



Pensions Committee

Date: Tuesday, 18 March 2025
Time: 6.00 p.m.
Venue: Council Chamber, Wallasey Town Hall

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This meeting will be [webcast](#)

AGENDA

1. WELCOME AND INTRODUCTION
2. APOLOGIES
3. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members of the Committee are asked to declare any disclosable pecuniary and non pecuniary interests, in connection with any item(s) on the agenda and state the nature of the interest.

4. MINUTES (Pages 1 - 6)

To approve the accuracy of the minutes of the meeting held on 9 December 2024.

5. PUBLIC QUESTIONS

5.1 Public Questions

Notice of question to be given in writing or by email by 12 noon, Thursday 13 March 2025, to the Council's Monitoring Officer (via the online form here: [Public Question Form](#)) and to be dealt with in accordance with Standing Order 10. The question to be put at the meeting shall not exceed 100 words in length.

Please telephone the Committee Services Officer if you have not received an acknowledgement of your question by the deadline for submission.

For more information on how your personal information will be used, please see this link: [Document Data Protection Protocol](#)

5.2 Statements and Petitions

Statements

Notice of representations to be given in writing by 12 noon, Thursday 13 March 2025, to the Council's Monitoring Officer.

To register your intention to give a statement please do so via this link: [Public Statement Notification](#), and this will be dealt with in accordance with Standing Order 11.1.

Petitions

Petitions may be presented to the Committee if provided to Democratic and Member Services no later than 3 working days before the meeting, at the discretion of the Chair. The person presenting the petition will be allowed to address the meeting briefly (not exceeding three minutes) to outline the aims of the petition. The Chair will refer the matter to another appropriate body of the Council within whose terms of reference it falls without discussion, unless a relevant item appears elsewhere on the Agenda. If a petition contains more than 5,000 signatures, it will be debated at a subsequent meeting of Council for up to 15 minutes, at the discretion of the Mayor.

Please give notice of petitions to committeeservices@wirral.gov.uk in advance of the meeting, and telephone the Committee Services Officer if you have not received an acknowledgement of your statement/petition by the deadline for submission.

5.3 Questions by Members

Questions by Members to dealt with in accordance with Standing Orders 12.3 to 12.8.

6. **LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE (Pages 7 - 12)**
7. **TREASURY MANAGEMENT POLICY FOR 2025/26 AND ANNUAL REPORT FOR 2023/24 (Pages 13 - 30)**
8. **CYBER GOVERNANCE POLICY (Pages 31 - 40)**
9. **RISK POLICY (Pages 41 - 56)**
10. **NORTHERN LGPS UPDATE (Pages 57 - 64)**
11. **WIRRAL LOCAL PENSION BOARD MINUTES (Pages 65 - 72)**
12. **MINUTES OF WORKING PARTY MEETINGS (Pages 73 - 84)**
13. **ACTUARIAL CONTRACT AWARD (Pages 85 - 90)**
14. **LOCAL GOVERNMENT PENSION SCHEME: FIT FOR THE FUTURE (Pages 91 - 96)**
15. **MERSEYSIDE PENSION FUND BUDGET FINANCIAL YEAR 2025/26 (Pages 97 - 104)**
16. **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

The following items contain exempt information.

RECOMMENDATION: 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 has been applied and favours exclusion.

17. **LOCAL GOVERNMENT PENSION SCHEME: FIT FOR THE FUTURE EXEMPT APPENDIX (Pages 105 - 228)**

Terms of Reference

The terms of reference for this committee can be found at the end of this agenda.

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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.



PENSIONS COMMITTEE

18 MARCH 2025

REPORT TITLE:	LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

This report provides an overview of the changes affecting the funding framework within the Local Government Pension Scheme, following the publication of the Scheme Advisory Board's (SAB) updated guidance for preparing and maintaining a Funding Strategy Statement (FSS).

It also covers the "Crown Guarantee" issued by the Department for Education (DfE) to underpin the pension obligations of the Further Education Sector, with the objective to strengthen employer covenant and reduce contribution plans for Further Education Bodies.

RECOMMENDATION

The Pensions Committee is recommended to note this report.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 There is a requirement for the Pensions Committee to keep abreast of revisions to statutory guidance to support the development of a robust governance and funding framework

2.0 OTHER OPTIONS CONSIDERED

- 2.1 This is the most appropriate option for informing Pension Committee of developments driving the Funding Framework.

3.0 BACKGROUND INFORMATION

New Funding Strategy Statement Guidance

- 3.1 On 15 January 2025, the Scheme Advisory Board (SAB) published updated guidance for preparing and maintaining a Funding Strategy statement (FSS).
- 3.2 The guidance has been jointly approved by SAB's Compliance and Reporting Committee, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Ministry of Housing, Communities and Local Government (MHCLG). A link to the guidance is provided below under the Background Papers section.
- 3.3 The new guidance replaces the 2016 CIPFA version and introduces several key changes to encourage best practice which will need to be considered as part of the 2025 actuarial exercise.

Key Revisions to the Guidance

- 3.4 Given the significant changes to the Local Government Pension Scheme (LGPS) and employer landscape that have emerged over the last decade the new FSS guidance addresses a number of key areas of focus including:
- Navigation of the document – SAB recommends that Funds follow the general structure and terminology used in the guidance when drafting the strategy;
 - Emerging Issues such as partial termination, surplus and interaction of guarantors;
 - Risk Management - most crucially bringing into greater focus employer covenant alongside climate change and the need to clearly define how these risks are taken into consideration in the funding strategy;
 - Employer engagement and consultation, including creating an 'engagement plan' which will be critical in terms of surplus management and the need to balance the trade-off between a reduction in contributions and the need to build longer-term resilience in the funding plan;
 - Best practice in setting out the Fund's policy on funding decisions.

- 3.5 There is now a directive that Funds should undertake analysis showing the impact of different plausible climate change scenarios on funding levels. SAB has published a 'Key Principles' document for undertaking such analysis for the 2025 Valuation. A link to the document is provided within the Background Papers Section.

Approach to Ensuring Compliance

- 3.6 As part of the preparatory valuation work, Fund Officers will be liaising with the Actuary to review the FSS and discuss the updates needed to develop a robust policy for the emerging issues such as partial terminations and surplus management.
- 3.7 It will be necessary to clearly document the policy on these issues to ensure it is robust and stands-up to challenge in the current environment, taking account of the specifics of the employer base, whilst maintaining the ability to implement the funding strategy in a practical way.
- 3.8 In addition, it will be necessary to ensure the funding strategy is clear in articulating the Fund's objectives in terms of linking investment, funding and employer risk to allow greater scrutiny, by stakeholders, of the approach to funding and setting contribution plans.
- 3.9 The Government Actuary is also mandated under Section 13 of the Public Service Pension Act 2013 to review the valuation metrics applied across the LGPS. Whilst not the principal driver in formulating the funding strategy, this oversight function does need consideration when developing an appropriate, consistent policy.

Department of Education (DfE) LGPS guarantee for Further Education Sector

- 3.10 In November 2024, a 'Crown Guarantee' was put in place to provide assurance to LGPS Funds on the strength of covenant for the Further Education Sector. The Department for Education (DfE) Guarantee covers:
- Further Education (FE) corporations
 - Sixth form college corporations
 - Designated Institutions which are bodies, set up under the Further and Higher Education Act 1992, and are legally obliged to offer their non-teaching employees' membership of the LGPS
- 3.11 The expectation is that LGPS Funds, when setting funding strategies, employer contribution rates and deficit recovery periods for FE bodies, should now align the risk parameters with the academy and local authority sectors which provides scope to reduce future contributions. The guarantee ensures that in the event of the closure of an FE body, any outstanding LGPS liabilities will not revert to the Fund. There is no end date set for the guarantee, but DfE will review it periodically to assess the costs to Government and whether FE bodies and pension funds are maximising the benefits of the guarantee.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The DfE Guarantee has an annual limit of £32 million with any excess spend requiring HM Treasury approval.

- 4.2 The FSS establishes the framework to set employer contributions for the financial period 1 April 2026 to 31 March 2029.
- 4.3 The FSS also provides scope to explore various funding models and risk reduction strategies to stabilise contributions whilst balancing the administering authority's statutory responsibility to embed resilience in the funding model in order to achieve solvency and long-term cost efficiency.

5.0 LEGAL IMPLICATIONS

- 5.1 The administering authority solicitor, acting for the Fund, provides advice as to the implementation and interpretation of statutory guidance.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 An initial review of the revised FSS guidance reflects that the funding themes are already being considered or applied in practice by this Fund. Further work is required to ensure the approach is clearly documented and follows the general structure of the guidance. This can be accommodated within existing resources.

7.0 RELEVANT RISKS

- 7.1 The Funding Strategy is a vital governance tool to control the risks relating to the funding position and employer contributions, requirements which have a material impact on budgets and local services.
- 7.2 The funding strategy (along with the investment strategy) informs the actuarial valuation and is a key determinant of the overall financial risk levels in the Fund. It sets out the controls in place to manage risk at a whole Fund and individual employer level.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 The revised FSS guidance sets out the key consultation principles for Funds to consider alongside the process to follow once the consultation is completed.
- 8.2 The Fund has already commenced engagement with councils with regard to managing expectations on contribution outcomes against a backdrop of severe budget constraints and the heightened focus on surplus management across the LGPS community.

9.0 EQUALITY IMPLICATIONS

- 9.1 Ministry of Housing, Communities and Local Government (MHCLG) and the Pensions Regulator undertake equality impact assessments regarding the provisions of the LGPS Regulations and the administration and governance of public service pension schemes.
- 9.2 The Equality Statement published on the introduction of the Local Government Pension Scheme 2014 can be viewed at: <https://mpfund.uk/lgpsequalitystatement>

9.3 MHCLG and HM Treasury undertake equality impact assessments with regard to the statutory reform of the public sector pension schemes and LGPS.

10.0 ENVIRONMENT, BIODIVERSITY AND CLIMATE CHANGE IMPLICATIONS

10.1 The FSS guidance acknowledges climate risk as a key systemic risk for long-term pension funding with the requirement to keep the management and governance of climate risk under review.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none directly arising from this report.

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BACKGROUND PAPERS

[FSS guidance Final January 2025](#)

[Climate Risk Reporting Principles January 2025](#)

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section D of its Terms of Reference:

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day-to-day administration and to be responsible for any policy decisions relating to the administration of the scheme

Subject History (last 3 years)

Council Meeting	Date
Standing Agenda Item	9 December 2024

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PENSIONS COMMITTEE

18 MARCH 2025

REPORT TITLE:	TREASURY MANAGEMENT POLICY FOR 2025/26 AND ANNUAL REPORT FOR 2023/24
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

The purpose of this report is to request that Members approve the Treasury Management Policy statement and the treasury management practices for Merseyside Pension Fund (MPF) for the year 2025/26.

RECOMMENDATION/S

The Pensions Committee be recommended to approve the treasury management policy statement and the treasury management practices for Merseyside Pension Fund for the financial year 2025/26.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The approval of the treasury management policy statement and the treasury management practices for Merseyside Pension Fund by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not relevant for this report. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services requires Pensions Committee to receive an annual report on the strategy and plan to be pursued in the coming year.

3.0 BACKGROUND INFORMATION

- 3.1 Treasury management activities are defined as: the management of the Fund's cash flows, its banking, money market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 3.2 The Treasury Management Policy relates to money managed in-house. It excludes cash balances held by investment managers in respect of the external mandates and the internal equity investment managers.
- 3.3 The Fund does not borrow and therefore the policy is concerned with cash deposits only.
- 3.4 The main aims when managing liquid resources are the security of capital; the liquidity of investments; matching inflows from lending to predicted outflows; an optimal return on investments commensurate with proper levels of security and liquidity.
- 3.5 Effective management and the control of risk are prime objectives of the treasury management policy and practices.
- 3.6 The Fund will run minimal cash balances to pay pensions and meet other obligations. The core position is 1% of Fund assets as agreed within the strategic asset allocation.
- 3.7 Internally managed investment cashflows will continue to be channelled through the Custodian, to maximise benefits and efficiencies agreed under the contract.
- 3.8 Counterparties are reviewed on a regular basis using a range of information sources, including credit rating agencies, internal research (both from the treasury team and internal investment managers), information from brokers, advice given by the treasury management consultants, information on Government support for banks and the credit ratings of that Government support. The Fund is in a position to use a wide range of research from its investment activities to support this and achieve the

aim set on the CIPFA guidance to place a greater emphasis on acceptable credit quality rather than purely credit ratings for counterparts.

- 3.9 The Fund's cash flows for dealings with members remains negative with outflows to pensioners exceeding income from contributions. With the 2022 triennial valuation's improved results reducing deficit payments, this reduced contribution income further. The Fund's cashflows has been and will continue to be closely monitored throughout 2025/26. In an environment where a significant proportion of investment income is directly re-invested, the levels of liquid resources held need to be adequate and needs effective management with daily cashflows and regular reporting being essential.
- 3.10 Interest rate cuts have been slower than expected, the Bank of England held Bank Rate at 4.75% in December 2024, having reduced it to that level in November and following a previous cut in August 2024 from the 5.25% peak in August 2023. The expectation is that interest rates will continue to reduce during the 2025/26 with a forecast of 3.75% by the end of the 2025/26 financial year.
- 3.11 MPF will comply with the twelve treasury management practices set out in the treasury management policy statement.
- 3.12 The policy statement for 2025/26 is attached as Appendix 1 to this report. There are no changes to the policy approved by Pensions Committee for 2024/25.

Annual Report 2023/24

- 3.13 In accordance with the Treasury Management Policy for 2023/24, the following items provide a report on treasury management activities for that year:
- Managing counterparty risk continued to be the overarching investment priority.
 - Investments during the year included call (instant access) accounts and deposits with UK banks, and investments in AAA rated money market funds with a constant Net Asset Value.
 - Over the twelve-month period, Northern Trust calculated the cash performance to be 4.62% against a benchmark performance (7-day SONIA) of 4.93%.
 - Transactions were undertaken to reflect the day-to-day cash flows of the Fund.
 - There were no incidences of non-compliance with the Treasury Management Policy throughout 2023/24.

4.0 FINANCIAL IMPLICATIONS

- 4.1 As set out in the report.

5.0 LEGAL IMPLICATIONS

- 5.1 There are no implications arising directly from this report. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services requires Pensions Committee to receive an annual report on the strategy and plan to be pursued in the coming year.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

7.1 The treasury management policy statement is concerned mainly with the mitigation of financial and counterparty risks.

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising from this report.

9.0 EQUALITY IMPLICATIONS

9.1 The content and/or recommendation contained within this report have no direct implications for equality.

10.0 ENVIRONMENT, BIODIVERSITY AND CLIMATE CHANGE IMPLICATIONS

10.1 There are no environmental, biodiversity or climate implications arising from this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The content and/or recommendation contained within this report have no direct implications for community wealth.

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APPENDICES

The Treasury Management Policy Statement 2025/26 is attached as appendix 1 to this report.

BACKGROUND PAPERS

CIPFA Treasury Management Code of Practice and Guidance Notes.

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section D of its Terms of Reference:

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	19 March 2024
	21 February 2023
	23 February 2022

MERSEYSIDE PENSION FUND TREASURY MANAGEMENT POLICY STATEMENT

1 INTRODUCTION

- 1.1 Merseyside Pension Fund adopts the key principles of 'CIPFA's Treasury Management in the Public Services: Code of Practice' (the Code), as described in Section 4 of that Code.
- 1.2 Accordingly, the Fund will create and maintain, as the cornerstones for effective treasury management:
 - This treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities
 - Suitable treasury management practices (TMPs), setting out the manner in which this organisation will seek to achieve these policies and objectives, and prescribing how it will manage and control these activities.

2 DELEGATION

- 2.1 Pensions Committee will receive reports on its treasury management policies, practices and activities including an annual strategy and plan in advance of each financial year and an annual report after its close. The Investment Monitoring Working Party (IMWP) will receive interim reports on treasury management performance as required.
- 2.2 Pensions Committee is responsible for the implementation and regular monitoring of its treasury management policies and practices and will delegate execution and administration of treasury management decisions to the Director of Pensions who will act in accordance with this policy statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
- 2.3 The IMWP is responsible for ensuring effective scrutiny of the treasury management strategy, policies and performance.

3 DEFINITION

- 3.1 Treasury management activities are defined as: the management of the Fund's cash flows, its banking, money market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 3.2 The Fund regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on the risk implications for the Fund.

- 3.3 The Fund acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable performance measurement techniques within the context of effective risk management.

TREASURY MANAGEMENT PRACTICES (TMPs)

4 TMP 1 Risk Management

- 4.1 The Fund regards a key objective of its treasury management activities to be the security of the principal of the sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investments.
- 4.2 The Director of Pensions will design, implement and monitor all arrangements for the identification, management and control of treasury management risk and will report annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Fund's objectives.
- 4.3 The Fund will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP 4 and listed in the schedule (4.1, 4.2) to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations with whom it may enter into financing arrangements.
- 4.4 The Fund will ensure that it has adequate though not excessive cash resources to enable it at all times to have the level of funds available to it, which are necessary for the achievement of its business objectives.
- 4.5 The Fund will manage its exposure to interest rates with a view to securing its interest revenue as far as is possible within cash flow constraints and by the prudent use of permissible instruments.
- 4.6 The Fund will achieve these objectives by the prudent use of its approved investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level and structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.
- 4.7 It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact.
- 4.8 The Fund will keep under review the sensitivity of its treasury activities to inflation and will seek to manage the risk accordingly in the context of the whole Fund's inflation exposures.
- 4.9 The Fund will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its

counterparty list, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

- 4.10 The Fund recognises that future legislative or regulatory changes may impact on its treasury management activities and so far as it is reasonably able to do so will seek to minimise the risk of these impacting adversely on the organisation.
- 4.11 The Fund will ensure that it has identified the circumstances, which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.
- 4.12 The Fund will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such fluctuations.

5 TMP 2 Performance Measurement

- 5.1 The Fund is committed to the pursuit of value for money in its treasury management activities. Accordingly, the treasury management will be the subject of ongoing analysis of the value it adds. It will be the subject of regular examinations of alternative methods of service delivery and the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule (2.1) to this document.

6 TMP 3 Decision Making and Analysis

- 6.1 The Fund will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching these decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule (3.1, 3.2, 3.3, 3.4) to this document.

7 TMP 4 Approved Instruments, Methods and Techniques

- 7.1 The Fund will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule (4.1, 4.2) to this document.

8 TMP 5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

- 8.1 The Fund considers it essential for the purposes of effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner and that there is at all times clarity of treasury management responsibilities.

- 8.2 The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.
- 8.3 If and when the Fund intends, as a result of a lack of resources or other circumstances to depart from these principles, the “responsible officer” will ensure that the reasons are properly reported, and the implications properly considered and evaluated.
- 8.4 The Director of Pensions is the responsible officer. The responsible officer shall ensure that there are clear written statements of the responsibilities for each post engaged in treasury management and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule 5 to this document.
- 8.5 The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.
- 8.6 The delegations to the responsible officer in respect of treasury management are set out in the schedule (5) to this document. The responsible officer will fulfil all such responsibilities in accordance with this policy statement and TMPs and the CIPFA Standard of Professional Practice on Treasury Management.

9 TMP 6 Reporting Requirements and Management Information Requirements

- 9.1 The Fund will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of these policies.
- 9.2 Pensions Committee will receive an annual report on the strategy and plan to be pursued in the coming year.
- 9.3 An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Fund’s treasury management policy statement and TMPs, will be received by the Pensions Committee.
- 9.4 The Fund Operating Group (FOG) will receive interim reports on treasury management, with significant issues reported to IMWP.

10 TMP 7 Budgeting, Accounting and Audit Arrangements

- 10.1 The budget for the treasury management function will be included as part of the budget for the Fund which is submitted to Pensions Committee on an annual basis.
- 10.2 The Fund will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

11 TMP 8 Cash and cash flow management

- 11.1 All monies in the hands of the Fund will be under the control of the Director of Pensions and will be aggregated for cash flow and investment purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with liquidity risk management. The present arrangements for preparing cash flow projections are set out in the schedule (8.1, 8.2) to this document.

12 TMP 9 Money Laundering

- 12.1 The Fund is alert to the possibility that it may become subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of Counterparties and reporting suspicions and will ensure that staff involved in this are properly trained.

13 TMP 10 Training and Qualifications

- 13.1 The Fund recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer shall recommend and implement the necessary arrangements. The present arrangements are set out in the schedule (5.6) to this document.
- 13.2 The responsible officer shall ensure that Pension Committee Members tasked with Pension Fund responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.

