

PENSIONS COMMITTEE

Monday, 9 December 2024

Present: Councillor B Hall (Chair)

Councillors P Cleary GJ Davies
C Carubia H Cameron
B Kenny T Cox
A Ainsworth S Powell-Wilde

Councillors R Bannister, Unison retired member representative

37 WELCOME AND INTRODUCTION

The Chair welcomed everyone and read out the webcasting notice.

38 APOLOGIES

Apologies for absence have been received from:
Councillor Jeff Green (Councillor Andrew Gardner deputising)
Councillor Ruth Molyneux (Councillor Jo Bird deputising)
Ruth Bennett, Liverpool Council
Martin Bond, St Helen's Council
Christine Howard, Sefton
Jon Rae, Non-District representative

39 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked to declare pecuniary or non-pecuniary interests in items on the agenda. The following declarations were made:

Councillor Jo Bird	Personal interest as her partner was a member of the Merseyside Pension Fund
Councillor George Davies	Personal interest as his wife was a member of Merseyside Pension Fund.
Councillor Andrew Gardener	Personal interest as a Member of Merseyside Pension Fund.
Councillor Brenda Hall	Personal interest as a member of Merseyside Pension Fund and her partner was a deferred member.
Councillor Brian Kenny	Personal interest as his wife was a member of Merseyside Pension Fund.
Councillor Sue Powell-Wilde	Personal interest as a retired member of Merseyside Pension Fund along with her partner

40 **MINUTES**

Resolved – That, subject to Councillor Sue Powell-Wilde being noted as declaring that both her and her partner were retired members of Merseyside Pension Fund, the minutes of the meeting held on 24th September 2024 be agreed as a correct record.

41 **PUBLIC QUESTIONS**

One question has been received but following legal advice the question was disallowed, in accordance with the rules on public questions, as it was substantially the same as a question asked within the last six months in terms of what it was requesting.

No statements or petitions have been received.

The Chair noted that there were a number of people present to observe item 13 (Update on Investment in Defence Companies), so she proposed that the order of items at the meeting be amended to hear that item next. This was agreed by assent. Nonetheless, the minutes are in the order of the agenda.

42 **PENSION BOARD REVIEW 2023-24 AND WORK PLAN 2024-25**

The Independent Chair of the Local Pension Board presented this report, which reviewed the work and performance of the Board and its Members between 1 April 2023 to 31 March 2024 and included a proposed Work Plan for 2024-2025. The Board was required to produce the report for consideration by the Scheme Manager, which was the Wirral MBC Pensions Committee. The purpose of the Merseyside Local Pension Board was to assist the Administering Authority (Wirral MBC) in its role as Scheme Manager under the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations. The Board provided a specific forum for Employers and Employees to be actively involved in the governance of the Merseyside Fund on an ongoing basis. The Independent Chair thanked officers and members for their engagement and that the governance of the Fund was exemplary. He highlighted recruitment and retention as an issue as well as the proposed change of Government policy in relation to investment governance away from individual funds to pools, including moving the responsibility for implementation of investment strategy.

Resolved – That the report be noted.

43 **LOCAL GOVERNMENT PENSION SCHEME CONSULTATION: FIT FOR THE FUTURE**

The Director of Pensions presented this report, which provided Members with details of a consultation until 15 January 2025 by the Ministry of Housing, Communities and Local Government in relation to the investments of the Local Government Pension Scheme. There were three elements to the consultation – reform of asset pools with investment strategy carried out by the pool; boosting investment locally; strengthening governance.

Member discussed the transfer of legacy assets and the power to decide on investments. It was noted that if an entity was created regulated by the Financial Conduct Authority, it may be feasible for some assets to be managed on a segregated basis.

Resolved – That:

- (1) the report and the implications of the consultation on MPF and the Northern LGPS be noted.**
- (2) the Director of Pensions, in consultation with party spokespersons, be authorised to respond to the consultation on behalf of Merseyside Pension Fund.**
- (3) the Director of Pensions, in consultation with party spokespersons, be authorised to work with the Northern GPS (NLGPS) Investment Pool to prepare a report by 1 March setting out how NLGPS proposed to deliver the requirement for an FCA regulated investment manager.**

44 LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE

The Head of Pensions Administration presented this report, which provided an overview of the Government's budget announcement on 30th October and the associated impact on stakeholders of the Local Government Pension scheme. There was a single measure regarding pensions tax specifying that unspent defined contribution pension pots including death grants would form part of a person's estate for inheritance tax purposes from 6 April 2027. The Government was proposing to remove the distinction between discretionary and non-discretionary schemes so that all death benefits and unused defined contribution pension pots would form part of the deceased member's estate. This doesn't apply where the recipient of the death benefits is the deceased member's spouse or civil partner as the intent is to align the tax treatment with other types of inherited assets and remove the incentive to use pensions as a tax-planning vehicle for wealth transfer after death. In circumstances where the beneficiary is not the deceased spouse or civil partner this could result in a 40% charge on those benefits where estates were above the inheritance tax threshold. It is anticipated that in 2027/28 - 49,000 estates will face an inheritance tax bill. There will be no requirement from April 2027 for scheme members to complete an 'Expression of Wish' form as their death benefits would automatically transfer to their spouse/ civil partner or to probate. It was noted that identifying the value of the estate to determine any tax liability would be labour intensive for both the individual and the administration team.

Resolved – That the report be noted.

45 PENSIONS INVESTMENT REVIEW: CALL FOR EVIDENCE

The Director of Pensions introduced this report, to inform Members of a pensions review, launched by the Chancellor, with the objective of boosting investment, increasing saver returns and tackling waste in the pensions system. It was noted that the cover report in the agenda was an incorrect version but the appendix was correct providing Members with a copy of the Fund's response to the consultation.

Members requested that a presentation be made to Councillors outside of the Committee to inform them about the local and UK investments which were made by the Fund.

Resolved – That the report be noted.

46 **WIRRAL LOCAL PENSION BOARD MINUTES**

The Director of Pensions presented his report which provided the Committee with the draft minutes of the previous meeting of the Wirral Local Pension Board.

Resolved – That the minutes of the Wirral Local Pension Board be noted.

47 **MINUTES OF WORKING PARTY MEETINGS**

The Director of Pensions introduced his report, which presented the minutes of Working Parties held since the previous Committee meeting.

Members noted two amendments:

- Item 4 of the Responsible Investment Working Party meeting held on 30 October 2024 had included a request for the % return on the investments presented in the report.
- Item 8 of the Governance and Risk Working Party meeting of 14 November 2024 should have a note stating that substitute Members should also receive an invite to training.

Resolved – That, subject to the amendments noted above, the working party minutes be approved.

48 **CATALYST FUND UPDATE**

The Director of Pensions spoke to his report, which provided Members with an update on the progress of the Catalyst investment activities. It was stated that The Catalyst Fund aimed to support development and refurbishment projects in the Merseyside area that aided the regeneration of the Liverpool City Region and aligned with the economic plans for the area whilst producing a commercial return for the Fund. It was stated that since inception Catalyst Fund had committed over £170 million in 9 assets across direct real estate and infrastructure debt investments and indirectly via private equity fund exposure, diversified across sectors such as residential real estate, commercial real estate, industrial real estate, utilities and SMEs. It was noted that it was likely to be a growing area of the fund and should bring social and environmental benefits.

Resolved – That the report be noted.

49 **UPDATE ON INVESTMENTS IN DEFENCE COMPANIES**

The Director of Pensions provided Members with a summary of deliberations at recent Responsible Investment Working Parties and Investment Monitoring Working Parties with a recommendation that Merseyside Pension Fund (MPF) should ensure that it does not hold investments in companies which manufactured weapons proscribed by international treaty to which the UK government is a signatory.

Government guidance set out that although schemes should make the financial return their predominant concern, they may also take purely non-financial

considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they had good reason to think that scheme members would support their decision. Having considered a range of exclusion scenarios, it was recognised that the diversity of opinion on this subject made it very difficult for Members to have good reason to assume that members would support a specific course of action other than that established by government. The most appropriate action, bearing in mind the various considerations discussed at the working parties and summarised in the report, was to be guided by government policy and advice.

It was noted that there had been a public campaign to have the Merseyside Pension Fund divest from companies which supported a military campaign in Gaza. It was stated that:

- The law was generally clear that schemes should consider any factors that were financially material to the performance of their investments, including social, environmental and corporate governance factors, and over the long term, dependent on the time horizon over which their liabilities arise. Although schemes should make the pursuit of a financial return their predominant concern, they may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they had good reason to think that scheme members would support their decision
- engaging with companies to remind them of their responsibilities under the law was important but would have a limited effect in relation to what was being manufactured.
- Divestment would also have limited effect as the companies were publicly traded so ownership would pass to other shareholders.
- supply chains were often long involving many companies and divesting from any one company may not lead to the desired outcome as competitors may step in.
- Defence of the realm and the regulation of UK export licences for weapons was the role of the UK Government
- recent guidance and legal opinion indicated that it was not appropriate for investment decisions to be made based upon political views.
- decisions about Fund investments should be made in the best interests of the Fund's members under the fiduciary duty.
- 42 letters had been received from members supporting divestment, against a membership of 140,000+
- following this report, a list of companies involved would be considered at a future Responsible Investment Working Party.
- There were other conflicts where this issue was relevant and defence companies can play a role in social stability.

Members appreciated the detail provided in the report and questioned how it related to international treaties, and also whether the 75% threshold of objection could be practically reached or even identified. It was noted that Fund members could be concerned about any detrimental effects on their retirement funds from divestment.

Councillor Pat Cleary proposed the following additional recommendation: "Given the level of concern expressed by members of Merseyside Pension Fund officers are

asked to prepare a report on the steps required and the fiduciary implications of divesting from companies supplying arms to Israel.” This was seconded by Councillor Jo Bird. This was put to the vote and declared lost (two votes for, six against).

Resolved – That Pensions Committee mandates to the effect that Merseyside Pension Fund should not hold investments in companies which manufacture weapons proscribed by international treaty to which the UK government is a signatory.

50 **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

RESOLVED – That, under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined by the relevant paragraphs of Part I of Schedule 12A (as amended) to that Act. The Public Interest test had been applied and favoured exclusion.

51 **PAYMENT OF DEATH GRANT**

The Head of Pensions Administration presented the exempt report.

On a motion proposed by Councillor Sue Powell-Wilde, seconded by Councillor Brian Kenny, it was:

Resolved – That option (c) as set out in paragraph 3.37 of the exempt report be agreed.
