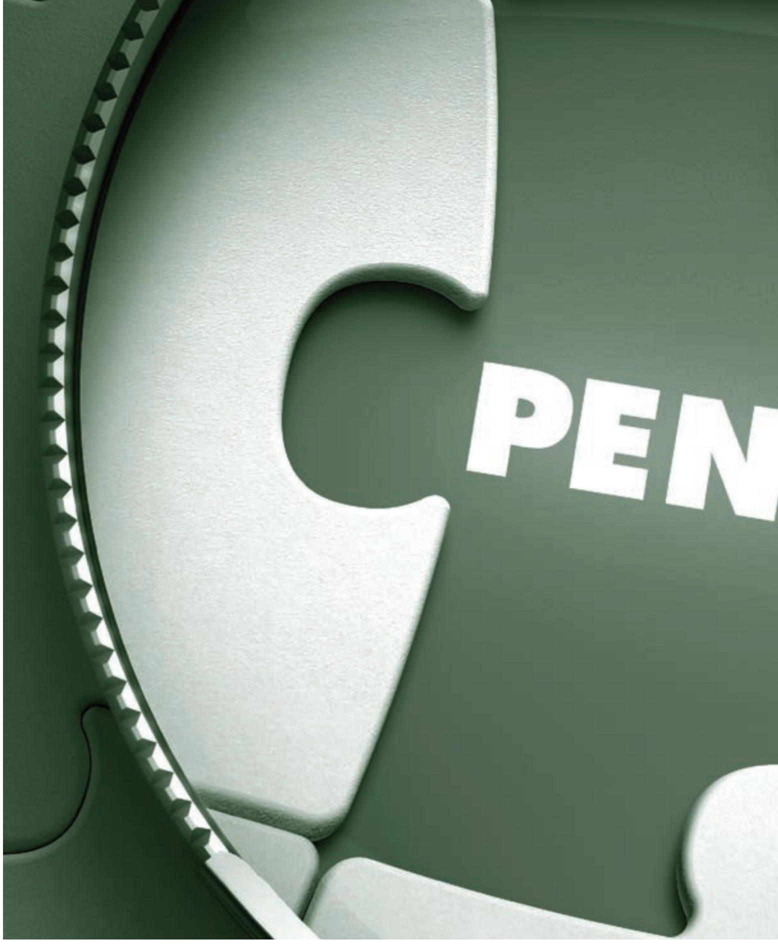
The government consulted on a new set of investment regulations to support the pooling initiative. The regulations include unprecedented powers of intervention for the Government into the investment policies of the scheme's funds.

UNISON is clear that funds' investment policies should be guided by what is the 'best interests' of scheme members – as is required by law – and not by government. We believe the UK government is denying the scheme members of the LGPS their statutory right to have their pension funds invested in their best interests.

The government wants to get the pools investing more in infrastructure. And is requiring the pools to state how they will do this. Government included in the autumn 2015 budget statement the creation of a single infrastructure platform for the LGPS funds.

UNISON does not oppose investment in infrastructure (such as roads, railways, airports) for pension funds. However, it must be in the interests of scheme members – not in the interests of government policy or local politicians wanting something built in their area. Infrastructure investment is for the long term.

New investments can involve significant risks that pension funds have historically avoided. Risks can include construction schedule over runs, price inflation for



materials and labour shortages. Pension funds usually buy into brown field, i.e. when the construction phase is over. For example, the High Speed 1 rail track and services from London St Pancras to Dover was built with public money but is now owned and operated by Canadian public sector pension funds.

What are UNISON's channels for reporting around the LGPS?

Over the past two years UNISON has been working hard to respond and co-ordinate our organisational response to the governance changes within the LGPS; the creation of advisory boards and fund boards; and the proposals put forward by governments on structural reform and cost sharing.

An LGPS project with regional UNISON members and officer representation has regularly reported to two UNISON national executive committees on organisational and economic developments within the LGPS. Those committees are the Service Group Liaison Committee (SGLC) and the Policy Development and Campaigns Committee (PDCC).

