Shropshire Council

Pensions Committee

20 March 2026

10.00 a.m.

MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 5 DECEMBER 2025 10.00 AM - 12.50 PM

Responsible Officer: Sarah Townsend
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Present:

Members of the Committee:
Councillors Gary Groves (Chairman), Alan Holford, Malcolm Myles-Hook and Charles Shackerley-Bennett

Co-Opted Members (Voting):
Councillor Zona Hannington

Co-Opted Members (Non-Voting):
David Burton and Byron Cooke

Others Present:

Shropshire Council Officers:
Justin Bridges (Head of Pensions – LGPS Senior Officer) (remotely via MS Teams), Peter Chadderton (Pensions Investment and Responsible Investment Manager) and Vicky Jenks (Pensions Administration Manager).

Aon:
Colin Cartwright

Independent Advisor to the Committee:
Philip Hebson

LGPS Central:
Ethan Phipps and Basyar Salleh

Mercer:
Michelle Doman (remotely via MS Teams) and Mark Wilson (remotely via MS Teams)

Pensions Board Members:
John Hall (remotely via MS Teams) and Rebecca Summerlin (remotely via MS Teams)

36 Apologies and Substitutions

Apologies for absence were received from Councillor Paul Davis.

Mr David Burton was welcomed to his first meeting of the Pensions Committee, having replaced Mr Paul Griffiths as the Co-opted Member (Non-Voting) Employee Representative for Shropshire Council.

The Committee noted with sadness the passing of former Councillor Brian Williams, who had served as a member of the Pensions Committee since 2017. They extended their condolences to his family and expressed gratitude for his dedicated service to the Council.

37 Disclosable Interests

None were declared.

38 Minutes of the Previous Meeting

RESOLVED:
That the minutes of the meeting held on 19th September 2025 be approved and signed by the Chairman as a correct record.

39 Public Questions

Three questions had been received from members of the public. Dr. Jamie Russell and Ms Joanna Blackman were in attendance to ask their questions in person. Mr Paul Cooper's question was read out on his behalf by the Pensions Administration Manager. The responses to each question were read out by the Pensions Investment and Responsible Investment Manager. A full copy of the questions and responses provided are attached to the web page for the meeting.

40 Valuation and Funding Strategy Statement Update

Ms Michelle Doman and Mr Mark Wilson, Mercer, were in attendance remotely and provided the Committee with a presentation on the 2025 Valuation and proposed updates to the Funding Strategy Statement.

Members were advised that the Fund's financial position had improved significantly since the previous valuation with the provisional results showing a higher funding level / lower contributions as well as an increase in prudence levels. This meant that the Fund was in an improved position to keep contributions stable in future (although significant risks still remain). It was noted that as of 31 March 2025, the Fund had moved from a small deficit to a surplus of £335 million, equating to a funding level of around 115%.

Members were advised that average employer contribution rates were proposed to reduce, supported by the introduction of a new sustainability reserve to improve contribution stability and reduce the risk of future increases. This would mean that the first 10% of surplus would be retained within the Fund as a buffer against future volatility.

Updates to employer related policies reviewed as part of the valuation were outlined. These including those relating to employers without taxpayer backing – "lower risk" employers, the termination policy and academies.

Regarding the Funding Strategy Statement, it was reported that this had been significantly revised to reflect updated national guidance, with the draft version now including new sections on surplus and asset share policies. Updated sections included the deficit recovery policy, admission and termination policies, employer risk management policy and the notifiable events framework and it was noted that the employer events policy was also now part of the Funding Strategy Statement document. Members were informed that the draft Funding Strategy Statement was required to be circulated to all employers for consultation, with feedback to be considered by the Committee before final approval.

A question was asked about the Fund's exposure to market downturns and whether contribution increases could coincide with periods of employer financial pressure. In responding, Ms Michelle Doman explained that this systemic risk had been considered and that the sustainability reserve, together with prudent investment return assumptions, was intended to help absorb adverse experience and reduce the likelihood of immediate contribution increases during periods when employers might be least able to afford them.

