



Pensions Committee

21 September 2016

10.00 am

**MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 25 NOVEMBER 2016
10.00 AM - 12.25 PM**

Responsible Officer: Tim Ward
Email: tim.ward@shropshire.gov.uk Tel: 01743 257713

Present:

Members of the Committee:

Councillor Malcolm Pate (Chairman)
Councillors Thomas Biggins, Andrew Davies and Roger Evans (Substitute) (substitute for Anne Chebsey)

Co-Opted Members (Voting):

Councillors David Wright

Co-Opted Members (Non-Voting):

Jean Smith

35 Apologies for Absence and Substitutions

35.1 Apologies for absence were received from Councillor Anne Chebsey, Councillor Malcolm Smith and Nigel Neat.

35.2 Councillor Roger Evans substituted for Councillor Chebsey

36 Disclosable Pecuniary Interests

36.2 Members were reminded that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

37 Minutes of the last Meeting

37.1 RESOLVED

That the minutes of the meeting held on 21 September 2016 be approved as a true record and signed by the Chairman

38 Public Questions

38.1 The following question had been received from Liz Evans: -

Given the increasing number of studies showing that fossil fuels are becoming stranded assets, at what point, or under what conditions will you divest from fossil

fuels and invest only in sustainable investments to ensure that pension funds can continue to meet its obligations to pension fund members?

Response: -

The Pension Committee has an overriding duty to consider its financial responsibilities above any other considerations but it remains committed to these important issues. It therefore does not restrict its investment managers in the companies in which they can invest as this is contrary to the overriding financial responsibility of the Pension Committee. Although the Fund does not restrict its managers in the investments they make it takes corporate governance and environmental and social responsibility seriously. The Pension Committee believe it is more important to influence company behaviour from the inside as a shareholder.

The Shropshire Fund is addressing these responsibilities through a strategy of responsible engagement with companies. Shropshire County Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which represents over 70 public sector pension funds in the UK. LAPFF recognises the issue of stranded assets and continued fossil fuel extraction as a collective investment risk for all asset owner funds and this is an engagement and policy priority. For companies engaged in fossil fuel extraction, LAPFF's approach is to undertake a robust engagement on aligning their business models to limiting global average temperature increases to a maximum of 2° C and to push for an orderly low carbon transition. The Fund also employs BMO Global Asset Management to engage with companies on the Fund's behalf. BMO have been at the forefront of raising concerns around potential asset stranding with a wide range of companies and the concept has begun to resonate within these industries. BMO's main engagement objectives include ensuring companies' stress test and disclose the range of possible future energy scenarios used for their strategic planning and set clear targets for mitigating these risks. In conclusion, the Fund takes seriously its obligations to pension fund members through its engagement policies and LAPFF membership but it does not restrict investment managers from investing in companies which they feel will produce the best financial returns for the Fund.

38.2 By way of a supplementary question Ms Evans asked for further information and examples on the engagement undertaken on behalf of the Shropshire Fund. The Head of Treasury and Pensions agreed to forward this to her after the meeting.

39 **Blackrock (Hedge Funds and Fixed Income)**

30.1 Peter Hunt, John Ware and James Edwards from Blackrock gave a presentation which set out the performance of the fund to date and future themes and strategies. They then took questions from the Committee.

40 **Harbourvest (Private Equity)**

40.1 Kathleen Bacon and Emily Archer from Harbourvest gave a presentation which gave an overview of the company, an update on performance to date and a review of the global market. They then took questions from the Committee

41 **Mercer (Actuarial Valuation)**

- 41.1 Mr John Livesey gave a presentation on the 2016 Actuarial Valuation. He advised Members that the current valuation at 31 March 2016 showed a funding level of 84% which was in line with expectations.

42 Corporate Governance Monitoring

- 42.1 The meeting received the report of the Investment Officer which set out Corporate Governance and socially responsible investment issues arising in the quarter 1st July 2016 to 30th September 2016

42.2 RESOLVED:

That Members accept the position as set out in the report, Manager Voting Reports at Appendix A and BMO Global Asset Management Responsible Engagement Overlay Activity Report at Appendix B

43 Actuarial Valuation 2016

- 43.1 Members received the report of the Head of Finance, Governance & Assurance which introduced the formal presentation of the 2016 Actuarial Valuation Report from the Funds Actuary, Mercer.

- 43.2 The Head of Finance, Governance & Assurance reminded Members that there was a requirement for funds within the pension scheme to be actuarially valued every three years.

43.3 RESOLVED

That Members formally approve the Actuarial Valuation Report

44 Funding Strategy Statement

- 44.1 Members received the report of the Head of Treasury & Pensions which informed Members of the requirement to publish an updated Funding Strategy Statement

44.2 RESOLVED:

That Members note the contents of the updated draft Funding Strategy Statement

That Members note that a further report will be brought to the next meeting of the Pensions Committee following consultation with employers.

45 LGPS Central Investment Pooling

- 45.1 The meeting received the report of the Head of Finance, Governance & Assurance which outlined changes that would be required to the operational and governance arrangements for the Shropshire County Pension Fund following the recent amendment of the Local Government Pension Scheme (LGPS) Investment Regulations.

- 45.2 The Head of Finance, Governance & Assurance reminded members that the revised regulations required all authorities to enter into joint (pooled) arrangements,

and that work had been ongoing with seven partner funds to establish a jointly owned investment management company which would be known as 'LGPS Central', he advised that following Ministerial consent to the setting up of the company each participation council needed to formally approve the recommendations set out in the report.

45.3 RESOLVED:

That the Pension Committee recommend that Council approve the following recommendations:-

- 1.1 To enter into an Inter Authority Agreement with Cheshire West & Chester Council, Derbyshire County Council, Leicestershire County Council, Nottinghamshire County Council, Staffordshire County Council, Wolverhampton City Council and Worcestershire County Council to establish a joint pension fund investment pool, in accordance with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and pursuant to that Inter Authority Agreement set up; and operate a Joint Committee under s102 of the Local Government Act 1972 to oversee the joint investment arrangements.
- 1.2 To agree that Cheshire West and Chester shall provide governance and administrative support to the Joint Committee on behalf of the participating Council's, subject to the appropriate cost sharing arrangements in respect of officer time and other expenses.
- 1.3 To become a joint shareholder of LGPS Central; a private company, limited by shares, held solely by the participating funds named in recommendation 2.1, on a 'one fund, one vote' basis; incorporated for investment management purposes and regulated under the Financial Services and Markets Act 2000.
- 1.4 To authorise the Shropshire Council Member who holds either the position of Chair or Vice Chair of the Shropshire County Pension Fund, to appoint themselves or other Shropshire Council Members of the Pension Committee to undertake the following roles:
 - i) To act as the Council's representative on the Joint Committee;
 - ii) To exercise the Council's voting rights as a shareholder of LGPS Central, to be exercised in consultation with the Head of Finance Governance & Assurance (s151 Officer) where the vote is in respect of a Reserved Matter as set out in Schedule 1 of the Shareholders agreement;

and each Member so appointed shall have delegated authority to undertake such roles.

- 1.5 To agree that the Shropshire Council Members appointed under recommendation 2.4 above shall be authorised to appoint a substitute, provided that substitute is a Shropshire Council Member of the Pensions Committee, and agree that, wherever possible, the Member (or their substitute) appointed to the Joint Committee shall not be the same Member

as currently appointed to the Shareholder Forum, so as to avoid potential conflicts of interest.

- 1.6 To agree that the signatory on behalf of the Council as Shareholder shall be the Council's Head of Legal & Democratic Services.
- 1.7 To appoint the Head of Finance Governance & Assurance (s151 Officer) and Scheme Administrator of the Pension Fund or their nominated representative to represent the Council on a Practitioner Advisory Forum, providing joint officer support to the Joint Committee and Shareholder Forum.
- 1.8 To approve the revised terms of reference for the Shropshire County Pension Fund Committee as set out in Appendix 3 to this report.
- 1.9 To delegate authority to the Head of Finance Governance & Assurance (s151 Officer) in consultation with the Shropshire Council Chair or Vice Chair of the Pension Committee to negotiate and agree all necessary legal agreements to establish a joint asset pool and investment management company as outlined in this report and to implement the recommendations and to authorise their execution.

46 Pensions Administration Monitoring Report

- 46.1 The meeting received the report of the Pensions Administration Manager which provided Members with monitoring information on the performance of and issues affecting the Pensions Administration Team.
- 46.2 The Pensions Administration Manager advised the meeting that subsequent to the report being written she had received a request that the Committee approve Dr James William Boag as an Independent Registered Medical Practitioner as he would be covering Dr Nightingale's maternity leave.
- 46.3 **RESOLVED:**
 1. That Members accept the position as set out in the report.
 2. That the Committee approve the appointment of Dr James William Boag as an Independent Registered Medical Practitioner.

47 Exclusion of Press and Public

47.1 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 14 to 18 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

48 Exempt Minutes (Exempted by Categories 2 and 3)

48.1 RESOLVED:

That the exempt minutes of the meeting held on 21 September 2016 be approved as a true record and signed by the Chairman

49 Investment Monitoring Report (Exempted by Category 3)

49.1 The Committee received the exempt report of the Head of Treasury and Pensions which provided Members with monitoring information on investment performance and managers for the period to 30 September 2016, and reports on the technical meetings held with managers since the quarter end.

49.2 RESOLVED:

That the position as set out in the exempt report be noted

50 New Admission Bodies (Exempted by Category 3)

50.1 The Committee received the exempt report of the Pension Administration Manager (copy attached to the Exempt signed Minutes) which provided Members with details regarding three new employer admissions to the Fund, all under Schedule 2 Part 3 Regulation 1(d)(i) of the Local Government Pension Scheme Regulations 2013.

50.2 RESOLVED:

That the recommendations in the exempt report of the Pension Administration Manager be approved

51 Appeals under the Internal Disputes Resolution Procedure (Exempted by Category 3)

51.1 Members received the report of the Pensions Administration Manager which updated them on stage 2 appeals to the Appointed Person under the Internal Disputes Resolution Procedure

51.2 RESOLVED:

That Members note the contents of the report

52 Record of Breaches (Exempted by Category 3)

52.1 Members received the report of the Pensions Administration Manager which in line with the Reporting Breaches policy provided them with a report of all breaches

52.2 RESOLVED:

That Members note the content of Appendix B to the report.

(The full version of Minutes 48 to 52 constitutes exempt information under Categories 2 and 3 of Paragraph 10.4 of the Council's Access to Information Rules and has accordingly been withheld from publication).

Signed (Chairman)

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Date:

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