



Pensions Committee

17 March 2023

10.00 a.m.

**MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 02 DECEMBER 2022  
10.00 AM - 1.25 PM**

**Responsible Officer:** Sarah Townsend

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**Present:**

Members of the Committee:

Councillor Thomas Biggins (Chairman)

Councillors Roger Evans, Simon Harris and Brian Williams

Co-Opted Members (Voting):

Councillors Rae Evans

Co-Opted Members (Non-Voting):

Jean Smith, Byron Cooke and Lindsay Short

**35 Apologies and Substitutions**

An apology had been received from Councillor Carolyn Healy. There was no substitute in attendance.

**36 Disclosable Interests**

None were declared.

**37 Minutes of the Previous Meeting**

**RESOLVED:**

That the minutes of the meeting held on 16 September 2022 be approved and signed by the Chairman as a correct record.

**38 Public Questions**

Five questions had been received from members of the public. The third public questioner was in attendance to ask her question. The other public questioners were not in attendance to ask their questions and they 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.

### 39 Actuarial Valuation and Funding Strategy Statement (FSS) Update

Members received a presentation from Mr Mark Wilson, Mercer, on the 2022 Actuarial Valuation and Funding Strategy Statement (FSS) Consultation. The presentation covered the areas of valuation training recap, 2019 review and what's happened since, Funding Strategy Statement (FSS), 2022 valuation results, employer risk and next steps.

Members were informed that the 2022 whole Fund valuation results were very positive.

With regards to life expectancy, whilst it was noted that this has increased, it had not done so as much as had been assumed at the last valuation in 2019.

In relation to the Draft Funding Strategy Statement, it was explained that the Risk Management Strategy Section and Climate Change Section were subject to finalisation. The investment strategy was being reviewed in February 2023 and once completed, would be detailed within the Risk Management Strategy Section. In terms of the Climate Change Section, guidance from the Government Actuaries Department was awaited which would detail the information required to go into Funding Strategy Statements and valuation reports around climate change reporting. It was hoped that this guidance would be available by the end of the year.

Questions were asked regarding bonds, non-taxpayer backed employers, guarantors and employees benefiting from 20% of their pay going into the pension pot on average and whether it had always been around 20%.

### 40 Climate Risk Report

Members received a presentation from Mr Patrick O'Hara, Mr Matthew Jones, Mr Basyar Salleh and Mr Jack Yonge, LGPS Central. The purpose of the presentation was to support the recent publication of the 2022 Climate Risk Report, which assesses the Fund's exposure to climate-related risks and opportunities and allows the Fund to identify further means to manage its material climate risks, to highlight the report's key findings and to provide an overview of the Fund's progress in managing climate risk.

Members were informed that for the purposes of the Climate Risk Report, it was only Total Equities that was looked at and within this, the three metrics of Portfolio Carbon Intensity, Exposure to Clean Tech and Fossil Fuel Reserves and Financed Emissions were considered with data from between 2020 and 2022 being presented.

In relation to the 2022 Net Zero Pledges, of particular note was that 79.03% of financed emissions came from companies with Net Zero targets.

Whilst looking at the Climate Stewardship Plan, Members' attention was particularly drawn to Glencore and Shell. LGPS Central explained that they were closely following Glencore and were the co-lead for the Climate Action 100+ Glencore Focus Group. There had been some progress due to investor pressure over the years and consequently, Glencore had brought out a pledge for Net Zero across all scopes of their emissions and were the first company in their sector to announce short, medium and long term emission reduction targets across all scopes. However, there were

still several areas that could be improved, which was why LGPS Central was engaging with them. Regarding Shell, LGPS Central were involved in the focus group of Climate Action 100+ and whilst there was still a lot of work to be done, some progress had been made in their recognition of climate change as a material issue and in terms of trying to adapt its strategy accordingly.

In terms of the TCFD Consultation, Members were informed that new regulations would come into force in Quarter four of 2024 and these requirements were outlined.

In responding to a question regarding engagement and whether it had 'really worked', LGPS Central explained that whilst there was a lot more work to be done, progress had been made and there was evidence to suggest that mainstream investors were recognising the importance of climate change issues and were encouraging companies to move at an accelerated pace.

In response to a question regarding the company NextEra, Members were informed that there was a recognition of climate change and they were actively discussing it. However, the TPI Carbon Performance indicated that they were not aligned in the short, medium and long term. It was commented that, whilst discussing the issues was well and good, an actual commitment was needed.

#### **41 TCFD (Taskforce for Climate Related Financial Disclosures)**

The Committee received the Shropshire Pension Fund Climate-related Disclosures report, which had been prepared in alignment with the recommendations of the Taskforce for Climate Related Financial Disclosures (TCFD).

Mr Patrick O'Hara, Mr Matthew Jones, Mr Basyar Salleh and Mr Jack Yonge, LGPS Central, were in attendance to present the report and briefly outlined each of the four core elements of recommended climate-related financial disclosures, namely Governance, Strategy, Risk Management and Metrics and Targets as detailed within the report.

In concluding, the Fund was commended for the big reduction in financed emissions and carbon intensity and was encouraged to continue with the best practice that it is incorporating in its reporting and its awareness of climate risk.

A question was asked regarding Table 4 (Carbon risk metrics for the equity portfolio as of 30th June 2022) on page 129 of the public agenda pack and who set the benchmark. The Head of Pensions – LGPS Senior Officer responded that this was considered by the Pensions Committee and agreed between Advisors, Officers and the Committee.

#### **42 Corporate Governance Monitoring**

The Committee received the report of the Investment Officer which informed them of Corporate Governance and socially responsible investment issues arising in the quarter period 1st July 2022 to 30th September 2022.

The Head of Pensions – LGPS Senior Officer confirmed that representatives at company meetings were employed by the Fund and acted on their behalf. They had

a blanket policy which was reviewed every year where clients were asked to confirm their priorities. They represented clients globally and not just Shropshire.

Legal and General were congratulated for focusing on deforestation.

**RESOLVED:**

That the position as set out in the report of the Investment Officer, Manager Voting Reports at Appendix A (A1 & A2), Columbia Threadneedle Investments (formerly BMO Global Asset Management) Responsible Engagement Overlay Activity Report at Appendix B (B1 & B2), LGPS Central Stewardship Update at Appendix C and SCPF's DLUHC Consultation response regarding TCFD at Appendix D be accepted.

**43 Stewardship Code Update**

The Committee received the report of the Pensions Investment and Responsible Investment Manager which provided them with an update on the position in respect of the Fund's application for signatory status of the Financial Reporting Councils (FRC) UK Stewardship Code 2020.

Members were informed that applying for signatory status was a major undertaking that needed to be repeated annually and that the Fund had to be able to demonstrate compliance with the twelve Stewardship Code Principles in order to achieve signatory status.

**RESOLVED:**

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

**44 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.

It was noted that 45% of the funds membership were registered to view their pension record online and that across the industry, this figure was considered to be good. However, the Pensions Team were always looking to increase this figure and it constantly featured within their work plan.

**RESOLVED:**

1. That the position as set out in the report of the Pensions Administration Manager be accepted.
2. That the minor amendments to the Reporting Breaches Policy, Communications Policy, Training Policy and Employer Events Policy as a result of the staffing changes to the fund structure in September 2022 be noted.
3. That the revised Governance Compliance Statement at Appendix B, and the revised Administration Strategy Statement at Appendix C of the report be approved.

**45 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.

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

**RESOLVED:**

That the exempt minutes of the meeting held on 16 September 2022 be approved and signed by the Chairman as a correct record.

**47 Climate Risk Report (Exempted by Category 3)**

Mr Patrick O'Hara, Mr Matthew Jones, Mr Basyar Salleh and Mr Jack Yonge, LGPS Central, were in attendance to present this item.

**48 Equity Protection and Financial Markets Update and Introduction to Investment Strategy Review (Exempted by Category 3)**

The Committee received a presentation from Mr Louis-Paul Hill, Aon, which provided them with a market update and outlook, an equity protection update and next steps.

**49 Investment Monitoring - Quarter to 30 September 2022 (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 30 September 2022 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.

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

The Committee received the exempt report of the Pensions Administration Manager which informed them of governance issues affecting the Fund. The report covered regulatory breaches arising in the quarter period to 30 September 2022 that had been recorded in the breaches log 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.

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

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