The Fund's cash flow position and liquidity, particularly the balance between pension payments, contributions and investment returns as well as the future prevention of optimism bias in assumptions, was queried. In responding, Mercer advised that actuarial assumptions were long term in nature and deliberately prudent, with surplus held back via the sustainability reserve to provide protection. The importance of linking investment strategy to liquidity needs was also highlighted.

Concern was expressed about the scale of the proposed reduction in employer contribution rates and Mercer acknowledged that the reductions were significant but reiterated that they were accompanied by increased prudence, particularly the 10% sustainability reserve. This approach was intended to strike a balance between easing current affordability pressures on employers and maintaining the Fund's ability to manage future risks in a sensible and controlled way.

41 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.

The Pensions Administration Manager addressed a query regarding the KPI table for the period April 2025 to March 2026 (Appendix A of the report) and specifically the low percentage of 'communication issued with deferred benefit options'. It was explained that this area represents a high-volume workload and staffing levels had therefore been increased to manage this workload, resulting in some improvement. Additionally, options to automate and bulk process were being explored to further enhance performance.

RESOLVED:

1. That the KPI chart and information on those KPI's not currently meeting the 95% target and the actions being taken to address this (Appendix A) be noted.

2. That the progress and completion of key activities from the business plan 2024-25 up to Q2 (Appendix B) be noted.

3. That the progress of the Pension Dashboard implementation which is provided in the update report (Appendix C) be noted.

42 **Corporate Governance Monitoring**

The Committee received the report of the Pensions Investment and Responsible Investment Manager which informed them of corporate governance changes including the government's latest "LGPS - Fit for the Future" consultation and updates since the last committee together with a review of socially responsible investment issues arising in the quarter period 1st July 2025 to 30th September 2025. The report also updated the Committee on the latest position in respect of the Palestine Solidarity Campaigns demands.

Members were advised that work was ongoing to reduce the number of appendices in future agenda packs by replacing them with links embedded into the actual report where possible.

It was noted that the Scheme Advisory Board (SAB) was still awaiting a response from central government to their letter on conflict affected areas. The issue remained a priority and would continue to be monitored, with a more detailed update anticipated at the Committee's next meeting. A question was asked regarding whether, once clarification had been received from central government, the Fund's position on investments in conflict affected areas could be published in advance of the next Committee meeting, noting the level of public interest in the issue. In response, the Pensions Investment and Responsible Investment Manager confirmed that this would be done and advised that a wider review of the Fund's website was currently underway to improve transparency and accessibility of key documents, including investment related statements.

Regarding the Local Government Pension Scheme (England and Wales): Fit for the future consultation, Members were informed that since the report had been written, the Pensions Bill which provided the formal legislation for the various changes had cleared through the House of Commons and would now proceed to the House of Lords for consideration.

A question was asked about the security of the defined benefit nature of the Local Government Pension Scheme (LGPS), particularly in light of public commentary suggesting potential future reform. The Independent Advisor to the Committee explained that, while future legislative changes could not be ruled out, historically, where employers had moved away from defined benefit schemes, this had been achieved by closing schemes to new entrants rather than removing accrued benefits. Any changes to the LGPS would require national legislation rather than decisions at local authority or pool level.

A question was asked regarding how the Fund could ensure that Shropshire's responsible investment policies continued to be reflected within LGPS Central, given the increasing number of partner funds within the pool. It was explained that the Committee would retain responsibility for setting its strategic asset allocation and investment beliefs, which would guide responsible investment within the pool and LGPS Central representatives confirmed that its policies were developed through consultation with its partner funds and that this collaborative approach would continue.

RESOLVED:

1. That the position as set out in the report of the Pensions Investment and Responsible Investment Manager in respect of voting and engagement activity be noted and accepted:
    - LGPS Central at Appendix A/A1;
    - Columbia Threadneedle Investments Responsible Engagement Overlay Activity Report at Appendix B; and
    - LAPFF Engagement Report at Appendix C.

2. That the Funds update on companies in conflict affected and high-risk areas be noted and accepted.

3. That the process for responding to the government's latest Local Government Pension Scheme (England and Wales): Fit for the future consultation be noted and approved.

