



Pensions Committee

15 September 2023

10.00 a.m.

**MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 15 SEPTEMBER 2023  
10.00 AM - 12.35 PM**

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

**Present:**

Members of the Committee:

Councillor Thomas Biggins (Chairman)

Councillors Roger Evans, Simon Harris and Chris Schofield (Substitute) (substitute for Brian Williams)

Co-Opted Members (Voting):

Councillor Carolyn Healy

Co-Opted Members (Non-Voting):

Jean Smith and Byron Cooke

**18 Apologies and Substitutions**

Apologies for absence were received from Councillor Brian Williams, Councillor Nathan England and Ms Lindsay Short.

Councillor Chris Schofield was in attendance as a substitute for Councillor Brian Williams.

Ms Helen Macmillan was in attendance (remotely via MS Teams) as a substitute for Ms Lindsay Short and the Chairman welcomed her to her first meeting of the Pensions Committee.

**19 Disclosable Interests**

None were declared.

**20 Minutes of the Previous Meeting**

**RESOLVED:**

That the minutes of the meeting held on 23 June 2023 be approved and signed by the Chairman as a correct record.

## 21 Public Questions

Six questions had been received from members of the public and the first five public questioners were in attendance to ask their questions. The last public questioner was not in attendance to ask his question and it was therefore read out on his 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.

The Chairman explained that the next three items on the agenda would be considered together, as they were all interrelated.

## 22 Third Line of Assurance - Internal Audit Outturn Report for Shropshire County Pension Fund 2022/23

The Committee received the report of the Head of Policy and Governance which was presented to them by Mr Mark Seddon, Auditor. It provided them with a summary of the work undertaken by Internal Audit for the year ended 31 March 2023 and reported on progress against the annual audit plan agreed with the Head of Pensions – LGPS Senior Officer. It also provided the Chief Audit Executive's opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control processes when considering the Public Sector Internal Audit Standards or Guidance, as required by the Accounts and Audit Regulations 2015.

It was noted that based on the work undertaken and Pension Fund management responses received, the Pension Fund's governance, risk management and internal control processes are sound and working effectively and the Chief Audit Executive can deliver a substantial year end opinion on the Fund's internal control environment for 2022/23. This was the highest assurance that could be given and on behalf of the Committee, the Chairman congratulated the Pensions Team and commented that this was an excellent achievement.

In responding to a question on Corporate Governance, Members' attention was drawn to page 18 of the agenda document pack, which detailed the various objectives that the audit looks at to ensure there are appropriate governance processes in place in respect of the Pension Fund. If it were felt that there were specific areas that needed to be looked at within the audit, these could be considered going forward in consultation with the Pensions Team.

## 23 External Audit - The Audit Findings for Shropshire County Pension Fund 2022/23

The Committee received the report of the External Auditor, Grant Thornton, which summarised the key findings and other matters arising from the statutory audit of Shropshire County Pension Fund and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for those charged with governance.

Mr Grant Patterson (Key Audit Partner) and Ms Evah Mutama (Audit Manager) were in attendance from Grant Thornton to present the report, the headlines of which were

detailed on pages 23 and 24 of the agenda document pack and it was noted that the audit work had been completed remotely during July – September 2023. They confirmed that their work was substantially complete, subject to a few outstanding matters and assuming that nothing significant changed, it was anticipated that the audit opinion on the financial statements would be unmodified.

Whilst no material differences had been identified, attention was drawn to £10.053m of differences in the valuation of the Fund's investments disclosed in the financial statements at 31 March 2023 and the valuation statements received from the third-party investment managers. Management were proposing not to amend the financial statements on the basis that the differences are not material (0.5% of investment assets) and both the Pensions Committee and the Audit Committee would be asked to confirm their agreement.

Members' attention was also drawn to the 'Financial statements' and 'Independence and ethics' sections of the report, as well as the various appendices, and the comments detailed therein.

An update was requested on the 2021/22 accounts which were yet to be signed off and Mr Patterson explained that they were working through the last few queries and reviewing the additional information provided. However, that work had now been completed and the finalisation of the accounts should happen within the next two weeks. Once completed, the opinion on both the Council accounts and the Pension Fund accounts would be issued.

## **24 Pension Fund Annual Accounts 2022/23**

The Committee received the report of the Executive Director of Resources (Section 151 Officer) which provided Members with the Shropshire County Pension Fund Annual Report 2022/23 and an update on the annual audit. It was noted that Grant Thornton had substantially completed its annual audit and it was expected that an unqualified opinion would be given.

It was reported that in the year to the end of March 2023, the Fund decreased in value by £95 million to £2.244 billion.

Attention was drawn to the last actuarial valuation conducted at the end of March 2022, identifying that the Fund had a funding level of 100% using the Fund's standard assumptions which was an increase from 94% at the previous valuation in March 2019. This was the first time for over 23 years that the funding level has been 100% at the valuation date and Officers were congratulated on their work in achieving this.

Regarding management expenses which in 2022/23 totalled £18.8 million, an increase of £1.3 million from the previous year and whether this was excessive, it was commented that the Fund was a big Fund to administer and in terms of its value, this worked out to be a small percentage and the large majority of these fees related to investment manager fees.

In responding to a question regarding Mercer's climate scenario analysis, Officers explained that they are very complex scenarios and are not being relied on as an absolute, rather they provide a guide. However, a basis is needed to see what the

modelling may look like and in order that decisions are able to be made taking it into account. It was noted that climate change scenario is undertaken every two years by LGPS Central and they currently use Mercer. LGPS Central are responsible for going out to tender for this service and will review alternative providers next time the contract is up for renewal.

As to why the Pension Fund had decreased in value, the Head of Pensions – LGPS Senior Officer explained that factors such as economic geopolitical issues, high inflation and significant interest rate rises had impacted on the Fund, as well as 2022 being a particularly difficult year in financial markets. Further detail on this could be found within the investment performance section of the annual report.

In replying to a question on whether the performance of the Fund had got anything to do with Shropshire Council still investing in fossil fuels, attention was drawn to the Fund being 100% funded meaning that assets matched liabilities, which had been achieved through good management by investment managers. It was also explained that the issue of investing in fossil fuels had been vastly debated and when considering return on investment, there were many risks that the Fund had to manage, of which climate change was just one of them. It was the responsibility of the Pensions Committee to ensure that there were funds to pay pensions and as part of that, simply divesting away from fossil fuels or from companies completely, would not result in the issue going away. However, by engaging with companies, trying to get them to change and helping them on their journey towards a carbon free economy was something that the Pension Fund could actively do.

The Pensions Team were thanked for producing an extremely detailed and comprehensive document as well as for the vast amount of work that they did.

**RESOLVED:**

1. That Performance against the Audit Plan for the year ended 31 March 2023 be endorsed.  
(Agenda Item 5: External Audit – The Audit Findings for Shropshire County Pension Fund 2022/23).
2. That the Chief Audit Executive's substantial year end opinion on the Fund's internal control environment for 2022/23 based on the work undertaken and Pension Fund management responses received, be endorsed.  
(Agenda Item 5: External Audit – The Audit Findings for Shropshire County Pension Fund 2022/23)
3. That the Pension Fund Annual Report 2022/23 be approved and authority be delegated to officers to make any minor changes required.  
(Agenda Item 7: Pension Fund Annual Accounts 2022/23)
4. That the Chair and Executive Director of Resources sign the letter of representation for Grant Thornton.  
(Agenda Item 7: Pension Fund Annual Accounts 2022/23)

## 25 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 1<sup>st</sup> April 2023 to 30<sup>th</sup> June 2023.

Officers were congratulated for their achievement in Shropshire County Pension Fund becoming a recognised signatory to the UK Stewardship Code. Mr Philip Hebson, Independent Advisor to the Committee, commented that a huge amount of work is involved to achieve this status and the process in terms of the application being approved is extremely rigorous.

Following a discussion, it was agreed that Columbia Threadneedle Investments would be invited to attend the next meeting of the Pensions Committee in order to present some of their engagement outcomes.

Replying to a question regarding investing in renewables, the Chairman explained that they had increased their allocation to infrastructure, which includes additional investments in renewables so should provide some reassurance.

### **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 (A1 & A2),
  - 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 it be noted that the Fund has successfully been recognised as a signatory of the Financial Reporting Council (FRC) UK Stewardship Code which promotes best practice on governance. The Committee wished to place on record their congratulations to Officers for this achievement as well as for the immense amount of work that they are doing.

## 26 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.

The Chairman explained that this would be Debbie Sharp's last meeting as she would shortly be leaving Shropshire Council to take up a new position at South Yorkshire Pension Authority. He also commented on the enormous amount of work that was undertaken by the thirty members of staff within the Pensions Team, particularly in relation to the annual statements that were sent out to members and the ongoing McCloud situation.

A motion was proposed by Councillor Evans as follows: *‘Members note it is four years since it last held an annual in-person or hybrid meeting for Members. We now request that one is held’*. This was seconded by Councillor Healy. In responding, the Chairman explained why an annual in-person meeting was no longer held, for the reasons that had been discussed at many previous Pensions Committee meetings and Councillor Evans commented that a request to hold one had now been received by a public questioner earlier in the meeting, as well as from the substitute Employee Representative for Shropshire Council and himself.

Mr Philip Hebson, Independent Advisor to the Committee, commented that many funds had moved away from Annual General Meetings and Local Government Pension Funds were now much better at communicating with their Members than ever before. Face to face Annual General Meetings were an airing place for people’s personal views and thoughts, rather than being focussed on the wellbeing of the Pension Fund and he recommended that if an Annual General Meeting were to be held, it be conducted on line.

The Chairman asked each Member of the Committee for their views. Following a vote by the voting Members of the Committee, the motion was defeated.

**RESOLVED:**

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

**27 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 11 to 15, 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.

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

**RESOLVED:**

That the exempt minutes of the meeting held on 23 June 2023 be approved and signed by the Chairman as a correct record.

**29 DLUHC Consultation Update (Exempted by Category 3)**

The Committee received the exempt report of the Pensions Investment and Responsible Investment Manager which provided the Fund with the background and the proposed draft response to the Department of Levelling Up, Housing & Communities pooling consultation on the proposed next steps for investments in the Local Government Pension Scheme.

**RESOLVED:**

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

**30 Investment Strategy 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.

**31 Investment Monitoring - Quarter to 30 June 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 30 June 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.

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

The Committee received the exempt report of the Pensions Administration Manager which informed them of regulatory breaches arising in the quarter 01 April 2023 to 30 June 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.

Signed ..... (Chairman)

Date: .....