Shropshire Council

Pensions Committee

21 June 2024

10.00 a.m.

MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 15 MARCH 2024
9.30 AM - 11.55 AM

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

Present:

Members of the Committee:
Councillor Thomas Biggins (Chairman), Roger Evans, Simon Harris and Chris Schofield (Substitute) (substitute for Brian Williams)

Co-Opted Members (Voting):
Councillors Nathan England and Carolyn Healy

Co-Opted Members (Non-Voting):
Byron Cooke (remotely via MS Teams), Helen Macmillan (remotely via MS Teams) and Jean Smith

50 **Apologies and Substitutions**

Apologies for absence were received from Councillor Brian Williams. Councillor Chris Schofield was in attendance as his substitute.

Members welcomed Mrs Vicky Jenks, Pensions Administration Manager, to her first meeting of the Pensions Committee.

51 **Disclosable Interests**

None were declared.

52 **Minutes of the Previous Meeting**

RESOLVED:
That the minutes of the meeting held on 01 December 2023 be approved and signed by the Chairman as a correct record.

53 **Public Questions**

Six questions had been received from members of the public and the fifth public questioner was in attendance to ask her question in person. The other public questioners were not in attendance and their questions were therefore read out on their behalf by the Pensions Investment and Responsible Investment Manager. 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.

54 Informing the Audit Risk Assessment for Shropshire County Pension Fund 2023/24

The Committee received the report of the External Auditor, Grant Thornton, which detailed responses received from the Fund's management in respect of a series of questions relating to the areas of General Enquiries of Management, Fraud, Laws and Regulations, Related Parties, Going Concern and Accounting Estimates. The Pensions Committee had been asked to consider whether the responses were consistent with its understanding and whether they had any further comments that they wished to make.

Mr Grant Patterson, Key Audit Partner, and Ms Mary Wren, Senior Audit Manager, were in attendance from Grant Thornton to present the report.

In responding to a question on the audit work that had been undertaken with regard to the journey to achieving Net Zero by 2050, it was explained that Grant Thornton audited the financial statements and therefore, they would audit any disclosures within the financial statements. This was not a specific risk that had been identified as part of their audit work.

It was further commented that considering the volume of reports that there are about the risk of climate and the effect that it may have on some of the portfolio, some of the management responses could have been more fully detailed, particularly on the following questions under the 'General Enquiries of Management' section of the report:

- Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they? (Question 2).
- Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they? (Question 5).

The Head of Pensions – LGPS Senior Officer commented that the points made had been taken on board but the responses did not need to be amended as the Fund has a separate Climate strategy and produces annual climate risk reports which deals with these issues.

55 Audit Plan for Shropshire County Pension Fund 2023/24

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 2024.

Mr Grant Patterson, Key Audit Partner, and Ms Mary Wren, Senior Audit Manager, were in attendance from Grant Thornton to present the report. In particular, Members' attention was drawn to the two significant risks identified, Grant Thornton's approach to materiality and the audit timeline and the comments detailed therein.

There were no questions from Members.

56 **Pensions Administration Monitoring**

The Committee received the report of the Pensions Administration Manager which provided them with monitoring information on the activities and performance of the Pensions Administration team.

A question was asked regarding the Pensions team having had a significant turnover of staff over the past year and the Pensions Administration Manager explained the various reasons behind this and how there was now only one vacancy within the team. It was noted that recruitment within Pension Fund teams was a national issue and that the Local Government Association were trying to address it by developing a new qualification for Pension staff.

Further information was sought regarding the percentage of calls answered by the helpdesk team in terms of the variety and length of calls and the Pensions Administration Manager explained that it was very difficult to report on this information. However, the team would shortly be moving onto a new system whereby this type of information would be more readily available.

With regard to responsible investment risks, the Pensions Investment and Responsible Investment Manager explained that conversations were constantly ongoing and formed part of the quarterly engagements held with investment managers. All investment managers were fully aware of the Funds policy to be Net Zero by 2050.

The Pensions Investment and Responsible Investment Manager confirmed that the wording ‘periodically’ within the Climate Change Risk Actions Column of the Business Plan (pages 81 and 82 of the agenda document pack) would be amended in order to make it more clearly defined.

Regarding My Pensions Online being replaced by ‘Engage’, the plan was to implement it towards the end of the year. It would help members have a better experience, for logging on and viewing their pension details.

A question was asked regarding Pensions Dashboards and the 600 plus records where a current address is not held. The Pensions Administration Manager confirmed that these people did exist and were predominantly Members of the Scheme that were no longer actively contributing and had moved away but had not kept the team up to date with their change of address. A tracing exercise would be run for these individuals.