At the conclusion of the project, the SGLC agreed to establish an LGPS Governance Forum, whose membership is:

- the chair of PDCC
- a member representative from UNISON's sector 'service groups' who have LGPS members
- relevant UNISON head office staff
- a UNISON member (who must be a LGPS fund committee or board member) and officer representative from each region
- UNISON LGPS advisory board members.

What will UNISON's new Governance Forum do?

UNISON has established an LGPS Governance Forum.

Key objectives for UNISON's new Governance Forum:

- Consider developments within the LGPS at governmental level, Scheme Advisory Boards and fund boards
- Ensure there is a representational structure for advisory and fund board members throughout the union at the centre, within regions and branches
- Ensure there is co-ordinated support for UNISON reps on scheme Advisory and Fund Boards, including training and web based support
- Ensure key policy objectives for UNISON advisory board and fund board members flow through our structures
- Ensure that the union can respond to policy developments within the LGPS and the wider public service pension agenda
- Prepare service groups, regions and branches for the cost sharing process 2016 in England/Wales and 2017 Scotland and Northern Ireland
- Develop seminars and policy proposals
- Support efforts to ensure that the LGPS schemes and funds are fit for purpose, efficiently managed and legally sound
- Promote the LGPS throughout the union's structures

News and updates from LGPS members

The web link below will help you find which LGPS fund you are a member of. It will also give you all the general information about the LGPS that you need.

https://www.lgpsmember.org/

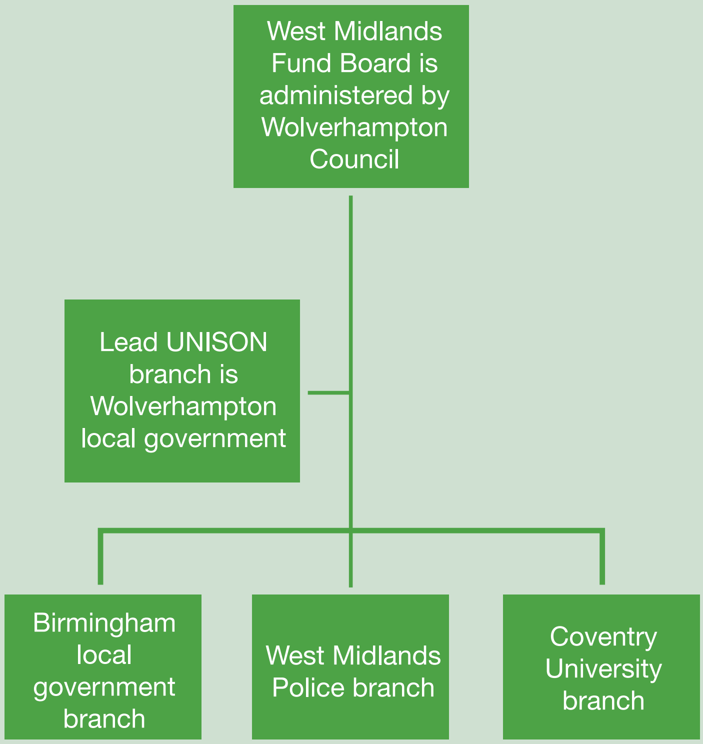
UNISON's regional structures for LGPS governance work

Each UNISON region must establish an LGPS forum so that meetings and support can take place for board members. Each region will have a lead officer and lay member to assist that process.

Regions should ensure that the board members can report to the service groups with LGPS members in the region. Regional representatives will attend and report to the LGPS governance forum. To achieve this we need to understand that there will be multiple UNISON branches that have members in the fund so that they may all be consulted.

How the current UNISON structure works

An example of how the structure works



So…

1. West Midlands pension fund is administered by Wolverhampton Council.
2. The UNISON branch closest to the establishment of the board is Wolverhampton.
3. All the other branches with LGPS membership should be consulted and networked.