14 TMP 11 Use of external service providers

- 14.1 The Fund recognises that responsibility for treasury management decisions remains with the Fund at all times. The Fund recognises there may be potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons, which will have been subjected to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.
- 14.2 The Fund will ensure, where feasible and necessary that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangement's rests with the Director of Pensions. Details of the current arrangements are set out in the schedule (9.1, 9.2) to this document.

15 TMP 12 Corporate Governance

- 15.1 The Fund is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.
- 15.2 The Fund has adopted and has implemented the key principles of the Treasury Management Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management and the responsible officer shall monitor and, if and when necessary, report upon the effectiveness of these arrangements.

MERSEYSIDE PENSION FUND:

SCHEDULE TO TREASURY MANAGEMENT POLICY

SCHEDULE 1: RISK MANAGEMENT

- 1.1 The Fund has the following range of approved maximum limits for counterparties subject to meeting the high credit criteria determined by the Fund

CATEGORY	LIMIT Per Institution/Group
Fund's Bank	£50m
Approved Bank	£20m
Approved Building Societies	£15m
All Local Authorities	£20m
Money Market Funds	£30m
Fund's Custodian (Money Market Fund) (Internal and External Managers guideline)	£100m*

**All funds deposited with the Custodian do not form part of the Treasury Management team's decision-making, some funds represent cash with fund managers awaiting investment or cash collateral. Cash left by internal and external managers is subject to their market calls. Subject to the restrictions within their individual Investment Management Agreements, the aggregate of their deposits could potentially exceed the £100m guideline in certain situations. The cash with the custodian is held within a money market fund and the risk of default is diversified across a wide number of names.*

At the time of placing a deposit, a maximum country limit of 10% of the cash portfolio in any single jurisdiction outside the UK will be maintained.

- 1.2 Under exceptional circumstances e.g. transitional arrangements on appointment of new Investment Managers, these limits may be exceeded for a limited period with the prior written approval of the Director of Pensions and/or Fund Operating Group (FOG). Such instances will be reported to Pensions Committee as part of the Treasury Management Annual Report.
- 1.3 The Fund and the administering Authority (Wirral Council) and its advisors, Arlingclose Ltd, select financial institutions after analysis and ongoing monitoring of:
- Published credit ratings for financial institutions (minimum long term rating of A- or equivalent for counterparties; AA+ or equivalent for non-UK sovereigns)
 - Credit Default Swaps (where quoted)
 - Economic fundamentals (for example Net Debt as a percentage of GDP)
 - Sovereign support mechanisms

- Share Prices
 - Corporate developments, news, articles, markets sentiment and momentum
 - Subjective overlay – or, put more simply, common sense.
 - Any institution can be suspended or removed should any of the factors identified above give rise to concern.
- 1.4 It remains the Fund's policy to make exceptions to counterparty policy established around credit ratings, but this is conditional and directional. What this means is that an institution that meets criteria may be suspended, but institutions not meeting criteria will not be added.
- 1.5 The Fund is in a position to use a wide range of research from its investment activities to support this and achieve the aim set on the CIPFA guidance to place a greater emphasis on acceptable credit quality rather than purely credit ratings for counterparts.
- 1.6 The Fund requires liquid resources to meet pension payments, investment commitments and administrative expenses. The cash flows from realisation and purchase of investments can be large and concentrated and the Fund needs to maintain facilities and resources to meet these. On days when there is a significant transition of assets between asset managers, appropriate arrangements are made with the Fund's bankers regarding the timings of the receipt and payments of cash flows (day light exposure).
- 1.7 The Fund's cash flows for dealing with members is negative with outflows to pensioners more than income from contributions. In an environment where a significant proportion of investment income is directly re-invested, the levels of liquid resources held need to be adequate and daily cashflows and regular reporting is essential.
- 1.8 It will manage its exposure to fluctuations in exchange rates. In general, the Fund will only hold foreign currencies to fund pending investment transactions thus limiting the exposure of treasury management activities to fluctuations in exchange rates so as to minimise any detrimental impact.

**SCHEDULE 2:
PERFORMANCE MEASUREMENT**

- 2.1 The performance of the Fund's investments is independently measured by Northern Trust. The performance of cash is included as part of this process and is benchmarked against an appropriate measure. This performance measurement is subject to scrutiny by Pensions Committee and IMWP.
- 2.2 The costs of investment management generally including treasury management expenses are separately accounted for in the Annual Statement of Accounts. Comparisons are made between internal and external fund management costs.

SCHEDULE 3: DECISION MAKING AND ANALYSIS

- 3.1 Decision-making is delegated as indicated in the management arrangements set out in schedule 5. Day to day decisions are constrained by the risk controls set out in the other schedules such as approved instruments and counterparties etc.
- 3.2 Tactical decision making by officers will seek to use information from brokers to meet cash flows whilst gaining a maximum return within risk constraints. Officers will have access to up to date market information.
- 3.3 Strategic decision making by officers and members will seek to set in place a plan that meets the needs of the Pension Fund in relation to its overall investment plan. The external advisers to the Fund (actuary and independent advisers) will help to ensure that decisions are well informed.
- 3.4 A risk assessment form will be completed for each treasury management transaction (excluding cash at bank), detailing the circumstances at the time the decision is made and providing evidence of the issues considered.

SCHEDULE 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

- 4.1 The Fund will use the following instruments for its internally managed treasury management activities. The Fund does not use derivatives for risk control associated with the treasury management function but may hold derivatives for risk control within the overall portfolio and as investments (these may be held by internal and external managers)
 - AAA rated money market funds
 - Call funds (instant access deposits)
 - Fixed term deposits with counterparties
 - Forward Fixed term deposits with counterparties
 - Structured Fixed term deposits with counterparties (See Note 1)
 - Cash at bank (Lloyds and Northern Trust)

Note 1: these are effectively deposits which give MPF or deposit taker the option to cancel agreement or renegotiate duration/interest rate of the deposit at fixed periods agreed at commencement of the deposit. These products allow the internal team the opportunity to gain additional yield if their view on interest rates is correct, as the counterparty will have a contrarian view on either the direction or speed of interest rate changes.

- 4.2 The Fund will permit external fund managers to use all instruments permitted under the Investment Manager Agreement.

SCHEDULE 5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

- 5.1 The structure for the treasury management functions is as follows:

Pensions Committee

Oversees all aspects of Merseyside Pension Fund on behalf of Wirral Council and the other admitted bodies. Reviews investment strategy and overall administration of the Fund.

Investment Monitoring Working Party (IMWP)

Makes recommendations to Pensions Committee following consultation with in-house managers and external advisers.

Director of Pensions

Responsibilities as set out in twelve Treasury Management Practices.

Fund Operating Group (FOG)

Includes reviewing the day to day operation of the investments and accountancy function.

Head of Pensions - Finance & Risk

Responsible for team that undertakes treasury management activities.

- 5.2 The day to day transactions for treasury management are executed by the treasury management team overseen by the Fund Accountant.
- 5.3 The transmission of funds is carried out by the settlements team through electronic banking system and the recording of transactions is monitored by the Senior Fund Accountant ensuring an adequate separation of duties in the system.
- 5.4 The physical authorisation of the release of payments from the bank account is made by the Fund's authorised signatories as approved by Pensions Committee.
- 5.5 There are sufficient staff employed in the process to cover absences and maintain a separation of duties; the duties of staff are outlined in their job descriptions.
- 5.6 Staff currently involved in the system have an adequate level of relevant qualifications. Further training, as required, is made available as part of ongoing staff development:

Director of Pensions FCSI, ACIB
Head of Pensions - Finance & Risk CPFA
Senior Fund Accountant ACCA, MAAT
Senior Fund Accountant ACCA
Fund Accountant (Compliance) AAT
Settlements Officer AAT
Valuations Officer AAT
Investment Officer (this post is currently vacant)

- 5.7 Dealing arrangements will be detailed within application forms (where applicable) and approved by an authorised signatory.
- 5.8 The Fund's policy is not to tape treasury management conversations, although faxed or emailed confirmation is required of the deal from the broker or directly from the counterparty (if non-standard) before the payment is released.

- 5.9 Treasury management facilities are set up with the approval of at least one of the Fund's authorised signatories.
- 5.10 Treasury management facilities provided on the internet will be agreed with the Director of Pensions and will be scrutinised by the Compliance Section to ensure all necessary controls are in place.

**SCHEDULE 6:
REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

- 6.1 The Fund will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of these policies; on the implications of changes, including budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.
- 6.2 Pensions Committee will receive an annual report on the strategy and plan to be pursued in the coming year.
- 6.3 An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Fund's treasury management policy statement and TMPs, will be received by the Pensions Committee.
- 6.4 The Fund Operating Group will receive interim reports on treasury management, with significant issues reported to IMWP.

**SCHEDULE 7:
BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS**

- 7.1 The Fund will ensure that its auditors and those charged with regulatory review have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfillment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed in the schedule (10.1) to this document.

**SCHEDULE 8:
CASH FLOW**

- 8.1 Given the unpredictable nature of cash flows in investment management and in the payment of lump sum benefits, the Fund is not able to forecast cash flows precisely. The Fund has designed its cash portfolio to meet the principal material predictable cash flows i.e. pension pay days and retains a sufficient level of liquidity to cover other calls on cash.
- 8.2 The Settlements officer maintains cash flow statements on a monthly basis updated daily for predictable cash flows and uses this as a tool to assist the treasury management function.

**SCHEDULE 9:
USE OF EXTERNAL PROVIDERS**

- 9.1 The main providers of services to the Fund are money market brokers. As the Fund does not borrow funds it does not pay commission to the brokers. The performance of brokers is under regular review by staff.
- 9.2 The Fund's main clearing bank contract is the subject of regular tendering exercises.
- 9.3 The Fund's Custodian contract is subject of regular tendering exercises.

**SCHEDULE 10:
CORPORATE GOVERNANCE AUDIT AND COMPLIANCE**

- 10.1 The Fund is administered by Wirral Council and is subject to its corporate governance arrangements including regular internal audit and annual external audit. The treasury management function is examined by both of these audits regularly as a high priority area. Officers shall ensure that all documentation listed below is made available to auditors:
- Internal policies
 - Internal records of deals
 - Counterparty confirmations

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PENSIONS COMMITTEE

18 MARCH 2025

REPORT TITLE:	CYBER GOVERNANCE POLICY
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

The purpose of this report is to seek approval from Members for the Fund's cyber governance policy.

RECOMMENDATION/S

Pensions Committee is recommended to approve the cyber governance policy attached as Appendix 1 to this report.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The Merseyside Pension Fund (“the Fund”) is required to comply with the provisions of the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018 in relation to the establishment and operation of adequate internal controls to ensure the Scheme is managed in accordance with legal requirements. This includes the data protection legislation which is particularly relevant in relation to the management of Cyber Risk with appropriate levels of oversight by the Pensions Committee.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 It is important that Pensions Committee has oversight of the Fund’s cyber governance policy so no other options have been considered.

3.0 BACKGROUND INFORMATION

Legislation & Guidance

- 3.1 The Fund is required to comply with the provisions of the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018 in relation to the establishment and operation of adequate internal controls to ensure the Scheme is managed in accordance with legal requirements. This includes the data protection legislation which is particularly relevant in relation to the management of Cyber Risk, and the Fund maintains a separate but linked policy on this area.
- 3.2 In setting its approach to cyber risk and cyber governance the Fund has had regard to the Pensions Regulator’s General Code of Practice, which has a dedicated section titled ‘Cyber Controls’ that came into force in on 27 March 2024.
- 3.3 The National Cyber Security Centre, which is part of the Government Communications Headquarters (GCHQ), provide best practice cyber guidance, training, and early warnings of cyber-threats for the most critical organisations in the UK. The administering authority and the Fund have access to these materials and tools to support day-to-day operations and infrastructure developments.

Review

- 3.4 This policy will be reviewed on an annual basis by the Fund, and in line with the Council’s adopted programme of formal review for Cyber Security and Governance. If there is a required change to the policy, the Wirral Pension Board will be asked to consider a revised draft prior to final approval and ratification by Pensions Committee.

Cyber Governance

- 3.5 As set out in the policy, the Fund’s approach to cyber governance is to follow an established best-practice model of **Seek, Shield, Solve** and **Review**.

- Seek - Identify assets and understand and quantify the risk to those assets.
- Shield - Protect the Fund and its assets from cyber-criminals and cyber-vandals.
- Solve - Be able to react and recover quickly in the event of a cyber-attack.
- Review - Check the effectiveness of the controls in place to mitigate the risks (Cyber Resilience).

4.0 FINANCIAL IMPLICATIONS

4.1 Budgetary provision has been made for the processes and controls set out in this policy. The management and maintenance of information technology with its associated requirements is increasingly complex and expensive.

5.0 LEGAL IMPLICATIONS

5.1 The Fund is required to comply with the provisions of the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018 in relation to the establishment and operation of adequate internal controls to ensure the Scheme is managed in accordance with legal requirements. This includes the data protection legislation which is particularly relevant in relation to the management of Cyber Risk. The Pension Regulator has identified the management of risk as a key objective for pension funds.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none arising directly from this report. The management and maintenance of information technology with its associated requirements is increasingly complex and expensive.

7.0 RELEVANT RISKS

7.1 As set out in the policy's 'Statement of Cyber risk'.

8.0 ENGAGEMENT/CONSULTATION

8.1 The Fund has engaged with the administering authority's Digital, Data & Technology division' in the preparation of the policy.

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from this report.

10.0 ENVIRONMENT, BIODIVERSITY AND CLIMATE CHANGE IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising from this report.

REPORT AUTHOR: Peter Wallach
(Peter Wallach, Director of Merseyside Pension Fund)

APPENDICES

Appendix 1- Cyber Security Policy

BACKGROUND PAPERS

CIPFA: Managing Risk in the Local Government Pension Scheme
The Pensions Regulator’s General Code of Practice
The National Cyber Security Centre
The Fund’s Data Protection Policy <https://mpfund.uk/dataprotection>
IT Section of the The Pension Regulator’s code <https://mpfund.uk/generalcode>
The National Cyber Security Centre, which is part of the Government Communications Headquarters (GCHQ), provide best practice cyber guidance, <https://www.ncsc.gov.uk/section/about-ncsc/what-we-do>

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section A of its Terms of Reference:

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration and to responsible for any policy decisions relating to the administration of the scheme.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date



Merseyside Pension Fund **Cyber Governance Policy**

Wirral Metropolitan Borough Council

As approved by Pensions Committee on DD MM YYYY following consultation with the Local Pension Board.

Background

Merseyside Pension Fund (the Fund) is one of the largest Local Government Pension Schemes in the UK and manages the pension records of over 150,000 members. The Fund is not a legal entity in its own right but sits as a function of Wirral Metropolitan Borough Council (the Council) who hold the capacity of Administering Authority.

The Administering Authority recognises that cyber-risk is a real and growing threat, and whilst the Council provide the IT infrastructure and computer environment used by the Fund, it remains the responsibility of the Fund to assess the cyber security arrangements of both the internal and external arrangements of the service areas. The Fund is supported in this by rigorous audit processes and checks on an ongoing basis.

Aims & Objectives

The aim of this policy is to set out how the Fund intends to assess and manage cyber-risk and ensure that:

- cyber-risk management and cyber governance are integrated into the overall risk management approach of the Fund to reduce any potential loss, disruption or damage to scheme members, scheme employers or the Fund's data or assets;
- all those involved in the management of the Fund understand cyber-risks and their responsibilities to manage it;
- all data and asset flows relating to Fund operations are identified and evaluated on a regular basis to identify the potential magnitude of cyber-risk;
- there is sufficient engagement with advisers, providers and partner organisations (including the administering authority) so that the Fund's expectations in relation to the management of cyber-risk and cyber governance are clearly understood and are evidenced as part of system & service contracts, and where appropriate regular review by Fund officers;
- an incident response plan is maintained, and regularly reviewed and tested to ensure any incidents are dealt with promptly and appropriately.

Legislation & Guidance

The Fund is required to comply with the provisions of the Occupational Pension Schemes (Governance) (Amendment) Regulations 2018 in relation to the establishment and operation of adequate internal controls to ensure the Scheme is managed in accordance with legal requirements.

This includes the data protection legislation which is particularly relevant in relation to the management of Cyber-risk, and the Fund maintains a separate but linked policy on this area:

Data Protection Policy <https://mpfund.uk/dataprotection>

In setting its approach to cyber-risk and cyber governance the Fund has had regard to the Pensions Regulator's General Code of Practice, which has a dedicated section titled 'Cyber Controls' that came into force on 27 March 2024.

IT Section of the TPR code <https://mpfund.uk/generalcode>

The National Cyber Security Centre, which is part of the Government Communications Headquarters (GCHQ), provide best practice cyber guidance, training, and early warnings of cyber-threats for the

most critical organisations in the UK. The administering authority and the Fund have access to these materials and tools to support day-to-day operations and infrastructure developments.

<https://www.ncsc.gov.uk/section/about-ncsc/what-we-do>

Review

This policy will be reviewed on an annual basis by the Fund, and in line with the Council's adopted programme of formal review for Cyber Security and Governance. If there is a required change to the policy, the Wirral Pension Board will be asked to consider a revised draft prior to final approval and ratification by Pensions Committee.

Statement of Cyber-Risk

The Fund in its day-to-day operations holds and has responsibility for a large amount of personal data and financial assets which would make the Fund a potential target for cyber criminals. Some of the workings of the Fund is outsourced to third-party providers, who may offer 'cloud-based' or hosted software. As a result, the Fund recognises that a substantial part of managing its cyber-risk therefore means managing the cyber-risk of these third-party organisations.

As well as deliberate cyber-attacks the Fund acknowledges that it is also exposed to accidental damage from cyber threats, including cyber-vandalism, such as the changing of website content or stopping essential services that would hamper the operations of the Fund.

At a high level, the cyber-risk to be concerned about is anything that damages the Fund or its stakeholders as a result of the failure of IT systems and processes, including those of Fund advisers, providers and partner organisations. In practice, attention is focussed on a number of key areas:

- Theft or loss of member personal data;
- Theft or loss of financial assets;
- Loss of access to critical systems (e.g. the pensions administration system);
- Reputational impact on the Fund, the Administering Authority and employers;
- Impact on members (e.g. the service scheme members receive).

The Fund also recognises that, in addition to the direct effect of a cyber-attack, there will be indirect effects such as the cost of rectifying any theft or loss of data or assets, meeting any regulatory fines or other financial settlement.

This policy sets out the Fund's approach to the cyber-governance. It includes how it intends to assess and minimise the risk of a cyber incident occurring as well as how officers plan to recover the service should a cyber incident take place.

Cyber Governance

The Fund's approach to cyber governance is to follow an established best-practice model of **Seek, Shield, Solve** and **Review**.

a) Seek

Identify assets and understand and quantify the risk to those assets.

- i. The Fund maintains an Information Asset Register that identifies the critical systems and valuable information and data for the successful operation of services. System owners and administrators are clearly identified and are all senior managers of the Fund who understand their responsibilities.
- ii. Specific cyber-risk areas are documented in the Fund's Risk Register which is maintained and regularly reviewed by Fund Officers. The Risk Register is considered as a regular item at Pensions Committee and Pension Board meetings.
- iii. The Fund's Senior Manager of Operations & Information Governance (who also acts as the Fund's Data Protection Officer) works closely with senior managers of the administering authority's 'Digital, Data & Technology' division in understanding the risks to the IT infrastructure and computer environment provided by the Council. In particular, the risks posed to any shared assets such as email, internet, and corporate systems.

b) Shield

Protect the Fund and its assets from cyber-criminals and cyber-vandals.

- i. The Fund's Senior Manager of Operations & Information Governance is the designated individual for ensuring the cyber-resilience framework outlined in this policy.
- ii. The Pensions Committee is delegated responsibility for managing the Fund, supported by the Director of Pensions, and therefore they must be satisfied with how cyber-risk is being managed.
- iii. The Local Pensions Board assists in ensuring the Fund meets its responsibilities and therefore will have oversight of this Policy.
- iv. It is the responsibility of all Fund Officers to comply with this Policy and the supporting conditions of employment, such as the Council's Information Governance Policy and mandatory Cyber-Security and Information Governance training.
- v. Cyber-Security and Information Governance training is provided to Pensions Committee and Pension Board members as part of the Fund's training programme.
- vi. The Fund will assess all advisers, providers and partner organisations to ensure they have appropriate arrangements in place to protect themselves against cyber-threats, taking appropriate specialist advice as required. This includes assessing the Council as the administering authority for providing corporate systems and hosting IT systems and services on behalf of the Fund.
- vii. Cyber-Resilience is considered as an integral part of any award of contract under the Corporate Procurement Rules of the administering authority. The Fund will also determine how regularly and to what extent further reviews are required with its service providers, with those organisations that pose the greatest risk being reviewed more regularly.

- viii. Third-party service providers to the Fund should provide regular reports on any emerging cyber-risks and incidents. This includes working with the administering authority to ensure the Fund's specific requirements are met.

c) Solve

Be able to react and recover quickly in the event of a cyber-attack.

- i. The Fund maintains an Immediate Response Plan, which dovetails with that of the administering authority. The Fund's response planning is developed in conjunction with senior managers of the Council's ICT & Digital division. The key liaisons with the administering authority are the Assistant Director of Finance (Digital, Data & Technology), the Head of Digital Ops & Cyber Security, the Service Delivery Manager and the Cyber Security Manager.
- ii. The Fund maintains a Contingency & Resilience Plan for Staff, which documents the arrangements in place for staff in the event of an emergency. It identifies the high priority functions that are critical to the overall purpose of the Fund and the third-party partners who are required to ensure business continuity.
- iii. The Council's Risk, Continuity & Compliance Manager is consulted when reviewing arrangements around the subject of business continuity planning.
- iv. The Fund has agreed with the administering authority that in the event of a cyber incident affecting the Fund, as a critical service, the Council would provide resources to assist and advise in the incident response and business resumption.
- v. The Fund will, from time-to-time, assess the possible financial impact of a cyber-incident on the Fund itself and on the administering authority – recognising that in practice the impact is highly variable depending upon the nature of the attack.

d) Review

Check the effectiveness of the controls in place to mitigate the risks (Cyber Resilience)

- i. The Fund's approach to managing cyber-risk as outlined in this Policy will be reviewed on a regular basis, including table-top testing of incident response tests of likely scenarios. This will include regular tests of data restoration and failover systems and redundancy arrangements.
- ii. Following any significant IT infrastructure or computer environment change, the Fund will liaise with the administering authority on the suitability of the change and any emergent risks or mitigations that align with the change.
- iii. Annually, the Fund will request the administering authority to conduct a "cyber penetration test" from a specialist supplier. This external test will utilise many attack vectors to assess the resilience of the IT infrastructure and overall "attack surface" available to Cyber-Criminals.

Supporting Policies & Documentation

Wirral Council Information Governance Policy

This states how the council will manage its information securely and meet its obligations relating to Data Protection and information security compliance regimes. Every Fund employee must be aware of this policy and confirm their understanding annually as part of the Council's mandatory Corporate Governance Checklist.

<https://mpfund.uk/infogovpolicy>

Pensions Administration Strategy (PAS)

The PAS documents the data and information flows with our employers and contains a section on Cyber-Hygiene, that outlines the requirements and responsibilities of participating employers in regards Cyber-Security.

<https://mpfmembers.org.uk/content/riskdocs>

Data Protection Policy

This policy document outlines the means to which the Fund handles personal data and the legal basis to which it can exchange that data with employers.

<https://mpfmembers.org.uk/content/riskdocs>

Privacy Notice & Fair Processing Notice

The Fund publishes these key documents on the main members' website at:

<http://mpfund.uk/yourdata>

The Privacy Notice explains how the Fund collects, shares and uses the personal data of its members and their beneficiaries.

The Fund is required by law to protect the public monies it administers. The Cabinet Office requires the Fund to participate in a data matching exercise to assist in the prevention and detection of fraud against organisations within the public sector. This is detailed within the Fund's published Fair Processing Notice.

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PENSIONS COMMITTEE

18 MARCH 2025

REPORT TITLE:	RISK POLICY
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

The purpose of this report is to seek approval from Members for the Fund's risk policy.

RECOMMENDATION/S

Pensions Committee is recommended to approve the risk policy as set out as Appendix 1 to this report.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 It is important that Merseyside Pension Fund (“the Fund’s”) risk policy is kept up-to-date and reflects best practice. The Fund recognises that risk is inherent in many of its activities and the governance arrangements the Fund has in place are intended to ensure that effective risk management is integrated at all levels with appropriate levels of oversight by the Pensions Committee.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options have been considered because it is important that Pensions Committee has oversight of the Fund’s risk policy.

3.0 BACKGROUND INFORMATION

- 3.1 Risk management is an integral part of the Fund’s business planning, policies and procedures. MPF has had regard to Wirral’s risk management framework in preparing this risk policy but the Fund has also taken account of the regulatory requirements and various guidance publications under which the Fund operates including:

- The Pensions Act 2004 (as amended);
- Public Service Pensions Act 2013 (as amended);
- Local Government Pension Scheme Regulations 2013 (as amended);
- Local Government Pension Scheme Investment Regulations 2016 (as amended);
- The Pension Regulator General Code of Practice 2024;
- CIPFA Managing Risk Publication;
- CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities;
- SAB/CIPFA Preparing the Pension Fund Annual Report – Guidance for LGPS Funds 2024.

- 3.2 The Fund continues to monitor changing requirements under the regulations and guidance and will update this policy as required.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Risk management may have financial and non-financial implications. Identifying, evaluating and measuring risk can provide the Fund with opportunities as well as managing threats to the achievement of its objectives to the benefit of stakeholders.

5.0 LEGAL IMPLICATIONS

- 5.1 The Pension Regulator has identified the management of risk as a key objective for pension funds.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none arising directly from this report. The assessment of risk is a factor in the direction and allocation of resources by management.

7.0 RELEVANT RISKS

7.1 The degree of the Fund's success in dealing with the risks faced can significantly impact on the achievement of the Fund's priorities and the trust placed in it by stakeholders. Risk management is an integral part of the Fund's business planning, policies and procedures.

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been no consultation planned or undertaken for this report. There are no implications for partner organisations arising from this report.

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from this report.

10.0 ENVIRONMENT, BIODIVERSITY AND CLIMATE IMPLICATIONS

10.1 There are none arising directly from this report. Environmental, biodiversity and climate risks are also addressed in the Fund's Investment Strategy Statement and Funding Strategy Statement.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising from this report.

REPORT AUTHOR: Peter Wallach
(Director of Merseyside Pension Fund)

APPENDICES

Appendix 1- Risk Policy

BACKGROUND PAPERS

CIPFA: Managing Risk in the Local Government Pension Scheme

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section A of its Terms of Reference:

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day-to-day administration and to be responsible for any policy decisions relating to the administration of the scheme

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Minutes of all IMWP, GRWP and RIWP meetings are brought to the subsequent Pensions Committee.	



Merseyside Pension Fund

Risk Policy

Wirral Borough Council

As approved by Pensions Committee: **DD MM YYYY**

Next Review: **DD MM YYYY**

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Introduction

Merseyside Pension Fund is part of the Local Government Pension Scheme (LGPS) managed and administered by Wirral Borough Council (as the Administering Authority for the Fund). The Fund recognises that risk is inherent in many of its activities, however the governance arrangements the Fund has in place ensure that effective risk management is integrated at all levels with appropriate levels of oversight by the Pensions Committee.

This policy sets out the regulatory context under which the Fund operates and key components of a risk management framework which the Fund adopts, namely:

- Risk governance and integration,
- Identification of risk,
- Risk Measurement and assessment,
- Risk Mitigation,
- Risk monitoring and reporting.

In managing risk, the Fund will have regard to ensuring there is an appropriate balance between risk taking and the opportunities to be gained; minimising loss and damage to the Fund and other stakeholders; consideration and understanding of the risks from new areas of activity (e.g. new investment strategies, joint-working, etc.) to safeguard the Fund, its scheme members, employers and wider stakeholders.

Principles that underpin our policy

- Risk management should be systematic and structured.
- Risk management should be based on the best available information.
- Risk management should explicitly address uncertainty.
- Risk management should be part of decision making.
- Risk management should take into account organisational culture, human factors and behaviour.
- Risk management should create and protect value.
- Risk management should be proportionate and scaled to address the internal and external circumstances.
- Risk management should be transparent and inclusive.
- Risk management should be dynamic, iterative and responsive to change.

Regulatory Context

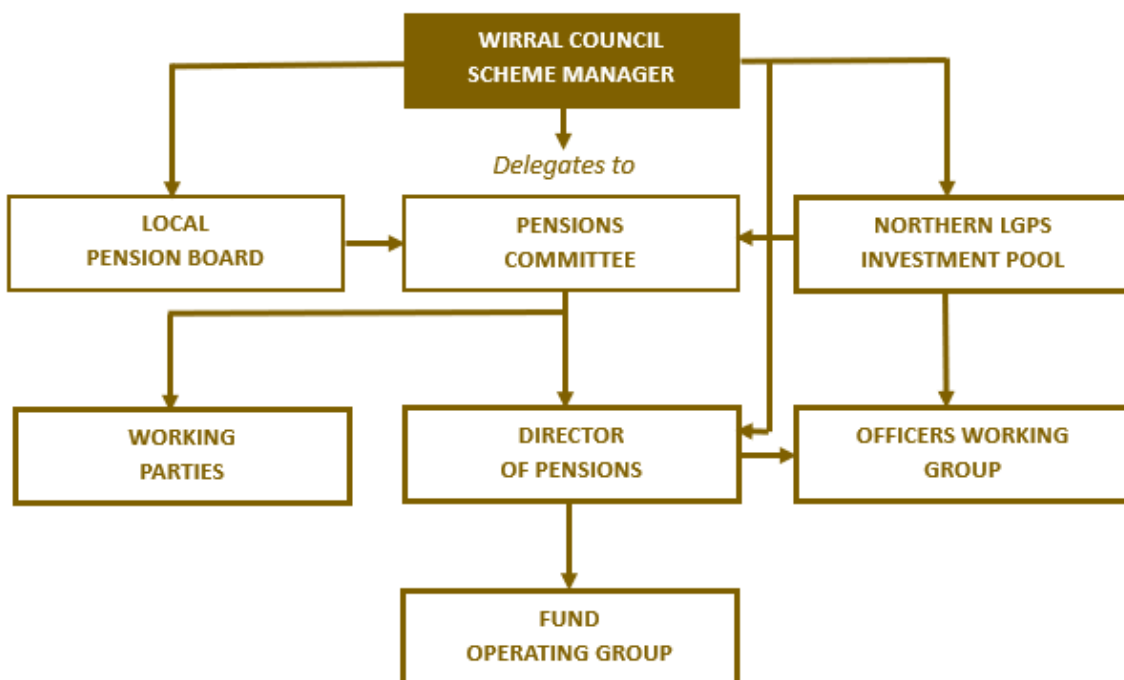
In preparing this risk policy the Fund has had regard to the regulatory requirements and various guidance publications under which the Fund operates including:

- Pensions Act 2004 (as amended) [2004 Act](#)
- Public Service Pensions Act 2013 (as amended)
- Local Government Pension Scheme Regulations 2013 (as amended) [2013 Regs](#)
- Local Government Pension Scheme Investment Regulations 2016 (as amended) [2016 Regs](#)
- The Pension Regulator General Code of Practice 2024 [TPR Code](#)
- CIPFA Managing Risk Publication
- CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities
- SAB/CIPFA Preparing the Pension Fund Annual Report – Guidance for LGPS Funds 2024 [AR Guidance](#)

The Fund continues to monitor changing requirements under the regulations and guidance and will update this policy as required.

