



Pensions Committee

15 March 2024

9.30 a.m.

MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 1 DECEMBER 2023
10.00 AM - 1.28 PM

Responsible Officer: Sarah Townsend

Email: sarah.townsend@shropshire.gov.uk Tel: 01743 257721

Present:

Members of the Committee:

Councillors Thomas Biggins (Chairman), Roger Evans, Simon Harris and Brian Williams

Co-Opted Members (Voting):

Councillor Carolyn Healy

Co-Opted Members (Non-Voting):

Byron Cooke, Helen Macmillan (remotely via MS Teams) and Jean Smith

33 Apologies and Substitutions

Apologies for absence were received from Councillor Nathan England.

Members were informed that Ms Lindsay Short had resigned as Member of the Pensions Committee and it was noted that Ms Helen Macmillan had therefore replaced her as a Co-opted (Non-Voting) Member of the Committee, having previously been a substitute.

34 Disclosable Interests

None were declared.

35 Minutes of the Previous Meeting

RESOLVED:

That the minutes of the meeting held on 15 September 2023 be approved and signed by the Chairman as a correct record.

36 Public Questions

There were none.

37 Pensions Administration Monitoring

The Committee received the report of the Pension Operations Team Leader which provided them with monitoring information on the performance of and issues affecting the Pensions Administration team.

It was noted that the two references to 'employer representative' needed to be amended to read 'employee representative' within paragraph 7.5 of the report.

Members were informed that Mrs Vicky Jenks had been appointed as Pension Administration Manager and she would be commencing in the post on 19th December 2023. One of her priorities would be to look at the resources of the team.

With regard to the Governance Compliance Statement (Appendix B) and specifically page 8 (page 28 of the agenda document pack), a Member questioned whether Councillors could sit on the Pensions Board given that the Government had stated that Councillors could no longer be members of the Pension Scheme. In response, the Pension Operations Team Leader commented that she would look into this and update the statement.

In terms of the outstanding tasks that were mentioned in the report, the Pension Operations Team Leader confirmed that they did not have an impact on people's pensions or employers as the outstanding tasks were more system related. It was reiterated that the team's priority was making sure that pensions were paid on time.

It was noted that since the report had been written, the Helpdesk Officer vacancy had been appointed to and in responding to further staffing questions, the Pension Operations Team Leader explained that it was hoped that the current vacancies within the team would be fully staffed within the next two to three months. With regard to the three employees currently on long term sickness within the Communications and Governance Team, it was commented that these cases were not work related. Members were informed that staff were encouraged to come back into the office to work and an away day had recently been held, which had brought all of the team together.

With regard to the draft Business Plan (Appendix E and page 118 of the agenda document pack), it was commented that under the Climate Change section, a reference would be added of the Fund's intention to be Net Zero by 2050.

With regard to the online training that all Members of the Pensions Committee were required to undertake, it was noted that Ms Alison Grange was the Officer to be contacted in relation to any queries.

RESOLVED:

1. That the position as set out in the report of the Pension Operations Team Leader be accepted.
2. That the Governance Compliance Statement, Administration Strategy Statement and Communications Policy as Appendices B, C and D, all of which have been reviewed, be approved.
3. That the draft Business Plan in Appendix E be noted.

38 Columbia Threadneedle Responsible Engagement Update

Ms Anais Cothureau, Ms Albertine Pegrum Haram and Ms Chantelle Kelly, Columbia Threadneedle Investments, were in attendance to present this item. They spoke about the responsible engagement overlay service and provided an update on climate change engagement on Shropshire County Pension Fund holdings.

A Member commented that they were disappointed with the presentation as they had expected more information to have been included. Detailed information concerning what a milestone actually means, the targets that have been set to reach it and the achievements, particularly in relation to climate change, was missing as was information that would determine how successful and efficient Columbia Threadneedle Investments are in terms of undertaking their engagement.

Mr Philip Hebson, Independent Advisor to the Committee, commented that Shropshire County Pension Fund had become a recognised signatory to the UK Stewardship Code and as part of the renewal process, there was a requirement to define clear results and outcomes from engagement. The need to have these results was also emphasised by the Committee.

The Committee were taken through an engagement case study concerning the company CRH and heard how open and extensive engagement had taken place with them on their journey to achieving Net Zero by 2050. Questions were asked regarding the influence and confidence of the trajectories in terms of the material sector achieving Net Zero by 2050 as well as how Net Zero was measured.

A question was asked regarding the consequences that were in place for companies that did not meet the milestones and in responding, Columbia Threadneedle Investments explained that they had a monitoring engagement framework and that their Net Zero Strategy contained details of the escalation tools that were at hand and how interim escalation strategies around voting at Annual General Meetings and active ownership could be used.

In concluding this item, the Chairman thanked Columbia Threadneedle for their attendance at the meeting.

39 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 July 2023 to 30th September 2023.

Further clarification was sought from the Committee regarding the manager voting reports and particularly when objections to management proposals achieved greater than 10% in the UK as there was then an obligation on the board to consider that matter. With regard to the regulations in the US, the Pensions Investment and Responsible Investment Manager commented that he would provide further clarification on this at the next Committee meeting.

Regarding the recent Government consultation on the next steps on investments as part of the Chancellor's Autumn Statement, the Committee were informed of the key

points that had come from the Government's published response. A question was asked relating to the announcement that all assets should be transferred to pools by the 31 March 2025 under a comply and explain framework and how much influence Shropshire County Pension Fund had in persuading LGPS Central to develop funds which would enable the transfer of assets into that fund. It was also commented that it was encouraging that the Government were not proposing mandatory asset allocations.

With regard to the Net Zero Strategy launched by LGPS Central in October 2023 (Appendix E of the report), it was requested that further training be provided on this.

RESOLVED:

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.

40 2023 Climate Risk Management Report

Members received a presentation from Mr Basyar Salleh and Mr Jack Yonge, LGPS Central, the purpose of which was to present the findings of the 2023 Climate Risk Management Report which analyses the Fund's approach towards climate-related risks and opportunities.

Members were informed that there were three key headlines as follows:

- Financed Emissions have decreased by 46% since 2020 and are 68% lower than the benchmark.
- WACI (Weighted Average Carbon Intensity) has decreased by 59% since 2020 and is 57% lower than the benchmark.
- Top 10 emitters (i.e. those companies which contribute most to the Funds climate metrics) are all being engaged.

In terms of reporting disclosures amongst local authority pension funds, it was reported that LGPS Central's eight Partner Funds were all ahead of most other local authority funds.

It was noted that the WACI benchmark figure (page 9 on the presentation and page 279 on the agenda document pack) needed to be amended from 71.3 to read 135.4 and the graphs on pages 10 and 11 of the presentation (page 280 and 281 of the agenda document pack) also needed to be amended. A revised version of the presentation would be emailed to all Committee Members and uploaded onto the Pensions Committee webpage for the meeting.

In concluding this item LGPS Central made the following comments:

- The Fund was managing climate risk well and was in place to meet upcoming DLUHC requirements;
- The Fund's Climate Metrics continue to trend downwards;
- Continue to review, improve and enhance climate disclosures; and

- Consider adopting interim targets to achieve Net Zero by 2050.

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 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 presentation, LGPS Central explained that the recommendations in the Climate Report aimed to further enhanced Shropshire County Pension Fund's policies and disclosures and that it was important to continue monitoring developments in regulation and industry best practice.

The Chairman commented that it was encouraging to hear that Shropshire County Pension Fund was ahead of other local authority peers particularly, as the Fund was relatively small when compared to others. In responding to this, a Member commented that whilst it was good that the Fund was doing well, it was important not to feel too comfortable, as there was always more that could be done.

42 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 16, 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.

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

RESOLVED:

That the exempt minutes of the meeting held on 15 September 2023 be approved and signed by the Chairman as a correct record.

44 2023 Climate Risk Management Report (Exempted by Category 3)

Mr Basyar Salleh and Mr Jack Yonge, LGPS Central, were in attendance to present this item.

45 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.

46 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.

47 Investment Monitoring - Quarter to 30 September 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 September 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.

48 Governance (Exempted by Category 3)

The Committee received the exempt report of the Pension Operations Team Leader which informed them of regulatory breaches arising in the quarter 03 July 2023 to 30 September 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 Pension Operations Team Leader be approved.

49 Mercer Training Session on Employer Exit Strategies

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

Signed (Chairman)

Date: