

# **WIRRAL COUNCIL**

## **PENSIONS BOARD**

**14 SEPTEMBER 2020**

<b>SUBJECT:</b>	<b>PENSION BOARD REVIEW 2019-20 AND WORK PLAN 2020-21</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>INDEPENDENT CHAIR OF PENSION BOARD</b>
<b>KEY DECISION?</b>	<b>NO</b>

### **1.0 EXECUTIVE SUMMARY**

This report which has been prepared in accordance with the Terms of Reference of the Pension Board reviews the work and performance of the Board and its Members during its fifth year (1 April 2019 to 31 March 2020). This report also includes a proposed Work Plan for 2020-21.

1.1 This report contains exempt information. This by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. information relating to the financial or business affairs of any person, including the authority holding that information.

### **2.0 BACKGROUND AND KEY ISSUES**

Under Section 11.3 of its present Terms of Reference (approved by the Wirral Council at its meeting held on 9 December 2019) the Board is required to produce, on an annual basis, a report for consideration by the Scheme Manager which is the Wirral MBC Pensions Committee. This review has been prepared by the Independent Chair of the Board for consideration by the Board at its meeting on 14 September 2020. Following consideration by the Board an approved version of this review will be presented by the Independent Chair to the Pensions Committee at its meeting on 2 November 2020.

#### **Purpose and Constitution of the Merseyside Local Pension Board**

Under its Terms of Reference, the purpose of the Merseyside Local Pension Board is to assist the Administering Authority (Wirral MBC) in its role as a Scheme Manager under the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations. The Pension Board consists of nine members and is constituted of four Employer representatives, four Scheme member (Employee) representatives and an Independent, non-voting Chair who has responsibility for the co-ordination and operation of the Board. The Board provides a specific forum for Employers and

Employees to be actively involved in the governance of the Merseyside Fund on an ongoing basis.

### **Terms of Reference of the Merseyside Pension Board**

The present Terms of Reference of the Pension Board were approved by the Wirral Council at its meeting held on 9 December 2019.

The original Terms of Reference were approved by the Wirral Council on 16 March 2015 and revised at the Council meeting held on 10 December 2018. The Pension Board Review 2018-18 (which was considered by the Pension Board on 12 November 2019 and the Pensions Committee on 3 February 2020) provides a description and explanation of the 2018 revisions which included increasing the minimum number of Board meetings to be held annually from two to four.

When the Pension Board's Terms of Reference were under review in 2018 the Pensions Committee (on 13 June 2018) specifically requested Officers to undertake a review relating to the terms of appointment of the Pension Board members. Consequently, the Director of Pensions undertook a review which resulted in a number of proposed changes to the Terms of Reference of the Pension Board. These reflected the revisions to the Board's Terms of Reference of 2018, the actual activity of the Board, the increasing complexity of the LGPS and The Pensions Regulators increased expectations of Pension Boards. This review resulted in the preparation of new Pension Board Terms of Reference which were approved by the Pensions Committee on 4 November 2019 and subsequently by the full Council on 9 December 2019.

The present Terms of Reference are clear that the Pension Board does not assist the Administering Authority (Pensions Committee) only at its formal meetings but on an ongoing basis as set out in the new points j to m of Section 4.7. These changes specifically require the Independent Chair to assess, constructively challenge and provide comments on draft Strategy and Policy documents of the Merseyside Fund and Consultations issued by Government, Regulators, the Scheme Advisory Board and equivalent bodies. Point j effectively requires the Director of Pensions and Head of Pensions Administration to maintain ongoing communication with the Independent Chair.

This means that the Administering Authority is positively seeking the input of the Pension Board throughout the policy making process and not merely at the point when a final draft has been prepared and that there is a definite desire by the Administering Authority to involve the Pension Board in the ongoing development of the Merseyside Pension Fund. These changes also, I suggest, reflect the positive value that the Pensions Committee of the Wirral Council places on the role and input of the Pension Board. I would also comment that this development reflects very positively on the whole Pension Board as these changes have, I believe, only occurred due to the positive and diligent approach taken by all individual members of the Board since its creation in 2015.

The 2019 Terms of Reference changes also included an amendment to the Quorum requirements to assist the practical operation of the Board. This amended the minimum quorum from 4 voting members to include 2 Employer and 2 Employee representatives to 4 voting members to include at least one Employer or Employee representative. The method for determining the remuneration of the Independent Chair and Members of the Board was also updated.

## Board Meetings 2019-20

Issues considered at each Board meeting, in addition to the Minutes of the previous meeting and Declarations of Interest are shown in the Table below:

	17/07/19	12/11/19	5/2/20	31/3/20 *
LGPS Update	/	/	/	/
Investment Pooling Update	/	/		/
Pensions Administration Report/Benchmarking	/	/	/	/
Working Party (IMWP/GRWP) Minutes	/	/	/	/
Risk Register	/	/	/	/
Pension Fund Budget	/		/	
Treasury Management Annual Report/Policy	/		/	
Training and Development	/	/	/	
Audit Findings Report	/			
Fund Annual Report and Accounts	/			
Internal Audit Plan and Report	/			
Wirral Council Motion (Climate Change)	/			
Scheme Pays Policy	/			
Governance Policy Statement		/		
Pension Regulator Engagement Report		/		
Pension Board Terms of Reference		/		
Catalyst Fund Update		/		
Compliance Manual		/		
Draft Pension Board Review and Work Plan		/		
Actuarial Valuation			/	
Funding Strategy Statement			/	
Employer Covenant Analysis				/
Revised Investment Strategy Statement			/	
Good Governance (in the LGPS) Project			/	
Property Arrears			/	
Internal Management			/	
External Audit Plan				/
Gifts and Hospitality				/
Admission Body Application				/
Write-off of irrecoverable pension payments				/

\* Meeting scheduled for 31 March 2020 cancelled due to COVID-19 restrictions

In accordance with the revisions to the Board's Terms of Reference of December 2018 four Board meetings were arranged for the period 1 April 2019 to 31 March 2020, the period covered by this review. The meetings scheduled for 17 July 2019, 12 November

2019 and 5 February 2020 took place in Liverpool as planned. The meeting scheduled for 31 March 2020 had to be cancelled at short notice due to COVID-19. The Director of Pensions had consulted with the Independent Chair of the Pensions Board regarding issues to be considered at this meeting and the Fund Officers were in the process of preparing the reports. Therefore, the Items that would have been considered by the Board on 31 March 2020 have been included in the Table above. Attendance by Members of the Pensions Board at the meetings actually held during 2019-20 was 79%. As will be observed from the Table above during 2019-20 the Pension Board received reports on a very broad range of issues across the whole range of the Merseyside Pension Fund's activities including governance, risk/finance, pensions administration, investment and actuarial matters. The Board also received a report at each meeting in respect of national LGPS issues under the heading LGPS Update. These reports as written were not only broad in their coverage but were also well explained, and expanded as required, by the Head of Pensions Administration in her oral presentations to the Board. These updates were also, in my view, very helpful to us as individual Board members in contributing to fulfilling our knowledge and understanding (Training and Development) obligations as required by the Public Service Pensions Act 2013.

The LGPS Updates included coverage of what are surely the most important governance and operational challenges currently relating to the LGPS. These are, respectively, the "Good Governance in the LGPS" project and the age discrimination in the present LGPS benefit arrangements highlighted as a result of the "McCloud" case. In relation to "McCloud" the oral presentation made (in respect of the LGPS Update report) by the Head of Pensions Administration to the Board on 5 February 2020 left no doubt as to both the importance and complexity of this issue which will result in a huge additional administrative burden for every LGPS Fund across England and Wales.

The LGPS Update Report to the meetings of 17 July 2019 and 12 November 2019 included an explanation and update relating to the Scheme Advisory Board (SAB) project "Good Governance in the LGPS" which has the active support of the Ministry of Housing Communities and Local Government (MHCLG). On 5 February 2020 the Board received a report which provided an update on the work of the "Good Governance in the LGPS" project and in particular the Phase II report which was prepared by Hymans Robertson with the advice of two Working Groups and issued in November 2019. The Officer report summarised the recommendations of the Good Governance Phase II report which proposes a number of fundamental changes to significantly enhance the governance requirements upon each of the (now) 85 separate LGPS Funds in England and Wales and described the next steps in the project (Phase III) agreed by SAB. The reforms proposed in the review will not be optional to LGPS Funds. They will be compulsory and compliance required under new Statutory Guidance which will be issued by MHCLG. Compliance will be assessed by an independent review process overseen by the SAB which could result in a referral to the TPR or ultimately the MHCLG. Crucially the Officer report stated that the Merseyside Fund was undertaking a preliminary Gap Analysis and preparing for the requirement to implement in full the new LGPS governance arrangements once finalised.

As a member of both the SAB Working Groups that advised on the Phase II report and as a member of the Phase III Implementation Group appointed by SAB to further progress the "Good Governance in the LGPS" project to finalisation I was particularly

impressed with the positive approach to this matter expressed in the 5 February 2020 Officer report to the Board, and also the oral presentation by the Head of Pensions Administration who (in my view rightly) stressed that the Good Governance project is seeking to strengthen LGPS governance going forward whilst maintaining strong links to democratic accountability. Given the fundamental importance of the “Good Governance in the LGPS” project a further report on the project and the Merseyside Pension Fund response has been included in the Pension Board Work Plan 2020-2021. The Merseyside Pension Fund operates within the overall context of the LGPS in England and Wales. Therefore, it is important that the Pension Board is aware of and appreciates national issues relating to the Scheme. In addition to the broad ranging and informative LGPS Update reports and the specific report on the “Good Governance in the LGPS” project, already referred to, the Pension Board also received a report relating to a nationally focussed review of the LGPS undertaken by The Pensions Regulator.

The Board meeting held on 12 November 2019 received a report entitled “The Pensions Regulator’s Engagement with LGPS Funds.” This informed the Board of a report issued by The Pensions Regulator (TPR), in September 2019, following an engagement exercise with ten LGPS Funds to understand the challenges facing them. The Officer report was clear that the Merseyside Pension Fund (MPF) positively welcomed this review of the LGPS and that Officers would be assessing the MPF’s policies, strategies and procedures against the findings of The Pension Regulator’s report. To seek assurance with regard to this the Pension Board Work Plan 2020-2021 includes a report on the MPF’s Follow Up to the Pension Regulator’s Engagement with LGPS report.

In my 2018-19 Pension Board Review I referred to a report received by the Board in October 2018 in respect of Actuarial Valuation issues and commented that this report and an accompanying document from the Fund Actuary, Mercer, *“clearly demonstrated to the Board a positive and proactive approach to both engagement with Employers and the overall approach to the (then) forthcoming Actuarial Valuation”* On 5 February 2020 the Board received a report summarising the outcomes of the 2019 Actuarial Valuation. It is consequently pleasing to note that, based on this report and the Officer presentation, the Actuarial Valuation had involved in-depth discussions between the Fund Actuary (Mercer), Officers and Employers in relation to the core financial and demographic assumptions. In addition, initial individual Employer results had been provided in November 2019. Crucially, the final Actuarial Valuation results were subject to consideration of Employer covenant reviews thus providing additional assurance and confidence to both the Fund and all Employers collectively.

As is required the Actuarial Valuation was accompanied by a review of the Funding Strategy Statement (FSS). An explanatory report and the proposed revised FSS was provided to the Board at its meeting held on 5 February 2020. It was positive to see that consultation with Fund Employers was undertaken in November 2019. This allowed for Employer feedback to be genuinely considered. The Board also observed that the Fund had responded positively to Employers in terms of permitting the prepayment of future service contributions in that it had initiated a pilot for a small number of larger Employers. The Board was concerned that this pilot should be carefully evaluated. Consequently, the Board resolved that *“Following a pilot of prepayment of Future Service contributions by large employers an update report be brought to a future meeting of the Local*

*Pensions Board on the impact on the operational activities of administration, treasury management and investment management.” This is expected during 2021-2022.*

A report on the Fund’s revised Investment Strategy Statement was presented by the Director of Pensions to the 5 February 2020 meeting of the Board. I would reiterate the comments of Geoff Broadhead (Large Employer representative) who on behalf of the Board, as the Minutes record, expressed thanks “...for the clarity of the report which Members agreed presented complex issues in an easy to understand way.”

Overall Merseyside Pension Fund governance as it actually operates, together with the operation and performance of the Pensions Administration service remained the principal focus of the Board in 2019-20, as in previous years. The Fund Risk Register, which is fundamental to effective governance, was presented, considered and observations made at each Board meeting held during 2019-20. As the Board Minutes of 12 November 2019 state, it is positive that the Risk Register is considered and reviewed by each of the (Officer) Fund Operating Group, the (Elected Member led) Governance and Risk Working Party and the Pension Board. This facilitates consideration of risk by different Fund stakeholders with different perspectives.

The Board’s focus on overall Fund governance was further facilitated by consideration, as in previous years, at each Board meeting of the Minutes of the Fund’s two standing Elected Member led working groups - the Investment Monitoring Working Party (IMWP) and the Governance and Risk Working Party (GRWP). Continuing the established practice of Pension Board Members attending some meetings of the IMWP a member of the Board attended the 14 November 2019 meeting and two members attended the 25 February 2020 meeting as Observers. The Minutes of the Governance and Risk Working Party (GRWP) provided, amongst other assurance, clear evidence of the broad consideration of Pension Administration issues at its meetings. A member of the Pension Board attended 14 November 2019 meeting of the GRWP as an Observer.

During 2019-20 (as in 2018-19) the Board also received a broad range of reports and documents relevant to the overall governance and operation of the Merseyside Pension Fund. These included the Fund Budget 2019-20 and Outturn for 2018-19; the (External) Audit Findings report for year ending 31 March 2019; Internal Audit Report 2018-19 (and Plan 2019-20); Statement of Accounts and Fund Annual Report for the year ended 31 March 2019; Treasury Management Annual Report 2018-19 and Treasury Management Policy 2020-21. As in previous years the presentation of all these reports and documents gave the Board clear opportunity to understand, review and ask questions regarding the overall planning and operation of the Fund’s activities. and their evaluation by independent persons (External and Internal Audit).

The Internal Audit Report 2018-19 and Plan 2020-21 together with the presentation by the Chief Internal Auditor of the Wirral MBC provided assurance as to the breadth of the audit work undertaken in 2018-19 and planned for 2020-21 which covered/will cover Pensions Administration, Investment, Accounting & Compliance and Cross Cutting issues.

For both Employers and Employees who are the two groups represented on the Pension Board the issue of Pensions Administration is the most immediate and important

interface between them and the Merseyside Pension Fund. It is therefore appropriate that the Pension Board, at each meeting during 2019-20 received both a detailed written report and oral presentation from the Head of Pensions Administration on a wide range of Pensions Administration matters including detailed statistics and narrative commentary. These reports and presentations were subject to active comment and discussion as well as significant questioning and constructive challenge by Board members representing both Employers and Employees and the Independent Chair.

The issue of Cyber Security must be a matter of robust activity, ongoing development and vigilance for all Pension Funds. This is also an area of particular interest to The Pensions Regulator (TPR). It was therefore appropriate that this matter was covered in very significant detail in the Pensions Administration Report presented to the Board at its meeting held on 12 November 2019 and has now been added to the areas to be included in all subsequent reports.

The decision of the Pensions Committee to approve a Voluntary Scheme Pays scheme as reported to the Board on 17 July 2019 is a welcome development which will be beneficial to both Employees (who are subject to tax charges for breaching the HMRC Annual (pensions contribution) allowance) and Employers in terms of assisting them in recruiting and retaining senior staff. It will however, as the report highlighted, also have clear resource implications. Clearly (from the perspective of the Pension Board) these need to be taken into account in preparation of the Pension Fund Budget.

The development and implementation of Asset (Investment) Pooling continued to be a high profile development in the Local Government Pension Scheme (LGPS). This will have a significant effect on both the investment and overall governance arrangements of the LGPS. In 2019-20 (as in 2018-19) the Board received in depth documentation on the development and activity of the Northern LGPS pooling arrangement which were supplemented by the clear explanations provided to the Board by the Director of Pensions.

These updates on Investment Pooling included the draft Pool Operating Agreement, pooling updates provided to the Pensions Committee and the Minutes of the Northern LGPS Shadow Joint Committee. As the Minutes of the Board Meeting of 17 July 2019 record the Board discussed the draft Operating Agreement in detail. It is extremely positive that the original stated intention that the Northern LGPS Joint Committee consist of one third Employee representatives was included in the final Operating Agreement as signed by the Wirral MBC, Bradford MBC and Tameside MBC. This action of the three Northern LGPS Administering Authorities in agreeing this level of Employee representation is extremely positive and an excellent example to all the other LGPS Asset Pools across England and Wales. This level of Employee representation on the Northern LGPS Pool Joint Committee should clearly provide genuine diversity of approach and experience to the Committee which should help assist in good decision making.