Risk Governance

The Fund's Pensions Committee has overall responsibility for the management of the Fund, assisted by other bodies such as the Local Pension Board and the Director of Pensions. The Fund's governance arrangements, set out below ensure that the management of pension-related administrative, management and investment risk is undertaken at the highest levels and is integrated into the day-to-day management of the Fund.



The Fund in recognising that risk comes in different forms and level of potential impact uses both internal and external resources to identify, mitigate and manage activities that give rise to risk, as well as looking to industry best practice in assessing and establishing policies to identify and mitigate those risks.

The delegations to Pensions Committee as having responsibility for the Pension Fund mean they are accountable for ensuring robust risk management of the Fund across all key areas. The Committee are supported by three working parties: the Investment Monitoring Working Party (IMWP); the Governance and Risk Working Party (GRWP); and the Responsible Investment Working Party (RIWP), which include consideration of relevant risks across their respective areas. The working parties convene between two and four times a year allowing in depth consideration of all aspects of the operations of the Fund and the associated risks.

In addition to elected members and officers, the IMWP and RIWP include two independent advisors, as well as the Fund's strategic advisors, Redington. The GRWP involves the Fund's actuary and other external advisors from time to time, with the risk register as a standing agenda item. These Working Parties are an effective way of ensuring proper governance budget time is given to these critical areas for the Fund before being approved by Pensions Committee after review and consideration by the working parties.

An additional source of assurance is provided by the Local Pension Board (the Board). The purpose of the Board is to assist the Administering Authority in its role as Scheme manager in securing compliance with legislation and ensuring the effective governance and administration of the Fund.

The principal Fund documents relating to risk management and control are set out below and have been formally approved by Pensions Committee and are reviewed on a regular basis to ensure they remain fit for purpose and are in line with both current regulatory requirements and best practice:

- Governance Policy
- Funding Strategy Statement (FSS)
- Investment Strategy Statement (ISS)
- Pensions Administration Strategy (PAS)
- Responsible Investment Policy
- Data Protection Policy
- Cyber Governance Policy
- Investment Monitoring Policy
- Conflict of Interest Policy
- Health & Safety Policy

Copies of these documents are available from the Fund and are published on the Fund website at: mpfund.uk/risk

Risk Identification

The Fund looks to identify risks not simply by learning lessons from the effective management of existing internal and external controls, but also from adopting a forward looking or horizon scanning approach to identify potential evolving risks.

Key areas of risk are captured in the Fund's Risk Register, whilst not an exhaustive list these can be broadly categorised as:

- Investment and Funding – including the risk of investments not meeting the expected returns putting funding under pressure; environment, social and governance risks (ESG) including climate change; potential effects of inflation, interest rates and longevity impacting on the Fund's liabilities; investment pooling risks;
- Governance – including lack of knowledge and skills amongst the governing bodies; failure to take account of potential conflicts of interest;
- Legal & Regulatory – Failure to comply with regulatory requirements; reputational risks which can arise across all areas with varying degrees of impact on the Fund and the resourcing required to respond to operational errors;
- Administration – Incorporating the day-to-day administration of scheme member records; collection of pension contributions and payment of benefits;
- Operational – Examples of this include failure to process pensioner payroll; inability to attract and retain staff with the right levels of knowledge and skill to manage the Fund; counterparty risks; cashflow management;
- Cyber Security – This includes network infrastructure, data security and the underlying operating systems on which the Fund relies.

Risk Measurement and Assessment

Risks identified by the Fund are captured within the Fund's Risk Register and include a description of the risk, controls in place to manage the risk, additional planned activity to improve risk management and whether the risk profile has increased or decreased since last review and an update with any actions undertaken. In addition, the Fund maintains additional operational risk registers with pensions administration assessed and measured against key performance indicators.

The Fund uses a RAG (Red, Amber, Green) rating to assess and measure risks taking into account the likelihood of a risk occurring, the level of impact it would have on the Fund along with the risk owner.

Risks will be assessed against the following matrix where the score for likelihood (from one to five) will be multiplied by the score for impact (from one to five) to determine the current risk category, with the RAG rating determined by the severity of the impact on the Fund and probability, and not simply on the score as per the table on page 7.

Impact

	Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Very High (5)	5 Very low impact but very high likelihood	10 Low impact but very high likelihood	15 Medium impact but very high likelihood	20 High impact and very high likelihood	25 Very high impact and very high likelihood
High (4)	4 Very low impact but high likelihood	8 Low impact but high likelihood	12 Medium impact but high likelihood	16 High impact and high likelihood	20 Very high impact and high likelihood
Medium (3)	3 Very low impact and medium likelihood	6 Low impact and medium likelihood	9 Medium impact and medium likelihood	12 High impact but medium likelihood	15 Very high impact and medium likelihood
Low (2)	2 Very low impact and low likelihood	4 Low impact and low likelihood	6 Medium impact and low likelihood	8 High impact but low likelihood	10 Very high impact but low likelihood
Very Low (1)	1 Very low impact and very low likelihood	2 Low impact and very low likelihood	3 Medium impact and very low likelihood	4 High impact but very low likelihood	5 Very high impact but very low likelihood

Likelihood 

Current Risk

Once the risk has been identified and defined, the current (also called residual) risk score will be calculated. This score is a measure of the risk as it is today, taking account of what is currently in place to manage (i.e. mitigate) it. Understanding what controls are already in place and their effectiveness is a vital part of the evaluation and these will be considered before judgments are made on impact and likelihood.

The potential impact of a risk will be judged in relation to its consequences (effects) and the current controls in place. The likelihood of a risk occurring will be judged by considering the risk description and the current controls that are in place.

The results of the evaluation of impact and likelihood will be recorded in the risk register.

The Fund recognises the need to ensure ongoing assessment and measurement of the Fund's risk as in some areas, most notably investment risk, these are likely to fluctuate over time and may need to reflect exogenous shocks. Legal and regulatory risk can also be subject to significant changes causing the Fund to re-evaluate its assessment or needing to amend its RAG rating or changing controls.

Risk Mitigation

The Fund considers risk mitigation to be critical to the way in which it manages risk by reducing the impact of potential risks adopting tactics and techniques that bring risk levels down to a tolerable level for the Fund.

- Risk Avoidance – In some instances the Fund will seek to take measures that avoid the risk from occurring in the first instance, this can for example relate in investment terms to avoid particular types of assets or investment strategies.
- Risk Reduction – Ensuring a broad understanding of risk management and embedding into the culture and day to day management of the Fund will help to manage risk across all aspects of the Fund. One aspect of this is the Fund's internal compliance manual for employees along with internal processes and procedures. Ongoing consideration of appropriate ways to reduce risk, monitor and taking a proactive approach to risk is an effective way that the Fund looks to mitigate risk. For example, adopting an investment strategy that diversifies the Fund's investment portfolio and by monitoring the Fund's investment risk and assessing the impact of strategy changes on the overall risk for the Fund alongside the return and other objectives helps to ensure the Fund maintains an appropriate level of risk tolerance for its investments.
- Risk Transfer – There are instances where the Fund will look to transfer risk to a third party in order to mitigate the risks it faces, for example the use of investment custody services for the settlement and safe keeping of Fund assets as well as managing the collection of dividends and provision of tax support.
- Risk Acceptance – The Fund recognises and acknowledges that there are some risks it is unable to identify or manage effectively in advance of the risk arising. This is particularly true in the case of exogenous shocks which can arise over which the Fund has no control, for example the Russia / Ukraine conflict and the immediate loss of value to any stocks exposed to the region. Once identified, the Fund will look to assess the risk and take risk reduction measures where appropriate.

Risk Monitoring and Reporting

The management of risk is a key responsibility of those charged with the governance and management of an LGPS Fund. While the ultimate responsibility at the Merseyside Fund lies with the Wirral MBC Pensions Committee, the Pension Board clearly also has an important role in Risk Management. The Foreword to the CIPFA publication on Managing Risk in the LGPS (2018) states “As part of their governance processes funds should be regularly reporting all risks to committee and the local pension board, embedding a robust risk management approach and processes which link to all key strategic documents as well as recording risks and progress on an active risk register.”

One important element of Risk Management is examination, active consideration, and as appropriate constructive questioning of the Risk Register by the Pension Board. This is undertaken on a quarterly basis, with concerns raised with the Director of Pensions in the first instance but may also be reported back to Pensions Committee.

The governance structure of the Fund including the working parties means that risk monitoring and reporting are included within the agendas for these working parties:

- Governance and Risk Working Party (GRWP) – Focusing on the monitoring and reporting on the risk register, key performance indicators for pensions administration, changes to pensions legislation, etc.
- Investment Management Working Party (IMWP) – Focusing on quarterly reporting on the Pensions Risk Management Framework (PRMF) a document capturing the key investment objectives and metrics the fund is targeting and monitoring the status of those with a RAG rating. The IMWP also consider performance report and monitor the Fund’s internal and external manager performance.
- Responsible Investment Working Party (RIWP) – Focusing on key responsible investment risks and the Fund’s approach to managing and monitoring these risks, including oversight of the Fund’s external providers and how they are incorporating things such as climate risk and other key fund objectives in the way they are managing Fund assets.

The working parties report on their monitoring activities to the Pensions Committee, helping to provide assurance to the Committee that risks are being reported on and monitored effectively.

