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PENSIONS COMMITTEE

Monday, 29 November 2021

Present:

Councillor P Cleary (Chair)

Councillors	AER Jones	JE Green
	C Carubia	B Kenny
	H Collinson	L Rowlands
	T Cox	J Walsh

Councillors M Bond, St Helens Council

Apologies

Councillors C Povall
R Bannister

29 **WELCOME AND INTRODUCTION**

30 **APOLOGIES**

Apologies had been received from Councillor Povall and Mr R Bannister

31 **MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST**

Members were asked to consider whether they had any disclosable pecuniary interests and/ or any relevant interest in connection with any item(s) on this agenda and, if so, to declare them and state what they were.

The following declarations were made:

Councillor Les Rowlands	Pecuniary interest by virtue of his wife being a Member of Merseyside Pension Fund
Councillor Helen Collinson	Pecuniary interest by virtue of her being a deferred Member of Merseyside Pension Fund.

32 **MINUTES**

Resolved – That the accuracy of the minutes of the meeting held on 20 September be agreed.

33 **PUBLIC AND MEMBER QUESTIONS**

No public questions were received in advance of the meeting

Questions were submitted by Councillor Jo Bird as follow:

Regarding investments on companies trading in the Occupied Palestinian Territories

Given that there has been:

1. Questions, motions and protests by members of Merseyside Pension Fund and the wider public
2. Two consecutive and critical engagement reports by Local Authority Pension Fund Forum
3. Reports and advice from the United Nations Special Rapporteur on the situation in the Occupied Palestinian Territories
4. Government advice on high risk of trade with Occupied Palestinian Territories
5. Extensive engagement by the United Nations resulting in a list of 112 companies linked to illegal settlements
6. Adverse findings against two Britain-based companies by the Department for International Trade and OECD
7. Realising around £2m of investment in 7 companies is of a scale and nature unlikely to cause significant financial detriment to Merseyside Pension Fund members

In accordance with policies agreed by Merseyside Pension Fund and Northern Pool, would Pension Committee agree to consider a report at its next meeting – regarding adjusting its own and pooled investments in such companies?

In response to the questions raised Councillor Cleary proposed that the issues raised be addressed and covered during item 9 ‘ Investment Strategy Update’. This was agreed and the order of agenda was then varied so that this item be considered firstly.

34 **STATEMENTS AND PETITIONS**

No statements or petitions were received.

35 **LOCAL GOVERNMENT PENSION SCHEME UPDATE**

A report by the Director of Pensions informed Members that on 15 October 2021, the Scheme Advisory Board (SAB) published the result of its cost management process for the 2016 Scheme Valuation, following publication of amendments to the HM Treasury (HMT) Directions on 7 October 2021.

The report also covered HMT response to its consultation on the proposed reform of their cost control mechanism which overlaps and impacts on the SAB cost management process.

Members heard from the Head of Pensions Administration how the LGPS is subject to two cost management processes; one managed by Treasury and the other by SAB with an explanation provided in regard the mechanics of the process.

Committee Members were reminded that the Cost Management Process of the reformed Career Average Revalued Earnings (CARE) Scheme and the impact of the proposed McCloud remedy on the cost of the scheme was considered at its meeting of 22 June 2021, minute 8 refers. Members were then informed how the original result of the 2016 SAB cost management process was a reduction in cost of 0.9% of pay and a package of measures corresponding to 0.9% increase in employer costs were agreed. However, the process was subsequently paused due to the McCloud judgment, but was restarted following a Ministerial Statement by Luke Hall on 13 May 2021 outlining the details of the proposed remedy. This led to the publication of the Public Service Pensions (Valuation and Employer Cost Cap) (Amendment) Directions 2021 on 7 October 2021. The directions confirmed that costs resulting from McCloud will need to be treated as member costs within the cost management process.

On a motion by Councillor P Cleary and seconded by Councillor J Green it was:

Resolved – That the report be noted.

36 **LOCAL PENSION BOARD MINUTES**

A report by the Director of Pensions provided Members with the draft minutes of the previous meeting of the Local Pensions Board.

It was moved by Councillor P Cleary and seconded by Councillor J Green and

Resolved – That the Pensions Committee note the minutes of the Local Pensions Board.

37 **MEMBERS' LEARNING & DEVELOPMENT**

A Report by the Director of Pensions informed Members of the provision of a Local Government Pensions Scheme (LGPS) focused online pensions' learning facility for officers, Pensions Committee and Pension Board members.

In a response to a question by a Member, the Committee were informed that training proposed detailed within the report would be in addition to what was already on offer.

On a motion by Councillor P Cleary and seconded by Councillor J Green it was

Resolved – That the Pensions Committee note the report and support the roll-out of the online learning programme provided by Hymans Robertson.

38 **UPDATED INVESTMENT STRATEGY STATEMENT**

A report by the Director of Pensions provided Members with an updated Investment Strategy Statement (ISS) which had been revised following legislative and policy developments, changes to guidance and the approval, in September, of the Northern Local Government Pension Scheme (LGPS) Responsible Investment (RI) policy.

Members were advised and reminded how, In September's report to this Committee regarding the Northern LGPS Responsible Investment policy, officers undertook to revise Merseyside Pension Fund's (MPF) Investment Strategy Statement and bring a report on it to a future Committee. Members were informed how Regulation 7(1) requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State. Requirements to this were set out within the report. Members heard how the Investment Strategy Statement must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.

Under Regulation 7(6) and (7), the statements must be published by 1st April 2017 and then kept under review and revised from time to time and at least every three years Legislative and policy developments in respect of Stewardship and Climate risk, in particular.

Members were then informed how the ISS is intended to set out the high-level principles that govern the Fund's investment strategy. Those principles influence or are developed in some of the Fund's policies and procedures such as the Funding Strategy Statement, NLGPS RI policy and internal Compliance Manual where officers in conjunction with the Fund's advisors put them into effect. In the area of climate risk, for example, officers are currently working with advisors to develop short and medium term milestones in the alignment of the Fund's investment strategy with the Net Zero Paris goals.

It was reported how the implementation, monitoring and reporting of outcomes is to the quarterly Investment Monitoring Working Parties. It is proposed that this is enhanced in respect of the RI policy so that the NLGPS RI reports are

included in addition to the LAPFF updates and details of engagements specific to MPF's investments. Information on communications from stakeholders and scheme

The Chair of the Committee thanked the Director of Pensions for engagement with Members on the updating of the Investment Strategy Statement.

In response to questions by Members including those asked at the beginning of the meeting by Councillor Jo Bird, Members were advised how the investment strategy updating process in in order for the funds to best engage in the process in order to promote good governance.

It was moved by Councillor Cleary and seconded by Councillor Jones and

Resolved: -That officers bring a report to the next meeting of Pensions Committee which addresses the points raised and related matters at agenda item 5.3 at the committee meeting of 29 November 2021, thereby allowing the committee to determine what, if any, adjustments in investments might be recommended to officers.

39 **NORTHERN LGPS UPDATE**

A report by the Director of Pensions provided Members with an update on pooling arrangements in respect of Merseyside Pension Fund (MPF) and the Northern LGPS. Minutes of the previous Northern LGPS Joint Committee meeting are appended for noting.

The Director of Pensions responded to questions by Members.

It was moved by Councillor P Cleary and seconded by Councillor A Jones and

Resolved - That the minutes of the Joint Committee meetings be noted.

40 **MINUTES OF WORKING PARTY MEETINGS**

A report by the Director of Pensions provided Members with the minutes of the Working Parties held since the previous meeting of the Pensions Committee.

It was moved by Councillor P Cleary and seconded by Councillor J Green and

Resolved – That the Pensions Committee approve the minutes of the working party meetings.

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