In 2018-19 (27 March 2019 meeting) the Pension Board passed a motion expressing its grave concern over suggested amendments to the MHCLG's approach to Asset Pooling governance arrangements which it considered were excessively prescriptive and unnecessarily expensive to the Northern LGPS Pool. It is very pleasing to note from the Minutes of the Northern LGPS Pool Joint Committee the proactive approach of the pool

in engaging with MHCLG to ensure that Asset Pooling governance requirements as set down by the government do genuinely meet the needs of the LGPS – particularly the Administering Authorities but also its Employers and individual members - and that they do not result in the forced establishment of arrangements which are not necessarily in the best interests of the LGPS and its stakeholders.

In accordance with the LGPS Regulations the Pensions Board has no role in Investment decision making. However, it has a clear role in reviewing the governance and operational arrangements relating to the investment activity of the Merseyside Pension Fund. As has already been described, in this report, the Pension Board received the Funds revised Investment Strategy Statement; receives the Minutes of the Investment Monitoring Working Party (IMWP) - the principal forum for the consideration of investment matters; and Board Members are able to, and do, attend the IMWP as Observers.

Furthermore during 2019-20 the Board received reports on four specific important aspects of Investment governance and operations. Firstly the Motion on Climate Change, debated and agreed by the Wirral Council on 18 March 2019, which was proposed by the present Chair of the Pensions Committee and seconded by the then Committee Chair highlighting the positive and proactive work of the Merseyside Pension Fund to integrate climate risk into both the investment strategy and actual investments of the Fund. Secondly the Catalyst Fund which seeks to help deliver economic growth projects in Merseyside while providing a commercial return for the Pension Fund – the Board indicated it was supportive of the Catalyst Fund approach. Thirdly a report on revisions to the Compliance Manual. Fourthly an update on Internal Investment Management Arrangements.

The 12 November 2019 Board meeting received a report on and copy of Section 5 of the Compliance Manual (Management of Investments) which had been revised in the light of the extension of the Fund's Internal Management activity. This opportunity to formally examine and seek information in relation to the Compliance Manual provided assurance that the Compliance Manual is actively reviewed in the light of developments in investment activity/practice by the Fund. The Pension Board received a copy of the entire Compliance Manual on the last occasion it was fully revised (in 2017) and looks forward to receiving reports on and copies of future revisions.

As reported in the 2018-19 Pension Board Review the Board had discussed and indicated that it was clearly favourable to the further development of in-house Investment capability as described in the report of the Director of Pensions to the Board of 27 March 2019. In particular the Board discussed the recruitment and retention of Investment staff and encouraged the Director of Pensions to explore options to facilitate the recruitment and retention of suitable staff to meet operational requirements. At its meeting on 3 February 2020 the Board received an "Update on Development of Internal Investment Management Arrangements." This included details of a proposed further expansion of internal management of listed equities which it was believed would deliver improved net investment returns to the Fund. As in 2019 the Board was supportive of the principle of extending the internal management of investments but was concerned as to the practicalities of recruitment and retention of suitable staff. The Pension Board therefore resolved to request the Director of Pensions to report to a future meeting of



the Board on developments and recruitment of staff. I would further state that it is noteworthy that Recommendation E.5 of the “Good Governance in the LGPS Phase II report” published by the LGPS Scheme Advisory Board for England and Wales in November 2019 states *“Each Administering Authority must give proper consideration to the utilisation of pay and recruitment policies, including as appropriate market supplements, relevant to the needs of their pension function...”* This recommendation, of course, applies to all Pension Fund posts and not only those concerned primarily with Investment related issues. The Board looks forward to receiving a further report from the Director of Pensions on the development of Internal Investment Management including specific coverage of recruitment and retention issues.

## **Training and Development**

Sufficient and effective Training and Development are clearly essential for Board Members to properly discharge their responsibilities. Furthermore, knowledge and understanding/skills are specifically required of Pension Board Members by the Public Service Pensions Act 2013. The Board’s Terms of Reference include detailed requirements and guidance in this respect. Each Board Meeting during 2019-20 received a report reminding Board Members of their training and development responsibilities and providing details of training and development opportunities.

As pointed out earlier in this report the LGPS Update to each Pension Board meeting provided individual Board members with knowledge and understanding in respect of significant national LGPS issues. In 2019-20 these included: The MHCLG Consultation on Changes to the Local Valuation Cycle and the Management of Employer Risk; HM Treasury Consultation on Restricting Exit Payments in the Public Sector; the Scheme Advisory Board “Good Governance in the LGPS” project; the “McCloud case and its implications; Additional Voluntary Contributions with specific reference to Equitable Life.

In 2019-20 Board Members attended a range of external training and conference events. These included the Pensions and Lifetime Savings Association Local Authority Update (1 Member), Annual Conference (3 Members) and Investment Conference (1 Member); LAPFF Conference (2 Members) and Pension Board specific update seminars organised by CIPFA (6 attendances by 3 Members).

The Investment Monitoring Working Group and the Governance and Risk Working Party are excellent forums for Board Members to broaden their knowledge and understanding of a wide range of issues in the specific context of the Merseyside Pension Fund. Three Members attended Working Group meetings during 2019-20. Four Members of the Pension Board attended the Annual Employers Conference held in November 2019 which as in previous years covered a wide range of issues across governance (including a presentation by Bob Holloway of the Scheme Advisory Board), administration (including the Digital Transformation Programme), investment (including Performance and Responsible Investment), Actuarial issues (with a specific focus on the 2019 Actuarial Valuation) as well as a specific session on Asset (Investment) Pooling.

## **Reporting Breaches of the Law to the Pensions Regulator**

The Pension Board does not itself have decision making powers. In respect of the Reporting of Breaches of the Law to the Pensions Regulator (TPR) the Administering Authority has determined (Pensions Committee of 16 November 2015) that the Board should be consulted by Officers when considering whether or not to report a specific breach (or likely breach) to TPR. This is an important role granted to the Board in terms of ensuring the good governance of the Fund and appropriate interpretation of TPR guidance and the Merseyside Fund's policy on reporting Breaches of the Law.

During the period covered by this report there was one occasion when the Board was asked to give their view as to whether or not a Breach of the Law should be reported to the Pensions Regulator (TPR) or alternatively recorded in the Breaches Log. At the Board meeting held on 5 February 2020 Officers raised a Breach of the Law in relation to the erroneous sharing of personal information, relating to a small number of individual members of the Fund, by a third party provider to the Merseyside Pension Fund. Officers provided the Board with a detailed written explanation and analysis of the breach. The Board discussed in detail the circumstances, effects and reaction to the breach. The Board raised concerns as to the nature of the data erroneously shared but unanimously confirmed the Officers' view that the breach was not material (as defined in The Pension Regulators Code 14) and therefore should be recorded in the Fund Breaches Log but did not need to be reported to The Pensions Regulator or the Information Commissioner Office. It was noted that use of the third party supplier had been suspended.

### **Members of the Pension Board**

Notwithstanding the excellent support the Board receives from the Director of Pensions and his Senior Officers the Board could not function effectively and fulfil its role under the LGPS Regulations of "*assisting*" the Administering Authority without good Members. In this regard I am of the view that the Pension Board was in 2019-20, as in previous years, was very fortunate. The Members of the Board, both Employer and Employee representatives, brought a clear diversity of perspectives coupled with extensive experience and understanding of both pensions and the Employer/Employee perspective.

Both Employer and Employee representatives actively discussed, commented upon and constructively challenged the reports received by the Board and the presentations by Officers. There was genuine and active engagement across the members of the Board. I would wish to place on record my personal thanks to each member individually – Geoff Broadhead, Peter Fieldsend (who was appointed a new Employer representative in November 2019), Roger Irvine, Pat Moloney, Donna Ridland, Lynn Robinson and Paul Wiggins.

In June 2020, subsequent to the 2019-20 Year End, Paul Wiggins died after a long illness. Paul had served as an Employee representative on the Board since its creation in 2015 and previously as a Co-Optee on the Pensions Committee of the Wirral MBC. Paul was exemplary in both his approach to membership of the Board and in his approach to us all as individuals. It was a privilege to the Board that he served as a Member. Paul will be remembered with gratitude and much affection.

### **Support for the Board by the Administering Authority during 2019-20**

If a Pension Board is to genuinely contribute to the Governance and operation of an LGPS Fund then the active and ongoing support of the Administering Authority is essential. The Merseyside Pension Board received this in 2019-20 as it has since its creation in 2015.

It is clear that the work of the Board is genuinely valued by the Pensions Committee. During the year I had a number of positive interactions with the Chair of the Pensions Committee, Councillor Pat Cleary, and am aware of positive comments that he has made to the Pensions Committee regarding the activity of the Board. The proactive approach of the Pensions Committee in 2019 to further revising the Board's Terms of Reference and referring these to the full Council for approval is a very clear indication of the Committee's desire to enable the Board to assist it as effectively as possible.

As in previous years the Board received extremely positive support, advice and guidance from the Fund Officers. Meetings of the Board were supported and attended by the Director of Pensions and the senior members of his team responsible for Pensions Administration and the Finance/Risk Management of the Fund. This Officer support is the same as that provided to the Pensions Committee and further demonstrates that the Administering Authority genuinely encourages and supports the positive participation of the Board in the governance and operation of the Fund. There continued to be frequent discussions between Board meetings, involving myself and the Director of Pensions/ Head of Pensions Administration. These covered a range of issues and were initiated by both myself and the Officers. On behalf of the Board I would wish to thank the Officers for their positive approach and their reports, guidance and advice.

### **Recommendations made to the Scheme Manager (Pensions Committee)**

There were no formal recommendations made by the Board to the Pensions Committee during 2019-20. The Minutes of each Pension Board are however included on the Agenda of the Pensions Committee and these, of course, include coverage of notable Board discussions and Resolutions passed by the Board.

The Director of Pensions and Head of Pensions Administration also specifically draw to the attention of the Pensions Committee issues that the Board has made particular comment on or passed a resolution in respect of. In 2019-20 these included the Board's clear support for the approach to Asset Pooling of the Pensions Committee and the strong opposition of the Board to the proposal in the MHCLG Consultation "Changes to the local valuation cycle and the management of employer risk" to remove the requirement for Further Education Corporations, Sixth Form College Corporations and Higher Education Corporations in England to offer new employees access to the LGPS.

### **Pension Board Review 2018-19 and presentation to the Pensions Committee**

The Pension Board Review 2018-19 and Work Plan 2019-20 was considered and approved by the Board on 12 November 2019. This was then considered by the Pensions Committee at its meeting held on 3 February 2020. The Independent Chair attended this meeting and presented the review. The Chair of the Pensions Committee, Councillor Pat Cleary, expressed his appreciation for the work of the Pensions Board.

Councillor Cleary particularly expressed his thanks to the Board for its clear statement and Resolution on Asset Pooling (of 27 March 2019) which was very supportive of both the Wirral Pension Committee's stance and that of the Northern LGPS pool as a whole. The Chair of the Pensions Committee also referred to the positive relationship between the Committee and the Board and requested that his thanks be passed to the Board Members.

#### **Pension Board Costs of Operation 1 April 2019 to 31 March 2020**

<b>Conferences</b>	<b>£</b>
<b>Travel</b>	<b>£</b>
<b>Allowances</b>	<b>£</b>
<b>Other</b>	<b>£</b>
<b>Total</b>	<b>£</b>

#### **Proposed Pension Board Work Plan 2020-21**

The proposed Work Plan for 2020-21 is detailed below and has been prepared jointly by the Director of Pensions and Independent Chair. This maintains an overall emphasis on Fund Governance. Pensions Administration will remain a particular area of focus given that this is an area of direct relevance to both Employers and individual Employees. Investment Pooling will also be an area of focus given this represents a fundamental change to and development of the Governance of the LGPS and further draft Statutory Guidance on this issue is expected from Central Government in 2021. The Work Plan will be updated as necessary during 2020-21.

<b>Agenda item</b>	<b>8/6/20 (Briefing)</b>	<b>14/9/20</b>	<b>10/11/20</b>	<b>30/3/21</b>
LGPS update	/	/	/	/
Pensions Administration Report/Benchmarking	/	/		/
Pooling update	/	/	/	/
IMWP/GRWP Minutes	/	/	/	/
Risk Register	/	/	/	/
External Audit Plan	/			
Employer Covenant review	/			
Supreme Court Ruling	/			
Draft Board Review & Work Plan		/		
Training and Development		/	/	/
Investment Performance		/		
Audit Findings Report			/	
McCloud Remedy Consultation		/		
RPI Consultation Response		/		
Fund Annual Report & Accounts			/	
Fund Business Plan/Budget		/		/
Gifts & Hospitality Register			0	
Catalyst Fund Update			/	
Investment Strategy Statement			/	

Compliance Manual			/	
Bond Review			/	
Internal Audit Report		/		
Customer Service Charter				/
Good Governance in the LGPS				/
Follow up to TPR Engagement Report				/
Internal Management				/

## **Conclusion and Going Forward – the Merseyside Pension Fund and the development of the LGPS in 2020-2021 and beyond**

The Merseyside Pension Fund operates within the overall regulatory/governance framework as defined in the LGPS Regulations LGPS Statutory Guidance and other relevant regulatory and guidance requirements. The Fund must also take careful cognisance of the expectations of the Ministry of Housing, Communities and Local Government (MHCLG); the Scheme Advisory Board for England and Wales (SAB); and The Pensions Regulator (TPR) all of whom have oversight of the LGPS as operated at local level. Reports and presentations made to the Pension Board in 2019-2020 very clearly indicate that the Merseyside Pension Fund (MPF) understands and takes very seriously its present obligations. This is pleasing to report.

However, to fulfil its obligations and deliver an effective service to Employers and in particular the 140,000 individual members the MPF will need to prepare very carefully for the future. In 2020-2021 and beyond two issues in particular will be of critical importance to the LGPS at an individual Fund level across England and Wales. These are the successful implementation of the recommendations of the “Good Governance in the LGPS” project and the implementation of the remedy to the age discrimination (commonly referred to as the “McCloud” case) in the current LGPS benefit arrangements. Unless both of these issues are addressed effectively by the local Funds across England and Wales I personally fear for the future of the local and democratically accountable LGPS arrangements which I believe can best serve the interests of all LGPS stakeholders. These will inevitably require additional resourcing even by a Fund such as Merseyside which, based on the reporting to and constructive challenge by this Board since 2015, regularly reviews requirements, risks and consequently resourcing.

Therefore I believe it is incumbent on the Pension Board, in this Annual Report to the Scheme Manager (the Pensions Committee of the Wirral MBC) to be clear as to the importance the Board places on appropriate attention to and activity with regard to preparation/implementation of both the “Good Governance in the LGPS” project recommendations/requirements and the remedy to the existing age discrimination in respect of benefit entitlement identified as a result of the “McCloud case.” There can be little doubt that both of these will have resourcing, and probably significant, resourcing requirements. Consequently, the Pension Board looks forward to updates as to how these issues are been actively addressed. In addition, the Pension Board anticipates that these matters will be fully considered and reflected in the preparation of the 2021-2022 Merseyside Pension Fund Budget which will be presented for final approval by the Pensions Committee at its meeting to be held in February 2021.

**John Raisin**  
**Independent Chair**  
**Merseyside LGPS Local Pension Board**

### **3.0 RELEVANT RISKS**

3.1 There are none arising from this report.

### **4.0 OTHER OPTIONS CONSIDERED**

4.1 No other options have been considered.

### **5.0 CONSULTATION**

5.1 The Director of Pensions and Head of Pensions Administration have both been consulted in the preparation of this report.

### **6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS**

6.1 There are no previously approved actions outstanding.

### **7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

7.1 There are none arising from this report.

### **8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

8.1 There are none arising directly from this report.

### **9.0 LEGAL IMPLICATIONS**

9.1 There are none arising from this report.

### **10.0 EQUALITIES IMPLICATIONS**

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

### **11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS**

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

### **12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

12.1 There are none arising from this report.

### **13.0 RECOMMENDATION/S**

13.1 That the Board receive and approve the Pension Board Review 2019-20.

13.2 That the Board approves the proposed Work Plan 2020-21

### **14.0 REASON/S FOR RECOMMENDATION/S**

14.1 Section 11.3 of the Terms of Reference of the Local Pension Board of the Merseyside Fund (as revised on 9 December 2019) states that *“The Board shall on an annual basis produce a report on both the nature and effect of its activities for consideration by the Scheme Manager...”*

**REPORT AUTHOR:     JOHN RAISIN**  
**Independent Chair**  
**Merseyside Local Pension Board**  
**21 August 2020**

### **APPENDICES**

### **BACKGROUND PAPERS/REFERENCE MATERIAL**

### **BRIEFING NOTES HISTORY**

<b>Briefing Note</b>	<b>Date</b>

### **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>