In addition, the Fund’s approach to reporting and monitoring pooling risks is undertaken by the Northern LGPS Joint Committee, whose purpose is to:

- Exercise oversight over the investment performance of the Pooling Partners’ Funds;
- Deliver the Shared Objectives of the Pooling Partner Funds;
- Agree on any recommended changes to the Shared Objectives;
- Report to the Pool.

The Fund’s risk management arrangements are further assessed and reported on at least annually by the Fund’s external and internal auditors who report to those charged with overall governance of the Fund, namely the Pensions Committee and the Local Pension Board.

Risk is a standing agenda item at the monthly Fund Operating Group meeting of senior officers of the Fund.

Risk Policy Oversight

This risk policy applies to all areas of the Fund and has been considered by all relevant parties prior to approval by the Pension Fund Committee. The policy will be reviewed on a regular basis to ensure it remains fit for purpose and to meet any new regulatory requirements or emergent risk areas.

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DRAFT

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PENSIONS COMMITTEE

18 MARCH 2025

REPORT TITLE:	NORTHERN LGPS UPDATE
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

This report provides Members with an update on pooling arrangements in respect of Merseyside Pension Fund (MPF) and the Northern Local Government Pension Scheme (LGPS) Investment Pool. Minutes of the previous Northern LGPS Joint Committee meeting are appended for noting.

RECOMMENDATION/S

That the Pensions Committee note the report and the minutes of the Joint Committee meeting.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Pooling is resulting in fundamental changes to the oversight and management of Local Government Pension Scheme (LGPS) assets and it is important that Members are informed of all developments affecting the Fund.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other suitable options. It is an audit recommendation that minutes of the Northern LGPS joint committee meetings are reported to Pensions Committee.

3.0 BACKGROUND INFORMATION

- 3.1 The Northern LGPS Investment Pool was established between Merseyside, Greater Manchester and West Yorkshire Pension Funds in response to the revised LGPS Investment Regulations 2016 which were, in part, designed to facilitate the pooling of assets between LGPS funds and improve access to infrastructure investments.
- 3.2 Minutes of the previous Northern LGPS joint committee meeting are attached at appendix 1.

4.0 FINANCIAL IMPLICATIONS

- 4.1 There are none arising directly from this report. The operating costs of the Pool are reported annually and shared equitably between the participating funds.

5.0 LEGAL IMPLICATIONS

- 5.1 LGPS funds are required to pool their assets in order to comply with Regulation 7(2)(d) of the 2016 Investment Regulations. The regulation requires administering authorities to set out their 'approach to pooling investments, including the use of collective investment vehicles and shared services' in their Investment Strategy Statement.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 There are none arising directly from this report. The Joint Committee provides monitoring and oversight of the operations of the Northern LGPS Investment Pool.

7.0 RELEVANT RISKS

- 7.1 Pooling has resulted in fundamental changes to oversight and management of LGPS assets. It is essential that Pensions Committee exercises its governance responsibilities in accordance with the Council's constitution.

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been no consultation planned or undertaken for this report. There are no implications for partner organisations arising from this report.

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from this report.

10.0 ENVIRONMENT, BIODIVERSITY AND CLIMATE IMPLICATIONS

10.1 There are no environment, biodiversity and climate implications arising from this report. The NLGPS has a Responsible Investment policy explicitly addresses environment and climate implications as financially material to long-term performance of investments.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 None arising from this report.

REPORT AUTHOR: Peter Wallach
(Peter Wallach, Director of Merseyside Pension Fund)

email: peterwallach@wirral.gov.uk

APPENDICES

Appendix 1 Minutes of Joint Committee meetings.

BACKGROUND PAPERS

Local Government Pension Scheme: Investment Reform, Criteria & Guidance

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section A of its Terms of Reference:

(a) To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
The Northern LGPS update is a standing agenda item on Pensions Committee	

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NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

3 October 2024

Commenced: 11:00am

Terminated: 12.17pm

Present:	Councillor Gerald P Cooney (Chair)	Chair, Greater Manchester Pension Fund
	Councillor Andrew Thornton	Chair, West Yorkshire Pension Fund
	Councillor Jeff Green	Vice Chair, Merseyside Pension Fund
In attendance:	Sandra Stewart	Director of Pensions, GMPF
	Peter Wallach	Director of Pensions, MPF
	Euan Miller	Managing Director, WYPF
	Tom Harrington	Assistant Director of Pensions, Investments, GMPF
	Paddy Dowdall	Assistant Director of Pensions, Local Investment and Property, GMPF
	Steven Taylor	Assistant Director of Pensions, Special Projects, GMPF
	Michael Ashworth	Principal Investments Manager, GMPF
	Mushfiqur Rahman	Investments Manager, GMPF
	Adil Manzoor	Merseyside Pension Fund
	Leandros Kalisperas	Chief Investment Officer, WYPF
	Simon Edwards	Assistant Director, Alternative Investments, WYPF
	Robert Hulme	West Yorkshire Pension Fund
	Janice Hayward	PIRC
	Conor Constable	PIRC
	Mona Ackholm	PIRC
Apologies for absence:	Cllr Jacqueline North – Vice Chair, Greater Manchester Pension Fund	
	Elizabeth Bailey - Deputy Chair – West Yorkshire Pension Fund	
	Alan McDougal PIRC	
	Ken Drury (UNITE)	

12 DECLARATIONS OF INTEREST

There were no declarations of interest.

13 MINUTES

The Minutes of the meeting of the Northern LGPS Joint Committee held on 8 July 2021 were agreed as a correct record.

14 POOLING UPDATE

Consideration was given to a report of the Managing Director (WYPF) the report provided an update on pooling activity since the previous Northern LGPS Joint Committee meeting and summarised relevant national pooling developments.

The report provided an update on the 'Pensions Review', there had been increasing focus by Government on consolidation across all types of pension schemes, with Government's general perception that a smaller number of larger schemes would deliver better value for money for members and scheme sponsors.

It was reported that the new Labour Government had picked up on this theme where the previous Government left off and launched a 'Pensions Review', which would be led by the Pensions Minister Emma Reynolds (who reports to both Treasury and DWP), with support from MHCLG in relation to the LGPS parts of the review. Phase 1 of the review was focusing on Defined Contributions Master Trusts and the LGPS, presumably because these were the types of schemes which were most able to invest in assets, which could help drive UK economic growth.

On 4 September the Government announced a 'Call for Evidence' in support of the Pensions Review (link below), with a notably short deadline for responding (25th September). Amongst questions regarding how to incentivise further productive investment in the UK, there was also a question seeking views on whether LGPS pooling had been a success and whether any specific pooling model had or will produce superior outcomes.

The Northern LGPS response to the consultation was attached as Appendix 1 to this report. It was understood that each of the partner funds also submitted a broadly similar response. The Pensions Minister and HMT civil servants had also held a number of meetings with LGPS funds, pools and other stakeholders. A further verbal update on Government engagement with the Northern LGPS Pool would be provided at the meeting. It was expected that Government could issue a statement summarising its broad intentions in this area at some point in the autumn, potentially as part of the budget announcements. Any regulations or guidance to implement changes is not expected until at least Spring 2025, however it is thought that Government wishes to move quickly. As a result, proposals to merge LGPS funds seem unlikely, with a greater emphasis expected to be placed on accelerating pooling and Government working more closely with pools.

Discussion ensued on the response of the Northern LGPS Pool to the Call for Evidence, Members discussed the uniqueness of the Pool and how the model reflected the underlying partner funds. The Committee discussed the savings that had been achieved to date by the NLGPs to 31 March as detailed in the response and what costs would be incurred by changing this model as part of the review.

The Committee discussed lobbying the government and agreed that the chairs of partner funds would write to government on the matter.

RESOLVED

That the report and its appendices be noted.

15 COMMON CUSTODIAN UPDATE

Consideration was given to a report of the Director of Pensions (GMPF) / Assistant Director of Investments (GMPF), which detailed the key performance indicators and key milestones and deliverables for the quarter to 30 June in relation to Northern Trust NT in their capacity as the common custodian to the Northern LGPS pool.

RESOLVED

That the report and presentation be noted.

16 INVESTMENT MANAGEMENT COST BENCHMARKING

Consideration was given to a report of the Director of Pensions (GMPF) / Assistant Director of Pensions for Investments (GMPF). The report provided members of the Northern LGPS Pool Joint Committee with an update on investment management cost benchmarking.

It was reported that the 2017 Framework was replaced by a new updated framework in November 2022; Investment Management Consultancy Services (the 2022 Framework). In particular, Lot 4, Investment Management Cost Monitoring and Reporting Services, allowed for the procurement of investment management cost benchmarking services. A key difference of the 2022 Framework was

that the provision of an aggregated pool benchmarking report is not included in the scope of services provided by CEM under this framework. It should be noted that CEM provided the most recent NLGPS cost benchmarking report at no additional charge given our long-standing relationship and short deadlines at the time of delivery. However, going forward, CEM indicated that the aggregated pool report would incur a fee.

It was stated that Officers had engaged with CEM who have highlighted that the work involved in aggregating three data sets for the NLGPS and then running a consolidated report, and anonymising that report, was material and this work had not been done for a few years for any of the other pools. In addition, CEM continued to develop the analysis and tools for the pool report and envisage better analysis on the private assets where the NLGPS collaborate most closely (GLIL and NPEP in particular).

Procuring investment cost benchmarking services from CEM would ensure reporting continues uninterrupted, and in the same format as current reporting. Officers believed CEM's fees were not material and would likely compare very favourably with any potential alternatives, and with no requirement for transitional activities (in comparison to any alternative solutions). Importantly, CEM were uniquely placed to provide aggregated investment cost benchmarking analysis given that all three partner funds mutually contract said services from CEM.

RESOLVED

That the Joint Committee notes the report and approves the appointment of CEM Benchmarking as the investment cost benchmarking provider for the Pool for reporting periods commencing 31 March 2023.

17 UPDATE ON RESPONSIBLE INVESTMENT

Consideration was given to a report and presentation from representatives of PIRC, which set out the Q2 2024 Northern LGPS Stewardship Report (attached as an appendix to the report).

Representatives of PIRC delivered the presentation and which focused on :

- PIRC's approach for Northern LGPS
- The Stewardship Theme 'Modern Slavery in the Seasonal Worker Scheme'
- Company Engagement with UK Supermarkets
- The Stewardship Theme 'Significant Shareholder Dissent'
- Company Engagement on Board Composition
- Company Engagement on Executive Pay

RESOLVED

That the Q2 2024 Northern LGPS Stewardship Report be noted.