In concluding this item, a question was asked regarding the high number of outstanding tasks as detailed within Appendix B of the report and the reasons behind this. It was acknowledged that McCloud and Pensions Dashboards were creating an enormous amount of extra work on top of the general day to day work required to administer the Fund.

RESOLVED:

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

2. That the Business Plan 2024 – 2026 at Appendix A be approved.

57 **Pension Fund Treasury Strategy 2024/25**

The Committee received the report of the Head of Pensions – LGPS Senior Officer which explained that Shropshire Council as the Administering Authority maintains a small working cash balance for the Pension Fund that is invested separately to the Council's own cash and is managed under the defined Treasury Strategy as set out within the report.

RESOLVED:

1. That authority be delegated to the LGPS Senior Officer to manage the Pension Funds day to day cash balances.

2. That the Pension Fund Treasury Strategy be approved.

3. That the LGPS Senior Officer be authorised to place deposits in accordance with the Pension Fund's Treasury Strategy.

4. That authority be delegated to the LGPS Senior Officer to add or remove institutions from the approved lending list and amend cash and period limits as necessary in line with the Administering Authority's creditworthiness policy.

58 **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 October 2023 to 31st December 2023.

A question was asked regarding voting alerts as LAPFF had issued a voting alert for BHP due to their various concerns.

Regarding the five companies removed from the Climate Stewardship Plan, it was confirmed that this was not a decision made by the Fund, rather it was a decision made by individual investment managers.

Regarding the five companies that were added to the Climate Stewardship Plan as they formed part of the top ten emitters at the time of the Climate Risk Report, it was noted that only one of them was a fossil fuel company. The need to engage not only with fossil fuel companies, but also those major users of fossil fuel and reliant energy was emphasised.

In addressing a question regarding the effectiveness of engagement, it was suggested that LGPS Central be asked to consider reintroducing face-to-face ESG seminars with companies such as BP and Shell being invited to attend in order that questions such as this could be addressed. The Head of Pensions – LGPS Senior Officer confirmed that an annual Responsible Investment Day with LGPS Central was being held on 5th June 2024 and all Pensions Committee and Pensions Board Members from all the eight partner funds would be invited to attend.

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 accepted:
    - Manager Voting Reports from LGPS Central at Appendix A;
    - 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. That the changes to the Climate Stewardship Plan as a result of the Climate Risk Report presented in December 2023 be noted and accepted. (The revised plan was attached as Appendix E).

59 **LGPS Central Limited Update**

Members received a presentation from Mr Mark Davies, Ms Cara Forrest, Mr Nadeem Hussain and Mr Patrick O'Hara, LGPS Central, the purpose of which was to provide an LGPS Central Limited update, covering the following areas:

- Pooling – what it is, how it will continue to evolve and what it means for clients.
- LGPS Central's journey to date, in terms of various investment products and performance.
- Market Backdrop and Outlook.
- Private Markets Overview.
- Shropshire Investment Overview.
- LGPS Central Product Development
- Responsible Investment and Engagement.
- Priorities for 2024.

Further information was sought from Members regarding carbon offsetting and investing in local projects.

60 **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 12 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.

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

RESOLVED:

That the exempt minutes of the meeting held on 01 December 2023 be approved and signed by the Chairman as a correct record.

62 **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 update.

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

63 **Equity Protection and Financial Markets Update (Exempted by Category 3)**

The Committee received a presentation from Mr Louis-Paul Hill, Aon, which provided them with an equity protection and financial markets update.

64 **Investment Monitoring - Quarter to 31 December 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 December 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.

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

The Committee received the exempt report of the Pensions Administration Manager which provided them with an update of regulatory and policy updates for Shropshire County Pension Fund and informed Members of regulatory breaches arising in the quarter 01 October 2023 to 31 December 2023 that had been recorded in the breaches log. Also reported were 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.

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

The Committee received the exempt report of the Pensions Administration Manager which provided them with details regarding new employer admissions to the Fund under Schedule 2 Part 3 Regulation 1(d) (i) of the Local Government Pensions Scheme Regulations 2013.

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

67 **Mercer Training Session on Employer Investment Strategies**

Once the meeting had formally ended, there was a training session for Members of the Pensions Committee on Employer Investment Strategies, presented by Ms Michelle Doman and Mr Mark Wilson from Mercer.

68 **Mercer Training Session on the new TPR General Code / Cyber Security Policy**

Once the meeting had formally ended, there was a training session for Members of the Pensions Committee on the new TPR General Code / Cyber Security Policy, presented by Mr Jonathan Perera from Mercer.

Signed .... (Chairman)

Date: ....