



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: