

AGENDA

Meeting: Wiltshire Pension Fund Committee
Place: Kennet Room - County Hall, Bythesea Road, Trowbridge,
BA14 8JN
Date: Thursday 21 November 2024
Time: 10.00 am

Please direct any enquiries on this Agenda to Ben Fielding - Senior Democratic Services Officer of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line: 01225 718656 or email: Benjamin.fielding@wiltshire.gov.uk

Press enquiries to Communications on direct lines (01225) 713114/713115.

This Agenda and all the documents referred to within it are available on the Council's website at www.wiltshire.gov.uk

Membership:

Voting Membership

Wiltshire Council Members:
Cllr Richard Britton (Chairman)
Cllr Gordon King
Cllr Stuart Wheeler
Cllr Gavin Grant
Cllr Robert Yuill

Substitute Members

Cllr Sarah Gibson MP
Cllr Carole King
Cllr Christopher Newbury
Cllr Ian Thorn

Swindon Borough Council Members

Cllr Kevin Small
Cllr Vijay Manro

Employer Body Representatives

Jodie Smart
Claire Anthony

Non-voting Membership

Observers
Stuart Dark
Mike Pankiewicz

Recording and Broadcasting Information

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Public Participation

Please see the agenda list on following pages for details of deadlines for submission of questions and statements for this meeting.

For extended details on meeting procedure, submission and scope of questions and other matters, please consult [Part 4 of the council's constitution](#).

The full constitution can be found at [this link](#).

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Items to be considered

Time

PART I

Items to be considered when the meeting is open to the public

1 **Apologies** 10.00am

To receive any apologies for absence or substitutions for the meeting.

2 **Minutes** (Pages 7 - 18)

To approve and sign as a true and correct record the Part I (public) minutes of the previous meeting held on 10 October 2024.

3 **Declarations of Interest**

To receive any declarations of disclosable interests or dispensations granted by the Standards Committee.

4 **Chairman's Announcements**

To receive any announcements through the Chairman.

5 **Review of Actions arising from previous meeting(s)**

To review progress on any actions requested by the Committee in previous meetings.

6 **Public Participation**

The Council welcomes contributions from members of the public.

Statements

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named on the front of the agenda for any further clarification.

Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution.

Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of this agenda no later than 5pm on **Thursday 14 November 2024** in order to be guaranteed of a written response. In order to receive a verbal response, questions must be submitted no later than 5pm on **Monday 18 November 2024**. Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is

urgent.

Details of any questions received will be circulated to Committee members prior to the meeting and made available at the meeting and on the Council's website.

7 **Responsible Investment Update** (Pages 19 - 30) **10.15am**

The Investment and Accounting Team Lead to present a report on the Fund's quarterly responsible investment performance.

8 **MiFID II Compliance and Declaration** (Pages 31 - 34) **10.35am**

The Investment and Accounting Team Lead will present an update requesting completion by members of their self-certification of MiFID II.

9 **Date of Next Meeting** **10.50am**

To determine the date of the next Committee meeting dates:

- Administration focused meeting – 12 December 2024
- Investment focused meeting – 27 February 2025

10 **Urgent Items**

Any other items of business which, in the opinion of the Chairman, should be considered as a matter of urgency. Urgent items of a confidential nature may be considered under Part II of this agenda.

11 **Exclusion of the Public** **11.00am**

To consider passing the following resolution:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Numbers 12 – 15 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 1 & 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

PART II

Item(s) during consideration of which it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed

12 **Minutes** (Pages 35 - 46)

To approve and sign as a true and correct record the Part II (private) minutes of the previous meeting held on 10 October 2024.

- 13 **Redington Investment Advisor Training** *(Pages 47 - 60)* **11.05am**
Training on the new pension health check dashboard.
- 14 **Quarterly Investment Update** *(Pages 61 - 110)* **11.25am**
The Investment and Accounting Team Lead to present a report on the Fund quarterly investment performance.
- 15 **Brunel Governance Update** **12.00pm**
A verbal update on the report from officers summarising the ongoing Brunel governance arrangements.

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Wiltshire Pension Fund Committee

MINUTES OF THE WILTSHIRE PENSION FUND COMMITTEE MEETING HELD ON 10 OCTOBER 2024 AT KENNET ROOM - COUNTY HALL, BYTHESEA ROAD, TROWBRIDGE, BA14 8JN.

Present:

Cllr Richard Britton (Chairman), Cllr Gavin Grant, Cllr Gordon King, Cllr Vijay Manro, Cllr Robert Yuill, Mike Pankiewicz and Claire Anthony

100 **Apologies**

Apologies for absence were received from Karl Read, Jodie Smart, Cllr Nick Botterill, Cllr Stuart Wheeler and Cllr Kevin Small.

101 **Minutes**

The minutes of the meeting held on 19 September 2024 were presented for consideration.

The Chairman noted that a minor amendment had been made to minute of Item 85, Chairman's Announcements, as follows:

"The Chairman noted that at the last Committee meeting feedback had been requested from Members to remove reference of the Investment Sub-Committee from the Constitution. No comments had been received; therefore, the Chairman and Members were now happy to proceed with the required changes".

After which, it was,

Resolved:

To approve and sign the minutes as a true and correct record.

102 **Declarations of Interest**

There were no declarations of disclosable interests.

103 **Chairman's Announcements**

There was no Chairman's Announcements.

104 **Review of Actions Arising from Previous Meeting(s)**

The Committee reviewed the Actions Log.

105 **Review of the Minutes of the Local Pension Board**

The Committee reviewed the minutes of the Local Pension Board meeting held on 23 September 2024 and the included recommendations, and it was,

Resolved:

To note the minutes of the Local Pension Board meeting on 23 September 2024.

106 **Public Participation**

No statements or questions were submitted.

107 **Welcome to the Actuarial Consultants**

Melanie Durrant (Partner), Hagen Eichel (Actuary) and Lucy Byrne (Actuary) from Barnett Waddingham provided the Committee with a presentation which included but was not limited to the following points:

- The team provided an introduction as well as an overview of their experience.
- An overview of the role of an actuary was provided.
- A timeline for the work set to be conducted with the Wiltshire Pension Fund was provided that covered a three-year period concluding with the finalised valuation report in March 2026.
- An overview of the work currently being conducted was provided. Detail was provided surrounding the development of the employer covenant monitoring with it noted that a questionnaire had been released last month that had a 40% response rate with information to then be gathered to inform the Covenant Policy.
- Detail was provided on the methodology and funding approach used by Barnett Waddingham as well as how smoothing is used to mitigate market fluctuations.
- Barnett Waddingham had taken the 2022 valuation results and had rebased them using their own methodology which had resulted in results within a 2% similarity, which presented a positive starting position. Individual results would now be worked through as well as inter-valuations.
- An overview was provided on Section 13, which was a review that formed part of the Public Service Pensions Act and was conducted by the Government Actuary to investigate whether all LGPS funds were consistent and compliant. It was outlined that in the 2022 iteration of Section 13 the Wiltshire Pension Fund was green rated across each metric. Next steps relating to Section 13 were outlined.
- Barnett Waddingham outlined their next steps of work to be completed, including finalising onboarding, preparing for the 2025 valuation and supporting the Fund.

The Committee discussed the presentation with clarity sought regarding the difference between the methodologies used by the previous actuary and Barnett Waddingham. Questions were also posed in relation to the rebased data regarding how assumptions had been used.

The relationship between Barnett Waddingham and the LGPS Pool was discussed, with it noted that the actuary spoke to consultants rather than the Pool directly. It was also clarified that in relation to Section 13, there was a general need for all funds to consider climate risk when setting actuary assumptions.

An offer was made that the Barnett Waddingham team would be happy to return to the Committee during the valuation process to further demonstrate their methodology in practice. It was also stated that the actuary was not aware of any significant risks currently and that the timetable should enable them to work to the Fund's deadlines.

It was agreed that Members would consider areas for training regarding the valuation process in consultation with Officers before confirming to Barnett Waddingham.

108 **Headlines and Monitoring (HAM)**

Jennifer Devine, Head of Wiltshire Pension Fund, supported by other officers, presented the Headlines and Monitoring report. The report included but was not limited to that the Annual Report had now been published online and had been sent out to Members. Engagement had continued with the ongoing pensions review and that following the Government call for evidence, the Fund had submitted a response as well as a covering letter as agreed during the last Committee meeting.

It was noted that Pension Awareness week had taken place last month and that drop-in sessions had taken place in the Atrium which Members and Officers had attended. Webinars had also taken place and were oversubscribed, therefore mop up sessions were set to take place. The staff engagement survey had also recently concluded and showed positive responses compared to the previous iteration with a whole Fund meeting taking place to take a deep dive into the response feedback with training still cited as a topic.

An overview of the Risk Register was provided, with it noted that the Fund Governance rating had now changed from red to green following strategic procurements completed. Compliance and regulations had risen from green to amber due to the call for evidence and data management had changed from green to amber because of the migration to Oracle and late data in relation to i-Connect. It was also noted that resourcing had been altered back to a red rating due to there being vacancies to be filled within the administration areas.

An update on audits was provided with it noted with an action plan in place to cover the recommendations made by SWAP in June 2024. It was noted that there were now only 5 audit recommendations compared to the 13 previously, with most areas progressing ahead of deadline. An extension was however requested for the Complaints Monitoring & Reporting action and that meetings were taking place to align with the corporate risk register.

Detail was provided on the Quarter 3 2024 Health Check Dashboard which included that service delivery KPIs still showed as having a lot of red rated percentages however there was more green areas than previously and that this was expected to further increase once the backlog had gone. It was noted that customer service excellence standards had been given an amber rating with an assessment set to be taken next May once the KPIs were in a better position. The internal audit position was an amber rating with the number of recommendations reduced and there having been a positive direction of travel. Detail was provided that budget plans suggested that the Fund would be under the expected cost per Member based on the size of the Fund with officers working prudently to manage the costs in line with the budget. Regarding staff engagement this was given an amber rating though it was in a better position following the recent staff survey result.

The Committee discussed the report with clarification sought regarding the engagement with detail provided that the fact sheet sent out had been opened 59,000 times by members with 300 people attending the webinar and drop in event and a further 140 people waiting for subsequent webinars. The area of recruitment issues was discussed, with an update provided that sadly though the Fund had appointed a new Principal Officer they had subsequently pulled out. It was however noted that salary benchmarking had led to generating more interest in roles as well as better quality applicants.

Further detail was provided regarding the training that had been given to the Fund team and how there was a reliance on feedback from the team with it recognised that different people learn in different ways.

It was agreed that a copy of the Pensions Review covering letter would be sent round to Committee Members following the meeting. Clarification was also provided that the process of producing budget monitoring reports was soon to be up and running again.

Clarification was sought regarding the service delivery KPIs, with it stated that the red rated KPIs generally occur when a case is missed within the minimum agreed time, however a sweep up is conducted at the end of each day to ensure that payments are not missed. It was outlined that generally the missed cases were down to complex cases or staff absences. It was suggested that the target to get all employers using i-Connect before 2027 wasn't ambitious, to which it was suggested by officers that onboarding would likely be completed

ahead of this date with the majority being onboarded by the end of the scheme year.

At the conclusion of debate, it was,

Resolved:

The Committee agreed to:

- **Approved the risk register recommendations made by the Board and the officer assessment of risk as presented in the July version of the risk register:**
- **Noted the SWAP Key Controls action log and approved an extension to the Complaints Monitoring & Reporting action to 31 December 2024.**

109 **Key Financial Controls**

Christopher Moore, Investment and Accounting Team Lead provided an update concerning the operational accounting arrangements. The update included but was not limited to that the final sign off for the full Wiltshire Council Accounts for 2019/20 had progressed with a final drafted version with the external auditors for signing. It was outlined that changes had been made to the original wording, and no numbers had been amended. The final version would be shared once available.

It was outlined that there was a national statutory deadline of 13 December for accounts to be signed off with Deloitte not expecting to be able to express an opinion on the accounts for 20/21, 21/22 or 22/23 which would then roll forward to the new auditor's opinion on the 2023/24 accounts. Grant Thornton were at the end of finalising this audit, which required additional sampling and testing due to the unsigned accounts for previous years. However, due to the unsigned previous years accounts Deloitte will have to issue a qualification on the 23/24 accounts in relation to the opening balances.

Regarding budget reporting, work was being done to get the processes up and running again following the Evolve implementation.

The Committee discussed the update with comments made regarding how Deloitte had only recently requested changes to the 2019/20 accounts and that because the accounts were still open Deloitte had a right to raise points. It was clarified that all of the points raised by Deloitte had been answered and that the 2023/24 accounts were in a process of extensive testing by Grant Thornton which would provide assurance.

It was suggested that with the potential for other issues to be raised from unsigned accounts that work was being completed on unstable foundations with

the, to which it was noted that no further changes to figures had been suggested so far. Assurance was also provided by officers that the budget report would be available by the end of the calendar year.

At the conclusion of debate, it was,

Resolved:

The Committee agreed to use the report to monitor progress against resolving the issues which have been identified.

110 **Employer Under Performance Charging**

Matt Allen, Employer Funding & Risk Lead, presented a paper covering the Fund officers proposed administration charging strategy. The report included that this report had already gone to the Local Pension Board and provided an explanation on the charging process for underperformance. It was outlined that under Regulations 70 (1 and 2) of The Local Government Pension Scheme Regulations 2013 that the Fund had the power to recover any additional administrative costs that had been incurred, because of a Scheme employer's underperformance.

It was outlined that currently the additional cost of any underperformance was picked up by all the other employers, which was deemed to be unfair, therefore it was believed that such costs should be met directly by the underperforming employer. A process had therefore been identified to allow for the recovery of administration costs which was included within the report.

It was stressed that this approach was a last result and would not be an approach that the Fund would want to immediately take with a focus instead on working together to create positive outcomes.

The Committee discussed the report with clarity provided that under performance related to a variety of issues including employers not providing data or returning forms, which would then have an impact on Members, staff workload and valuations. It was clarified that initial communications would be friendly and would then progress in severity. It was outlined that communications regarding the charging process would be included within the Pension Administration Strategy and that in the meantime employers would be contacted on an individual basis to maintain positive relationships with employers who had been positively engaging.

At the conclusion of debate, it was,

Resolved:

The Committee agreed to approve the charging of additional costs for underperforming Scheme employers in line with the above proposals and in line with the Local Government Pension Scheme Regulations 2013, and where necessary seeks from Officers such clarifications or further information as they require.

The Chairman called the meeting to a break at 11.55am and then resumed the meeting at 12.01pm.

111 **Covenant Risk Document**

Matt Allen, Employer Funding & Risk Lead to updated members on the progress of the covenant review and provided Councillors with a simplified Covenant Risk document of answers to questions they may experience at Town & Parish Council meetings.

It was noted that Lucy Byrne, Barnett Waddingham Actuary had earlier provided an update on the work regarding the Covenant Risk Document with an employer forum set to take place in November with communications regarding employer scorecards set to be sent out later this year.

At the conclusion of update, it was,

Resolved:

The Committee agreed to note the Covenant Risk Review update and where necessary seek from Officers and Actuaries such clarifications or further information as they require.

112 **Constitutional Amendments**

The Committee received a two-part update by Democratic Services and the Fund Governance Manager on proposed changes to the Council's constitution and associated documents.

Democratic Services – proposed changes to the Council's Constitution

Kieran Elliott, Democracy Manager, provided the following update, which included but was not limited to the following points that it was proposed that minor changes would be made to the Council's Constitution as well as the Committee's Terms of Reference. The changes included the following:

- a) To remove all references to the Investment sub-Committee:
- b) To ensure that all activities in the former Investment Sub-Committee's terms of reference are incorporated into the Committee's terms of reference: and
- c) To reflect that the Committee meets more frequently under the new Committee meeting structure.

Further minor changes included that currently the Constitution stated that the Chairman and Vice-Chairman should be from the administering authority, Wiltshire Council, however in practice there was no reason why this could not be a Member of Swindon Borough Council. It was outlined that the proposed changes had been taken to the Standards Committee with recommendations made to Full Council on 15 October 2024.

Fund officers – Equivalent changes to Committee’s terms of reference and Governance Compliance Statement

Richard Bullen, Fund Governance Manager, provided the following update, which included but was not limited to the following points that the Governance Compliance Statement was not part of the Constitution however the delegations within came down from the Constitution. A multi-stage process was in place and once the Constitutional changes had been made the Governance Compliance Statement and Terms of reference would be aligned.

It was noted that a further review of both documents would take place following the introduction of the Regulator’s new general code of proactive and the SAB’s good governance review.

At the conclusion of debate, it was,

Resolved:

The Committee agreed to recommend those changes be submitted to the Council’s Constitution Focus group for their own consideration and onward implementation.

113 **TPR Breach Policy**

Richard Bullen, Fund Governance Manager, provided an update on changes to the Fund’s TPR Breach Policy requiring approval. The update included but was not limited to that the Board had previously received the TPR Breach policy in February 2022 on behalf of the Committee with it agreed that a further review would take place following the introduction of the TPR’s new general code of practice, which came into force on 27 March 2024.

Changes to the Policy were outlined the Committee including the development of “material significance” examples and how such should be evidenced; which would be included within a subordinate document with explanations. The Policy was also made to align with the Fund’s escalation arrangements as set out within the Pensions Administration Strategy Document with clarity provided that where a difference may occur, the TPR breach policy’s escalation approach for breaches of law would take primacy. Clarification was also provided on the reporting arrangements to the Pensions Regulator, which would now allow for

another senior officer to submit a report to the Regulator on behalf of the s151 Officer.

It was also noted that it had originally been agreed that Fund breaches would be published within the Annual Report and on the Fund's website, however this approach had been modified with all breaches publicised within the Fund's annual Low Volume Performance Report.

The Committee discussed the updates with clarity provided that no comments or amendments had been suggested by the Local Pension Board. The consequences of breaches were discussed, with it outlined that this could vary from fines to support to make corrective action. It was also noted that data breaches were treated separately and that if a fine was to be levied it would be paid from the Fund itself.

At the conclusion of debate, it was,

Resolved:

The Committee agreed to:

- a) Review the attached TPR Breach Policy Guidelines and approval their alignment with TPR's new general code of practice: &
- b) Approve the practice of publishing the Fund's record of breaches via the annual Low Volume Performance Report as the preferred approach.

114 **Committee Forward Work Plan**

The Committee reviewed the Forward Work Plan.

115 **Date of Next Meeting(s)**

The following dates of the next meetings were confirmed:

- Investment focused meeting 21 November 2024
- Administration focused meeting 12 December 2024

116 **Urgent Items**

There were no urgent items.

117 **Exclusion of the Public**

It was,

Resolved:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Minute Numbers 19 - 22 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 1 & 3 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

118 **Minutes**

The private minutes of the meeting held on 19 September 2024 were presented for consideration, and it was,

Resolved:

To approve and sign the minutes as a true and correct record.

119 **Review of the Part II Minutes of the Local Pension Board**

The private minutes of the Local Pension Board meeting held on 23 September 2024 were presented for consideration, and it was,

Resolved:

To note the minutes as a true and correct record.

120 **Integrated Payroll System Update**

James Franklin, Pension Administration Lead, presented a payroll migration update.

At the conclusion of debate, it was,

Resolved:

The Committee agreed to note the progress concerning the migration to our Integrated Payroll System.

121 **Integrated Immediate Payments Update**

James Franklin, Pension Administration Lead, presented immediate payments update covering Oracle reporting & debt recovery arrangements.

At the conclusion of debate, it was,

Resolved:

The Committee agreed that a decision would be made on the next steps the Fund should take if outstanding monies are not received following a third chase attempt.

(Duration of meeting: 10.00 am - 12.33 pm)

The Officer who has produced these minutes is Ben Fielding - Senior Democratic Services Officer of Democratic Services, direct line: 01225 718656 or e-mail: Benjamin.fielding@wiltshire.gov.uk

Press enquiries to Communications, direct line 01225 713114 or email communications@wiltshire.gov.uk

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
21st November 2024

RESPONSIBLE INVESTMENT UPDATE REPORT

Purpose of the Report

1. The purpose of this report is to update members on responsible investment issues.

Progress against recent decisions and the actions in the Responsible Investment Plan 2024/25

2. Progress against the actions in the Responsible Investment Plan 2024/25 is as follows, along with links to the completed work:

Action	Work due	Progress status	Comments
Complete allocation to a nature-based fund in the Clops portfolio	Q2 2024		Scope of work and timeline agreed with Investment Consultant to appoint x2 managers for this final item in the Clops portfolio.
Complete allocation to a listed equities strategy in the Clops portfolio	Q2 2024		Manager selected for this strategy.
Publish the Stewardship Report and mini-magazine	Q2 2024		Completed and published online: https://www.wiltshirepensionfund.org.uk/Stewardship-Summary
Publish the Affordable Housing Impact Report	Q2 2024		Report published and available on our website: Investing with Impact - Wiltshire Pension Fund
Publish a report into our fossil fuel holdings	Q2 2024		Climate and Nature report published on our website: Climate - Wiltshire Pension Fund
Research and write up case study on fashion holdings	Q2 2024		Complete: Investing in fashion - how do our investments measure up? - Wiltshire Pension Fund
Conduct a site visit to an affordable housing development	Q2 2024		Complete, visit to two sites completed and included in the Affordable Housing impact report. Man Group site and two CBRE sites in London. Building affordable housing from the ground up - Revisiting Saltdean two years on! - Wiltshire Pension Fund
Deliver a younger members focus group	Q2 2024		Due to low levels of interest, this action has been closed. Options are being considered on how to progress engagement with younger members.
Carry out climate scenario modelling	Q3 2024		Expect this to now happen in Q1 2025 with new investment consultant.
Review and update the Responsible Investment Policy	Q3 2024		Published on our website: How we do it (our approach) - Wiltshire Pension Fund
Publish a Climate and Nature Report	Q3 2024		Published: 2024 Climate and Nature Report: Our Journey to Net Zero - Wiltshire Pension Fund
Publish a Social Impact Report	Q3 2024		The Spotlight on Social Report has been published: Spotlight on Social - Wiltshire Pension Fund

Action	Work due	Progress status	Comments
Conduct an employer survey	Q3 2024		Survey has been shared with employers, survey went out later to avoid summer holidays, survey to close in November.
Write up a case study into one of our private markets managers	Q3 2024		Case studies being written and will be included in the UK investment report.
Investigate best practice ESG integration for bank loans	Q4 2024		Completed (Document included as an appendix to this paper)
Make the final affordable housing allocation	Q4 2024		Sign up completed to Octopus Affordable Housing Fund. Meet our new Investment Manager: Octopus Investments - Wiltshire Pension Fund
Develop the transparency tool to cover fixed income holdings	Q4 2024		Work well progressed with managers to get data in the correct format.
Publish a case study into "levelling up" investments	Q4 2024		Report rebranded to be focuses on investing in the UK. Report in draft format awaiting final site visits to complete remaining case studies. Expect to be published in December 24.
Research and write up a case study into food systems	Q4 2024		Not yet started
Investigate the topic of ESG as a risk management tool in private debt	Q4 2024		Questions sent to Brunel for a case study interview with their Private Debt manager.
Investigate climate targets for private markets portfolios	Q1 2025		Not yet started
Scope the Clops Impact Report	Q1 2025		Not yet started
Research and write up a case study into a just transition	Q1 2025		Not yet started

3. The fund has continued reporting on how its voting rights have been exercised, a shortened report is available on our website, [Voting - Wiltshire Pension Fund](#). A fuller version of the report is available as an appendix to this paper.

Environmental Impacts of the Proposals

4. This report includes information on actions and policies which directly deal with addressing climate change risk.

Safeguarding Considerations/Public Health Implications/Equalities Impact

5. There are no known implications at this time.

Proposals

6. The Committee is asked to use this report as a basis for monitoring the progress that is being made towards implementing responsible investment policy.

Report Author: Chris Moore (Investment and Accounting Team Lead)

Unpublished documents relied upon in the production of this report: NONE

Appendices:

Appendix 1 – Engagement in credit markets case study

Appendix 2 – Q2 voting report

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Engagement in credit markets

Introduction

Shareholder activism and engagement in equity markets are well understood topics that garner a lot of attention. This has increasingly become the case as investors now have access to more information about companies' activities and their environmental, social and governance (ESG) scores, and the public have become more conscious of the impact that companies have on the world around them. However, the topic of if and how lenders engage with debtors in credit markets is less discussed, so we spoke with PineBridge, who manage a portfolio of leveraged loans for Wiltshire Pension Fund, to find out about how they're engaging with debtors on ESG issues.

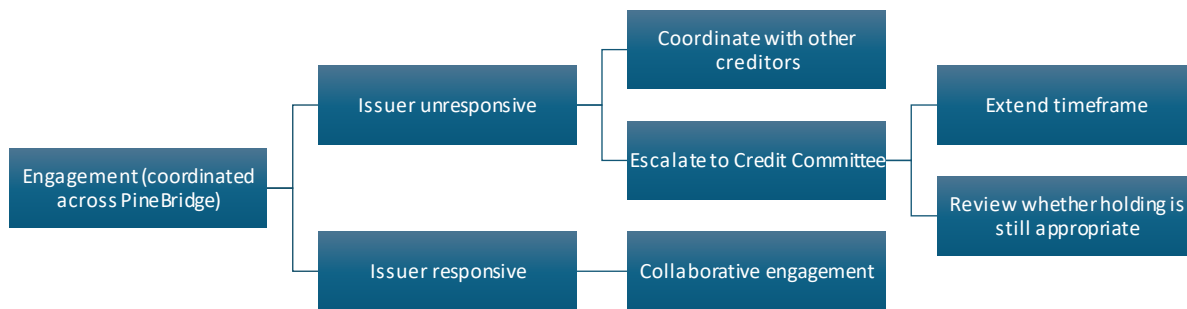
PineBridge's approach

PineBridge are focused on constructive engagement with the issuers that they invest in. This means fostering a relationship that enables an open dialogue with issuers regarding improving ESG practices, risk management and the development of sustainable business practices. PineBridge's engagement activities are generally centred around three ESG themes: limiting global warming to 1.5°C (in line with the Paris Agreement); diversity, equity and inclusion; and human rights issues. These engagement efforts are based on the understanding that ESG factors can impact the long-term financial health of an issuer. By managing ESG-related risks, PineBridge aims to preserve or enhance the long-term value of its investments.

PineBridge provided us with an example of one of their debtors, a well-known cruise line, which was receptive to their engagement efforts. The cruise line in question operates in some of the most beautiful destinations around the world. However, cruise lines in general are well known for being heavily reliant on fossil fuels and producing considerable waste from their operations. PineBridge engaged with the company on some of these concerns and found management to be receptive to their engagement, with the cruise line outlining their aspiration to be "net carbon neutral by 2050, with interim goals by 2030". The company explained that their roadmap includes fleetwide upgrades to improve fuel efficiency, investing in port/destination projects and taking delivery of Liquefied Natural Gas (LNG) powered ships.

PineBridge suggest that in most instances, issuers, such as this cruise line, are receptive to engagement and willing to work constructively with creditors. But what about when issuers aren't so receptive, what levers can PineBridge pull (aside from selling the holding)? PineBridge explained that, from a legal perspective, there are limitations to the powers that lenders have in order to bring about change to an issuer's business practices, however the issuer will be subject to their escalation process where they feel that the issuer isn't meaningfully engaging with them. This means that the matter will be reviewed by PineBridge's Credit Committee, which will decide whether to continue engaging while extending the timeframe for the implementation of any suggestions or whether to review the issuer's approval status to determine if the investment remains suitable for inclusion in the portfolio. PineBridge also explained that they coordinate their engagement efforts across the firm, this gives them more leverage where they hold loans from the same issuer across more than one portfolio. Additionally, while coordinating engagement efforts with other lenders isn't part of

PineBridge’s formal engagement process, they will reach out to other lenders where they feel that an issue is material and they don’t feel that the issuer is meaningfully engaging.



One common issue across the leveraged finance market that PineBridge highlighted in relation to engagement and managing ESG concerns was the lack of data, most notably with regards to firms’ ESG policies, management of ESG risks and greenhouse gas emissions disclosures. They went on to explain that “less than 25% of the leveraged loan market are public filers”. PineBridge hope to help address this concern by encouraging issuers with poor ESG disclosures to adopt and publish a formal ESG policy, make a more concerted effort to disclose key ESG metrics, and encouraging them to complete the LSTA ESG Diligence Questionnaire, or its equivalent, on an annual basis.

Conclusion

In summary, much like in equity markets, engagement in credit markets relies on the issuer’s willingness to participate. However, unlike equity holders, creditors don’t have voting rights (at least not with regards to general corporate governance matters) and generally have fewer legal mechanisms to influence the issuer should they choose not to engage. Having said that, we’re pleased with PineBridge’s proactive approach with regards to addressing some of the challenges with engagement and ESG data in credit markets, their alignment with [the values of our members](#), and we look forward to hearing more about how their engagement efforts are progressing.





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Voting report (Q2 2024)

Summary

The following summary includes votes cast on the fund's equity holdings managed by Brunel and Ninety One during quarter 2 of 2024:

- We voted at **1,073** meetings on **15,449** separate resolutions.
- We only abstained on **170** resolutions (1.1%), demonstrating that we exercised our rights to vote the vast majority of the time.
- We voted in favour of **12,279** resolutions (79%), demonstrating that we upheld our intention to be supportive of management to help them continue to run successful businesses, but also exerted pressure on companies when needed.

The voting update for this quarter is longer than usual, as the second quarter of the year is typically when most publicly traded companies hold annual general meetings (AGMs), which is where shareholders with voting rights have the opportunity to vote on company matters.

Glencore plc

Glencore is one of the world's largest producers and marketers of commodities. We hold the company in our "Global High Alpha Equities" portfolio, which is managed by Brunel Pension Partnership, and our holding in the company is worth ~£525k, representing <0.05% of Wiltshire Pension Fund's equity holdings (as at 30 June 2024).

2024 has continued to be testing for Glencore on the ESG front. In June of this year Legal & General's investment management division (LGIM) announced that they will be selling any Glencore shares held in their workplace pension funds and ESG funds. This was due to concerns relating to the company's production of thermal coal and a lack of disclosure with regards to how its projected thermal coal production aligns with efforts to limit global temperature increases to 1.5°C above pre-industrial levels (as per the Paris Agreement).

At Glencore's 2024 AGM, which preceded LGIM's announcement, there was a vote on the company's "2024-2026 Climate Action Transition Plan". This newer climate action plan represented an improvement on the climate report outlined in 2023, however there remains a feeling that the plans don't go far enough. While their Transition Plan outlines the company's ambition to achieve net zero industrial emissions by 2050 and a desire to responsibly phase down thermal coal operations, we would've liked to have seen a firmer commitment with regards to the disposal of thermal coal assets as well as enhanced disclosures with regards to the company's thermal coal operations. Additionally, there are concerns that the baseline year against which Glencore's emission targets are set (2019) is a year where the company experienced inflated carbon emissions. As a result, reductions achieved against this baseline may not align well with the Paris Agreement's 1.5°C scenario.

As a result of the concerns outlined above, as well as in [our 2024 Climate and Nature Report](#), we support the vote against the resolution for Glencore's "2024-2026 Climate Action Transition Plan", however the majority (90.07%) voted for the resolution. While we recognise that the recent climate action plan is an improvement on the climate report outlined in 2023, we're still not convinced of

Glencore's ability to transition to a low carbon economy and therefore will continue to request that Brunel sell this holding.

Tesla Inc

We hold Tesla in both our "Global High Alpha Equities" and "Paris-Aligned Benchmark Passive Global Equities" portfolios with Brunel. As of 30 June 2024, our holdings in Tesla were worth £16.7m (representing 1.4% of Wiltshire Pension Fund's equity holdings).

One of the most contentious proposals from Tesla's 2024 AGM was the vote to ratify the 100% performance-based stock option award to CEO, Elon Musk. This amounted to a payout to Musk worth ~\$56bn (as at early June 2024), more than three times Tesla's net income in the financial year ending December 2023. We want to be supportive of management in order to help them run the business effectively, however we're willing to support a vote in opposition to management's recommendations where we don't believe that the resolution is beneficial to shareholders and other stakeholders. In this instance, we feel that the pay package is excessive and hasn't had its intended effect, which was to focus Musk on the interests of Tesla shareholders. On the contrary, earlier this year when a Delaware judge ruled that Musk's pay package was excessive, Musk testified that the money would be used to finance interplanetary travel - suggesting that his attention would further be split between Tesla, SpaceX and his other endeavours. While we supported the vote against the proposal, the proposal received the support of the majority (72%) of voting shareholders.

In addition to the pay deal, the two proposals that we found interesting, which didn't receive as much attention: a proposal regarding annual reporting on anti-harassment and discrimination efforts; and a proposal regarding adoption of a freedom of association and collective bargaining policy. We voted for both proposals, in opposition to management's recommendations and to the majority of shareholders.

Shell plc

We hold Shell in our "Global High Alpha Equities" portfolio with Brunel. Our holding is worth ~£2.7m (as of 30 June 2024), representing 0.23% of Wiltshire Pension Fund's equity holdings.

In Shell's 2024 AGM, the company's "energy transition strategy 2024" took centre stage. In the document, the company announced that by the end of 2023 they were 60% of the way toward halving scope 1 and 2 emissions* by 2030. Shell also announced that they're expecting to invest \$10-15bn into low carbon energy solutions between 2023-2025. While Shell dedicated a proportion of their energy transition strategy document to explaining what they've done so far to reduce scope 1 and 2 emissions and how they plan to achieve their 2030 goal, Shell didn't go into much detail with regards to how it will achieve its 2050 goal of being net-zero (including scope 1, 2 and 3 emissions*). Despite Shell's claims that their targets are aligned with the Paris Agreement, [Climate Action 100+](#) suggest that Shell's greenhouse gas emissions targets aren't aligned. Some other criticisms of Shell's strategy are that they've not committed to cutting oil production levels until 2030 and their plan

seems to partly rely on the company producing Liquefied Natural Gas (LNG) with lower carbon intensity in the future and an uptick in demand for LNG.

Second to Shell's own energy transition strategy resolution, a shareholder resolution (23) calling for Shell to align its medium-term emissions targets with the Paris Agreement received some attention. This resolution sought to address the criticism that "no third-party source indicates that Shell's medium-term targets are aligned with a 1.5°C warming scenario. This resolution was put forward by >25 investors, including the Brunel Pension Partnership (which we're both a client and shareholder of).

Given the concerns outlined above, most of which we touched on in [our 2024 Climate and Nature Report](#), we supported a vote against Shell's 2024 energy transition strategy, however, the resolution was approved by 78.03% of shareholders. We also supported a vote in favour of the shareholder resolution (23), calling for alignment with the Paris Climate Agreement, however the resolution was rejected, with 18.62% of votes in favour (down from 20.19% in favour in 2023).

*Scope 1 emissions are those that the company own/controls directly. Scope 2 emissions are those that the company causes indirectly from the production of the energy that the company purchases and uses. Finally, Scope 3 emissions include all other indirect emissions that occur as a result of the upstream and downstream activities of a company.

Conclusion(s) and next steps

[As a proud signatory of the UK Stewardship Code](#), we believe that it is important that we engage with the companies that we own in order to maintain or enhance the value of our assets. Additionally, engaging with the companies that we invest in means that we can seek to influence their behaviour in order to bring about better environmental and social outcomes, something that [our members told us was important to them](#) and is aligned with our goal to be net zero by 2050.

As outlined in the examples discussed here, sometimes our voting and engagement doesn't lead to the result that we would like. However, as seen in the example of Glencore, the pressure created by the process of voting can result in incremental change and improvement, leading to better outcomes for both shareholders and stakeholders. There are some instances where we may feel that our voting and engagement is ineffective and, in those instances, we will discuss next steps and the possibility of divestment with our investment managers, as per our divestment policy (which you can read more about in [our 2024 Climate and Nature Report](#)).

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WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
21st November 2024

MiFID II compliance self-certification

Purpose of the Report

1. The purpose of this report is to request confirmation by the committee and members that the fund should retain opted up for professional investor status.

Background

2. The implementation of MiFID II (Markets in Financial Instruments Directive) reclassified local and public authorities as retail investors from 3rd January 2018. Such a reclassification would severely limit the investment opportunities available to the fund, preventing the fund from implementing the investment strategy. It is worth noting that by opting for professional status the fund also loses some of the protections granted to retail investors. Full details of this are available here: [Protections.pdf](#)
3. At the Committee meeting on 13th September 2017 (Minute 25) members confirmed that they would opt for “Professional Investor” status with effect from 3rd January 2018, on the introduction of the MiFID II guidance.
4. LGPS administering authorities who are elected professional clients under this process are responsible for keeping their managers and advisors informed of any change that could affect their current categorisation. If not, these firm must take ‘appropriate action’, which could include re-categorising the Fund as a retail client.
5. The committee completes this annual self-certification process as part of its assessment of maintaining professional client status. Any new investment manager or advisor undertakes this review with the fund, this has recently been completed for the new investment advisor and new fund sign ups. It is based on a range of qualitative and quantitative assessment of the fund. One part of this is the knowledge, skills and experience of the committee.
6. The assessment has previously been made by asking each voting member of the committee to sign a self-certification form. This year we are proposing an approach for the fund to makes a collective assessment of its competence, or if preferred members can complete the individual signed declarations.
7. In making this assessment, committee members may wish to consider the support they receive from suitably qualified officers and professional advisors (retained advisor and independent advisor). Having an agreed training plan in place and receiving suitable training relevant to any decisions being made, such as the upcoming training on social investment. As well as personal training and experience in making informed investment decisions as part of the committee.

Key Considerations for the Committee / Risk Assessment

8. Members are requested to self-certify that they undertake the necessary continuous training to ensure that they remain competent to perform the duties and responsibilities associated investment decision making.

Financial Implications

9. No direct implications.

Legal Implications

10. There are no known implications from the proposals.

Environmental Impacts of the Proposals

11. There is no known environmental impact of this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications currently.

Proposals

13. For either:
- a) all voting members of the Committee to complete the self-certification letter, as required.
 - b) For the Committee to confirm that collectively they have the requisite skills, experience and support to remain a professional investor.

Jennifer Devine
Head of the Wiltshire Pension Fund

Report Author: Christopher Moore, Accounting and Investment
Unpublished documents relied upon in the production of this report: NONE



Wiltshire Pension Fund, County Hall, Bythesea Road, Trowbridge, BA14 8JN
Tel: 01225 713613 – **Email:** pensionenquiries@wiltshire.gov.uk
Web: www.wiltshirepensionfund.org.uk

Confirmation of continued MiFID II Compliance – November 2024

Required

1. Name

2. I confirm that I have read and acknowledge the "MiFID-II-continued-competency-confirmation-Nov21.pdf" document included within this meeting pack and endeavour to maintain sufficient knowledge and understanding of investment products, services and markets to continue my role on the Wiltshire Pension Fund Pension Committee.

3. Link to document also provided for information.

<https://wiltshirecouncil.sharepoint.com/sites/ext-coll-W87/Shared%20Documents/MiFIDII/MiFID-II-continued-competency-confirmation-Nov21.pdf>

Signed

Dated

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