You can find out who your UNISON board member is by contacting your lead regional officer.
Contact details are available on page 8

LGPS lead officer contacts

You can find out who your UNISON board member is by contacting your regional officer (below).

Additionally, officers at UNISON centre will offer their support and answer your questions. Each of the listed regional contacts is responsible for co-ordinating the response to the establishment of the new local boards and supporting board members. All of the negotiations will be done at the regional/fund level.

UNISON Centre/Region	National officer/Regional lead officers	Email
UNISON Centre	Glyn Jenkins (Head of Pensions) Colin Meech – LGPS governance	j.jenkins@unison.co.uk c.meech@unison.co.uk
UNISON Centre	Jon Richards – National Secretary and Vice Chair of the Scheme Advisory Board Chris Tansley NEC member and UNISON rep on the Scheme Advisory Board	j.richards@unison.co.uk c.tansley@unison.co.uk
East Midlands	Officer: Gerry Looker	g.looker@unison.co.uk
Eastern	Officer: Brian Lynch	b.lynch@unison.co.uk
Greater London	Officer: Vicky Easton	v.easton@unison.co.uk
North West	Officer: Michael Booth	m.booth@unison.co.uk
Northern	Officer: Karen Loughlin	k.loughlin@unison.co.uk
South East	Officer: Steve Brazier	s.brazier@unison.co.uk
South West	Officer: Lisa Youlton	l.youlton@unison.co.uk
Wales	Officer: Dominic Macaskill	d.macaskill@unison.co.uk
West Midlands	Officer: Mark New	m.new@unison.co.uk
Yorkshire and Humberside	Officer: Ashley Harper	a.harper@unison.co.uk

Resources for you

UNISON pensions unit

The UNISON pensions unit provides advice and support on all pension schemes and arrangements that our members contribute to. They work with our service groups to provide updates on the pension schemes in their areas.

One of our current priorities is to recruit a pension champion in every UNISON branch. We also deliver regional training courses and run pension surgeries to help members individually.

Pension queries:

Glyn Jenkins: **g.jenkins@unison.co.uk** or
Alan Fox: **a.fox@unison.co.uk**

See UNISON's website for general pension information:
unison.org.uk/get-help/knowledge/pensions

UNISON Capital Stewardship Programme

We run a campaign to assist members and pension scheme activists to understand the power of their pension fund investments.

See: **https://www.capitalstewards.org**

For more information contact Colin Meech
c.meech@unison.co.uk

England/Wales Scheme Advisory Board

The purpose of the Board is to be both reactive and proactive. It will seek to encourage best practice, increase transparency and coordinate technical and standards issues.

It will consider items passed to it from the Department of Communities and Local Government ("DCLG"), the board's sub-committees and other stakeholders as well as items formulated within the board. Recommendations may be passed to the DCLG or other bodies. It is also likely that it will have a liaison role with the Pensions Regulator. Guidance and standards may be formulated for local scheme managers and pension boards.

See: **http://www.lgpsboard.org/**

Department for Communities and Local Government

This website brings together all statistics on the local government pension scheme in England and Wales:

https://www.gov.uk/government/collections/local-government-pension-scheme

Final summary of the issues and UNISON's key demands for the LGPS funds

LGPS background

- 1 set of benefits in England and Wales, 89 funds, 12,000 employers, 5 million active, deffered and pensioner members
- Multi sector scheme – administered by the public sector, 89 'administration authorities', Scheme Advisory Board (SAB) to advise Secretary of State of changes necessary to ensure efficient and effective pension scheme (6, TU reps, 6 employers and independent chair – UNISON holds vice chair)
- UNISON also believes the Government is in breach of EU Directive 41/2003 'Institutions for Occupational Retirement Provision' make a legal separation from sponsors to protect assets and require investments to be made in the best interests of scheme members and resolve any conflicts of interest in their favour

Key issues

- Investment decision making in the hands of the employers – no scheme member representation as required under 2004 Pensions Act for trust based schemes
- Investment returns 1996 52% of fund income – now 21% of income – gap filled by employers
- Investment regulations not fit for purpose and breach of UK and EU law – no requirement to invest in the 'best interest of scheme members'
- Highly inefficient system of 89 funds holding £200bn of assets – too many structures, over 950 fund management contracts – scale inefficiencies smallest fund £400m
- Cost of production of pension scheme unknown – hidden charges likely to take 1.5 to 2% of asset value per annum without anyone knowing
- Cost sharing now makes scheme members liable for future deficits in the 2014 scheme – employers pay for past deficits
- Many funds are cash flow negative – not enough coming in to pay pensions
- Recent investigation into hidden cost of Private Equity in the West Midlands LGPS fund – costs rose from £10m pa to be restated at £92m pa

LGPS reform

- Government requiring the creation of 'Common Investment Vehicles' or CIV's no smaller than £25bn, transparent costs, more investment in infrastructure. Funds will have to invest in these CIV's
- No scheme member representation on CIV
- SAB to begin pension fund cost collection process in September
- Fund boards – with equal number of scheme member reps – but no involvement in investing
- New investment regulations promised – but no sign yet

UNISON wants

- Trade union sponsored representation on the forthcoming CIVs
- LGPS investment regulations to be bought in line with EU and UK legislation
- Statutory obligation to collect and publish pension fund cost data – administration, asset management and transaction costs
- Shadow DCLG and back bench help with our LGPS Parliamentary petition debate
- You to become an LGPS pension champion!

Glossary of pension and investment terms

Helping you to understand pension and investment jargon

Active investment
An approach to investment that involves the continuous buying and selling of investments.

Actuary
A professional who specialises in statistics and risk who gives advice on a pension scheme's assets and liabilities.

Asset manager
See "investment manager".

Association of British Insurers (ABI)
A trade association representing the majority of UK insurers.

Automatic enrolment
A new legislative requirement introduced by the Pensions Act 2008 which requires all employers (beginning with the largest) to automatically enrol their qualifying employees into a qualifying pension scheme.

Broker
An individual or organisation that acts as an intermediary between a buyer and seller, usually in return for the payment of a commission.

Contract-based scheme
In work-based contract-based schemes, the employer appoints a pension provider, usually an insurance company, to administer their pension scheme. The employees enter into a contract directly with the pension provider, although the employer may make arrangements to collect and pay contributions. These may be work-based or individual.

Contributions
The money paid by members and employers into the pension fund.

Custodian
An institution that is responsible for the safekeeping and administration of assets belonging to another

Default fund
The investment fund into which employees' contributions are paid if they fail to make an active choice of fund. It is usually designed for this purpose.

Defined benefit (DB) schemes
A type of pension where the amount an employee receives on retirement is pre-determined, and is often calculated on the basis of the employee's final salary/average salary and length of service.

Defined contribution (DC) schemes
An investment fund where all of the investment risk is with the member. The employer pays a fixed amount of salary as does the scheme member. The fund is meant to grow and provide cash when the member retires. There is no benefit payment.

Department for Communities and Local Government (DCLG)
The government department resposible for the LGPS.

Department for Work and Pensions (DWP)
The government department responsible for pension policy of trust based schemes.

Environmental, social and governance (ESG) factors:
Sometimes referred to as "responsible investing". Refers to the use of certain non-financial factors, such as the carbon production, in the investment decision-making process.

Fiduciary duty
A fiduciary is a legal relationship of trust between two or more parties. Typically, a fiduciary prudently takes care of the assets and money for another person or persons. The most common circumstance where a fiduciary duty will arise is between a "trustee" and a beneficiary of a pension scheme. The "trustee" to whom property is legally committed is the legal—i.e., common law—owner of all such property. The beneficiary, at law, has no legal title to the trust; however, the trustee is bound by law to suppress their own interests and administer the property only for the benefit of the beneficiaries.

Financial Conduct Authority (FCA)
The regulator of the financial services sector. The FCA

is responsible both for regulating the infrastructure of financial markets and standards of conduct. It regulates defined contribution (contract-based) schemes and individual personal pensions.

Financial Reporting Council (FRC)
The regulator responsible for corporate governance standards and financial reporting. It publishes the UK Stewardship Code, which sets out a number of areas of good practice to which the FRC believes institutional investors should aspire.

Governance
The process and structure for decision making of a pension fund.

Investment consultant
An individual (or organisation) that gives strategic advice on the making of investments and/or the selection of an investment manager.

Investment manager
Also known as a "fund manager" (for example in pensions legislation) and an "asset manager". An individual (or organisation) to whom the responsibility for the day-to-day management of a scheme's assets is delegated. The investment manager will act on the basis of instructions given to them in the investment mandate.

Investment mandate
The agreement between an investment manager and their client outlining how the assets of the pension scheme are to be managed. The mandate may contain performance targets by reference to a benchmark, or may contain restrictions on which investments the investment manager can make.

Mark-to-market
A valuation of assets on the basis of their current market value, rather than the potential value they are expected to achieve.

Member
An individual who contributes or has contributed to a pension scheme.

Modern portfolio theory
A theory that emphasises the risk level of the entire portfolio rather than the risk attaching to each investment taken in isolation. Assets that are particularly risk may be offset by other, safer, investments to form a balanced portfolio of investments.

National Employment Savings Trust (NEST)
A government-sponsored defined contribution occupational pension scheme. It is intended to be the default scheme made available to employees as employers become subject to auto-enrolment. NEST must accept any employer who wants to use the scheme for auto-enrolment.

Negative screening
The use of ethical, social and governance (ESG) factors to exclude investment in particular companies or sectors, such as tobacco companies or pesticide manufacturers.

Passive investment
An approach to investment that typically involves tracking the investment performance of a specific market index. A passively managed fund is also known as an "index fund".

Platform
Also known as an "investment platform". May refer both to a "platform" as a piece of technology or to an intermediary who facilitates the purchase of investments.

Portfolio-churning
The excessive buying and selling of investments in a portfolio. It is characterised by very short holding periods for stocks.

Positive screening
The use of ethical, social and governance (ESG) factors to select firms (in which to invest) engaged in what are considered to be desirable practices, such as renewable energy supply.

Proxy agent
Advise on how votes should be cast and cast votes at company meetings on behalf of others.

Public Service Pension Scheme
A pension scheme for public sector and associated workers, designed by statute, i.e. Parliamentary law, such as the LGPS.

Shareholder engagement
An approach to investment that emphasises the importance of effective dialogue between investors and investee companies. Engagement may involve an exchange of views on issues such as strategy, performance, board membership and quality of management.

Statutory funding objective
A funding requirement set by law which requires defined benefit pension schemes to maintain sufficient and appropriate assets to cover the amount required, on an actuarial calculation, to make provision for the scheme's liabilities.

Stewardship
A philosophy that aims to promote the long-term success of companies in such a way that protects and enhances the value that accrues to the ultimate beneficiary of an investment. Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration.

Stock lending
The temporary transfer of shares, by a lender to a borrower, with agreement by the borrower to return equivalent shares to the lender at pre-agreed time. The lender will give the borrower collateral as security and will pay lending fees.

The Pensions Regulator (TPR)
The statutory regulator of work-based pensions (including both trust-based and contract-based schemes). Its objectives are to protect the benefits of members of occupational pension schemes (and personal pension schemes where there is adirect payment arrangement), to promote and improve understanding of the good administration of work-based pension schemes and to maximise employer compliance with their duties under the Pensions Act 2008.

Trust-based scheme
A pension scheme that is established using a trust. The trustees are responsible for managing the scheme and for reviewing and monitoring investments.

Be a

champion!

If you read this far you should definitely become a pensions champion! Help other UNISON members in the LGPS understand the importance of their pension.

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