43 2025 Climate Risk Management Report (including TCFD Report)

The Committee received a presentation from Mr Ethan Phipps and Mr Basyar Salleh, LGPS Central, on the Fund's 2025 Climate Risk Management report (including the Task Force on Climate-related Financial Disclosures (TCFD) Report) the purpose of which was to present the findings which analyses the Fund's approach towards climate-related risks and opportunities. Members were advised that the Fund had been reporting on climate risk since 2020 and that since then, the Fund's understanding of how its investment is affected by and have an effect to climate had continued to improve.

It was reported that the Fund had seen a significant reduction in financed emissions since 2020, with the majority of decarbonisation occurring in 2022 following diversification into low carbon transition and climate-focused investment funds.

Progress against the Fund's climate targets as of 31st March 2025 was noted, as was the Climate Stewardship Plan which identified priority companies that were significant contributors to the Fund's financed emissions. LGPS Central explained that these companies were subject to targeted engagement with escalation options including voting against management.

A question was asked about the effectiveness of engagement with Glencore, noting the lack of progress shown in the stewardship plan, as well as the point at which continued lack of progress would lead to divestment. In response, LGPS Central advised that engagement with Glencore had been challenging and that historically, they had been unwilling to participate in collective engagement initiatives such as Climate Action 100+. However, direct dialogue had recently been established with

them outside of this, with several conversations held to better understand their views on climate targets.

In responding to a question about the flexibility available to investment managers to divest from companies quickly where circumstances changed, LGPS Central explained the distinction between passively managed funds and active funds.

The overall scale of the Fund's shareholding in Shell was queried and whether the Fund's level of ownership was sufficient to meaningfully influence them and LGPS Central responded that engagement was not solely about influence but also about understanding companies in their thinking on various issues and how they were managing material risks. It was explained that engagement informed investment decisions and voting, with divestment remaining an option where engagement proved ineffective.

44 Exclusion of Press and Public

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 10 to 16, 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.

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

RESOLVED:
That the exempt minutes of the meeting held on 19th September 2025 be approved and signed by the Chairman as a correct record.

46 2025 Climate Risk Management Report (including TCFD Report) (Exempted by Category 3)

Mr Ethan Phipps and Mr Basyar Salleh, LGPS Central, were in attendance to present this item.

47 Governance (Exempted by Category 3)

The Committee received the exempt report of the Pensions Administration Manager which provided them with information regarding regulatory breaches arising from 1st April 2025 to 30th September 2025 (Quarter Two) and any stage one or stage two appeals that had been received under the internal dispute resolution procedure (IDRP). Fund policies that had been reviewed in the last quarter and required approval by the committee were also included within the report.

RESOLVED:
That the recommendations as set out in the exempt report of the Pensions Administration Manager be either noted or approved accordingly.

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

The Committee received the exempt report of the Pensions Administration Manager which provided them with details regarding new Academy admissions to the Fund under Schedule 2, Part 1 (20) of the LGPS regulations 2013.

The report also provided the Committee with details regarding new 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 details regarding parish councils who had made a resolution to join the Fund under Schedule 2 Part 2 Scheme Employers (designated bodies).

RESOLVED:
That the recommendations as set out in the exempt report of the Pensions Administration Manager be either noted or approved accordingly.

49 **Investment Portfolio Update (Exempted by Category 3)**

The Committee received a presentation from Mr Colin Cartwright, Aon, which provided them with an investment portfolio update.

50 **Investment Strategy Implementation Update (Exempted by Category 3)**

The Committee received the exempt report of the Pensions Investment and Responsible Investment Manager which provided them with an Investment Strategy Implementation update.

RESOLVED:
That the recommendations as set out in the exempt report of the Pensions Investment and Responsible Investment Manager be approved.

51 **Investment Monitoring - Quarter to 30 September 2025 (Exempted by Category 3)**

The Committee received the exempt report of the Pensions Investment and Responsible Investment Manager which provided them with monitoring information on investment performance and managers for the quarter period to 30 September 2025 and reported on the technical meetings held with managers since the quarter end.

RESOLVED:
That the recommendations as set out in the exempt report of the Pensions Investment and Responsible Investment Manager be approved.

Signed ..... (Chairman)

Date: .....