



Pensions Committee

24 July 2019

10.00 a.m.

**MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 15 MARCH 2019**  
**10.00 AM - 1.00 PM**

**Responsible Officer:** Tim Ward

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**Present:**

Members of the Committee:

Councillor Thomas Biggins (Chairman)

Councillors Chris Mellings and Brian Williams

Co-Opted Members (Voting):

Councillors David Wright

Co-Opted Members (Non-Voting):

Jean Smith

**55 Apologies and Substitutions**

55.1 Apologies for absence were received from Councillors Malcolm Smith and Michael Wood.

55.2 There were no substitutions

**56 Disclosable Pecuniary Interests**

56.1 There were no declarations of pecuniary interest made.

**57 Minutes of the Last Meeting**

57.1 The minutes of the meeting held on 30 November 2018 had been circulated.

**Resolved:**

That the minutes of the meeting of the Pensions Committee held on 30 November 2018 be approved as a true record and signed by the Chairman

**58 Public Questions**

58.1 A petition had been received from the Ludlow Quaker Meeting asking Shropshire Council to divest from fossil fuels.

Andrew Woodgate presented the petition and made the following points: -

- We have a moral duty to leave the world a better place and to do this requires tackling the issue of climate breakdown
- Taking account of climate change is becoming an increasingly important issue for pension funds and in future fund managers will be required to set out how they take account of financially material considerations, including climate change.
- Some investors have stated that it is better to stay invested and influence from within, but this has not worked and divestment would have a better effect.

58.2 The Chairman thanked Mr Woodgate for his presentation and made the following statement: -

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.

58.3 After further discussion Members endorsed the response made.

## **59 Shropshire Council External Audit Plan 2018 - 19**

59.1 Members received the report of Grant Thornton which provided an overview of the planned scope and timing of the statutory audit of the Shropshire Council Pension Fund.

59.2 the In-charge Auditor presented the report and informed members that two significant risks had been identified: -

- Management override of controls and
- Valuation of level 3 investment assets.

He explained to Members that level 3 investments were those investments that were hard to value such as investments in private equity and hedge funds.

59.3 In response to a query the In-charge Auditor advised that pooling of funds had not currently been identified as a risk.

59.4 **Resolved:**

That the contents of the report be noted.

## **60 Informing the Audit Risk Assessment for Shropshire Council Pension Fund**

60.1 The Committee received the report of the External Auditor, Grant Thornton, (copy attached to the signed Minutes) which detailed responses received from the Fund's management in respect of a series of questions relating to the areas of fraud, laws and regulations, going concern, related parties and accounting estimates. The In-Charge Auditor, was in attendance to present the report.

60.2 **Resolved:**

That the contents of the report be noted.

## **61 Private Equity**

61.1 Members received a presentation from Emily Archer and Alex Wolf (Harbourvest) which gave an overview of the company and an update of the performance to date. They then took questions from Members

## **62 Equity Protection Update**

62.1 Members received a presentation from Louis Paul Hill (Aon) which updated them on the current equity protection strategy, advised them of decisions taken under delegated powers and set out options for future protection.

## **63 LGPS Central (Infrastructure Update)**

63.1 Members received a presentation from Mike Weston (Chief Executive LGPS Central) and Mike Hardwick (Investment Director – Infrastructure and property LGPS Central) which gave an update of the work of LGPS Central to date and introduced the Infrastructure and Property Team and potential investments.

## **64 Investment Beliefs Update**

64.1 Members received a presentation from Emily McGuire which gave an overview of responses to the Beliefs Survey which had been carried out in February.

## **65 Investment Strategy Statement**

- 65.1 Members received the report of the Head of Treasury and Pensions which gave details of an updated Investment Strategy Statement.
- 65.2 The Head of Treasury and Pensions advised that the statement had been updated to include details of the new allocations to Insurance Linked Securities and Property Debt agreed at the Pension Committee in March 2018 and to take account of the increased level of equity protection in place with Legal & General agreed previously by Pension Committee.

65.3 **Resolved:**

That Members approve the updated Investment Strategy Statement as set out in Appendix A to the report.

66 **Funding Strategy Statement**

- 66.1 Members received the report of the Head of Treasury and Pensions which set out an updated Funding Strategy Statement.
- 66.2 The head of Treasury and Pensions advised the meeting that the Statement had been updated to reflect legislative changes made in 2018

66.3 **Resolved:**

That the Funding Strategy Statement as set out at Appendix A to the report be approved

67 **Corporate Governance Report**

- 67.1 The meeting received the report of the Investment Officer which set out Corporate Governance and socially responsible investment issues arising in the quarter 1<sup>st</sup> October 2018 to 31<sup>st</sup> December 2018

67.2 **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

68 **Pensions Administration Monitoring**

- 68.1 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.
- 68.2 The Pensions Administration Manager advised Members that 39% of active Members and 32% of deferred members had signed up to view their records online through 'My Pension Online' which was amongst the highest take up across the country.
- 68.3 The Pensions Administration Manager advised the meeting that the Governance Compliance Statement had been updated and that the revised statement was set out in Appendix C.

68.4 The Pensions Administration Manager advised the meeting that the Employer Events Policy had been updated to take account of Changes to the Local Government Pension Scheme regulations and that the revised policy was set out in Appendix D.

68.5 Resolved:

- a. That Members accept the position as set out in the report.
- b. That Members approve the revised Governance Compliance Statement as set out at Appendix C to the report.
- c. That Members approve the revised Employees events Policy as set out at Appendix D to the report.

## **69 Exclusion of Press and Public**

69.1 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 16 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

## **70 Exempt Minutes of the Last Meeting**

70.1 The exempt minutes of the meeting held on 30 November 2018 had been circulated.

Resolved:

That the exempt minutes of the meeting of the Pensions Committee held on 30 November 2018 be approved as a true record and signed by the Chairman

## **71 Investment Monitoring - Quarter to 31 December 2018**

71.1 The meeting 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 31 December 2018.

71.2 **Resolved:**

That the officer recommendations be agreed

## **72 New Employers**

72.2 Members received the report of the Pensions Administration Manager which provided full details regarding 2 new employer admissions to the Fund; Confirmation that 1 new employer admission had been approved by the Chairman between committee meetings, to allow the sealing of the Admission and an update of New Schedule 1 Part 1 Scheme Employers (Academies) and New Schedule 2 Part 2 Scheme Employers (Designated Bodies)

**72.3 Resolved:**

That the Officer recommendations be agreed

**73 Record of Breaches**

73.1 Members received the report of the Pensions Administration Manager which informed them of breaches arising in the quarter 1 October 2018 to 31 December 2018

**73.2 Resolved:**

That Members note the content of Appendix A to the report

*(The full version of Minutes 71 to 73 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)

Date: .....