18 PERFORMANCE MEASUREMENT

Consideration was given to a report of the Director of Pensions (GMPF) / Assistant Director of Pensions for Investments (GMPF). This report provides members of the Northern LGPS Pool Joint Committee with an update on performance measurement.

An extract from the Northern LGPS reporting for periods to 30 June 2024 was attached as an Appendix, which detailed the 'Northern LGPS attribution - client assets vs northern benchmark'. The reporting assisted in fulfilling both reporting requirements to Government, and any oversight obligations of the Joint Committee.

RESOLVED

That the performance reporting for period 30 June 2024 be noted.

19 GLIL UPDATE

Consideration was given to a report of the Assistant Director for Property and Local Investment (GMPF) which provided an update to members on the progress with the Northern Pool's direct infrastructure investment platform GLIL.

It was reported that Macro-economic trends continued without material surprises during the period under review. CPI continued to drift lower and hit the Bank of England's 2% target in June. There remained, however, pockets of inflationary pressure within the economy and it was far from certain that UK inflation would remain benign. There are expectations, though, that the Bank of England would begin an interest rate easing cycle in the near term which should be to the benefit of the portfolio's asset valuations. Valuations during the quarter have changed little.

The fund's longer-term IRR remains a little under 7% and the cash yield was at 4.25%. Since the end of the period under review there had been a number of notable events. Firstly, GLIL had agreed to the disposal of SMA, its smart meter business, to its investment partners, Arcus. This preferred equity investment was made in 2021 and achieved an above-budget annualised return of 10%. GLIL had concluded the second phase of its strategic partnership with Bluefield Solar Investment Fund, and had been working hard to engage with and understand the implications and opportunities presented by the new government elected in early July.

It was also reported that the fund had added Jerry Williamson to its list of industry experts who represented GLIL as Non-Executive Directors on portfolio company boards. Jerry had worked in the renewable energy sector for many years, including as Director of asset management, engineering and technology at SSE Renewables, and was a valuable addition to the team.

Members of the committee discussed the remaining amount of monies available for investment and the amount already deployed and highlighted the importance of a diversified programme over a long period of time. Members also discussed the impact of interest rates on investments and how interest rates took time to reflect in pricing. It was anticipated that under the new government there could be further opportunities for PFI type schemes.

RESOLVED

That the report be noted.

20 DATE OF NEXT MEETING

RESOLVED

It be noted that the next meeting of the Northern LGPS Joint Oversight Committee is scheduled to take place on 13 February 2024.

CHAIR



PENSIONS COMMITTEE

18 MARCH 2025

REPORT TITLE:	WIRRAL LOCAL PENSION BOARD MINUTES
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

This report provides Pensions Committee with the draft minutes of the previous meeting of the Wirral Local Pension Board.

RECOMMENDATION/S

That the Pensions Committee note the minutes of the Wirral Local Pension Board.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

- 1.1 The Wirral Local Pension Board reports to the Administering Authority, Wirral Borough Council, on its activities and, as a part of that reporting, it is best practice that minutes of its meetings are shared with Pensions Committee on a regular basis.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not relevant to this report. There is an option not to report these Board minutes but it would not be best practice. The Board's terms of reference require it to report to Pensions Committee.

3.0 BACKGROUND INFORMATION

- 3.1 The Wirral Local Pension Board was established in 2015 in accordance with section 5 of the Public Service Pensions Act 2013 to assist the Administering Authority in its role as a scheme manager of the Scheme.
- 3.2 The Wirral Local Pension Board reports to the Administering Authority on its activities and, as a part of that reporting, the minutes of its meetings are shared with Pensions Committee.

4.0 FINANCIAL IMPLICATIONS

- 4.1 There are no implications arising directly from this report. In scrutinising the governance arrangements and service delivery of the Fund, the Board provides assurance to the administering authority on the efficiency and effectiveness of the Fund's activities.

5.0 LEGAL IMPLICATIONS

- 5.1 It is best practice for the activities of the Pension Board to be reported to the Pensions Committee.

6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS

- 6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

- 7.1 A failure to provide Pensions Committee with information on legislative changes and the Fund's activities could hinder the Committee in fulfilling its statutory requirements.

8.0 ENGAGEMENT/CONSULTATION

8.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising from this report.

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from this report.

10.0 ENVIRONMENT, BIODIVERSITY AND CLIMATE IMPLICATIONS

10.1 There are no environmental, biodiversity or climate implications arising from this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 None arising from this report.

REPORT AUTHOR: PETER WALLACH
Director of Pensions
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email peterwallach@wirral.gov.uk

APPENDICES

Appendix 1 Pension Board minutes

BACKGROUND PAPERS

The Public Service Pensions Act 2013

CIPFA: the guide for local pension boards

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section D of its Terms of Reference:

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Minutes of Local Pension Board meetings are brought to the subsequent Pensions Committee meeting.	

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LOCAL PENSION BOARD

Tuesday, 10 December 2024

Present: J Raisin (Chair)
R Dawson
P Moloney
R Irvine
P Fieldsend
I Williams
D Ridland
L Robinson

Apologies S van Arendsen

34 WELCOME AND INTRODUCTION

The Chair welcomed everyone to the meeting.

35 APOLOGIES

Apologies received from Stephan Van Arendsen.

36 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

There were no declarations of interests.

37 MINUTES

Resolved - That the minutes of the Local Pension Board meetings held on 27 September 2024 be approved as an accurate record.

38 LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE

The Head of Pensions Administration provided an overview of the Government's budget announcement on 30th October and the associated impact on stakeholders of the Local Government Pension Scheme.

Within the overview the impact of the scheme was discussed highlighting a single change to pensions tax relief specifying any unspent defined contribution pension pots, including death grants, would form part of a person's estate for inheritance tax purposes from 6th April 2027.

A discussion took place around these changes and questions were asked about the settling of an Estate.

It was reiterated that under new legislations people cannot leave an uncrystallised defined contribution pension to an elected relative other than a spouse or in the absence of a spouse any monies due is payable to the estate.

Resolved – That the report be noted.

39 **MINUTES OF WORKING PARTY MEETINGS**

The Director of Pensions presented the minutes of Working parties held since the previous Board meeting and recommended reading their content in relation to learning in terms of investment information.

An interesting debate took place regarding inflation and other economic developments.

Resolved – That the report be noted.

40 **RESPONSE TO PENSIONS INVESTMENT REVIEW: CALL FOR EVIDENCE**

The Director of Pensions introduced his report which demonstrated a response to the Treasury in terms of the call for evidence. The report highlighted that a material proportion of the Fund is invested in the UK.

Members commented that the papers were very helpful and highlighted local investments.

Members questioned a loan with Mersey Heat Project and Peel Holdings, where a corporate guarantee was in place.

The Director of Pensions advised the Board that the consultation report was taken to the Pensions Committee for discussion and advised that there is a 9-week consultation (rather than a typical 12-week) with the intention of ensuring the resulting primary legislation is enforceable and watertight. It is expected to cover the structure of pooling and require the pool vehicle to be FCA regulated. The pools will be the principal source of investment and advice.

There is a requirement for pools working with partner funds to produce a business plan by 1 March 2025 setting out timelines and the structure of how they will achieve the pooling requirements the Government has set out. Since the consultation was issued, the government followed up with a letter on 2nd December stating it may not necessarily be efficient for 8 pools to undertake all activities and funds/pools must ensure that things are done in an efficient and cost-effective way, further stating there is a need to demonstrate good

value for money with pools needing to work collaboratively where feasible. Effectively, there will be 3 options for Northern LGPS which include;

- Setting up an FCA regulated entity
- Joining another pool as a shareholder
- To be a client of another pool

A rigorous debate took place by the members of the Local Pension Board and concerns were expressed as to future accountability of the pooling model to local democracy. Taking account of the various options, the Board expressed strong support for the Northern LGPS to establish an FCA regulated pool vehicle as delivering the best long-term outcome for the partner funds, employers and members.

Resolved – That the report and the Board’s deliberations be noted.

41 **UPDATE ON CATALYST FUND**

The Director of Pensions informed the Board that this report detailed information on local investments made by the Fund in the Merseyside area within the commercial operation.

The Director of Pensions confirmed that returns on the loan investments were generally annual mid to high single digit returns. Loan durations were typically around 3 years.

Resolved – That the report be noted.

42 **CYBER SECURITY POLICY**

The Senior Manager, Operations and Information Governance introduced the report and a discussion took place around the Cyber Governance policy. The policy was intended to be published externally and therefore did not contain any specific detail of risks that have been identified, nor did it give out any information on the type of equipment used by MPF (Merseyside Pension Fund). It did however state the importance of Cyber governance and how it was taken seriously by MPF.

In summary the report was for discussion and any comments will be reflected in the policy due to go to the Pensions Committee in March 2025.

A robust debate took place.

Resolved – That the report be noted.

43 **UPDATE ON INVESTMENTS IN DEFENCE COMPANIES**

The Director of Pensions introduced this report and advised that the report was to provide Board members with an update on considerations by Pensions Committee and its advisors in relation to the Fund's investments in defence companies and sought feedback from the Board.

Members of the Board commented that the report was well informed, especially considering the fact this is a very difficult and subjective issue.

A rigorous debate ensued and, after consideration and deliberation, the Board expressed support for the report's proposal and resolved to concur with the recommendation to Committee on 9th December.

Resolved – That the Board's support for the report and Committee's decision be noted.

44 **PENSION ADMINISTRATION MONITORING REPORT**

Discussion on this was reserved until the press and public were excluded.

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

Resolved – That the report be noted.

46 **RISK REGISTER**

The Director of Pensions introduced this report which included a copy of Merseyside Pension Fund's Risk Register for consideration by the Board. The Risk Register included in the agenda did not include the latest changes and a verbal update was provided.

Resolved - That the changes to the risk register be noted.

47 **PENSION ADMINISTRATION MONITORING REPORT EXEMPT APPENDIX**

The Head of Pensions Administration presented the report of the Director of Pensions which provided the Pension Board with monitoring information on the key performance indicators in respect of work undertaken by the administration team during the period 1 July 2024 to 30 September 2024. This included the McCloud project, the national pensions dashboard programme, performance indicators, triennial valuation preparations, governance review, the SF3 return, TPR return and September's CPI. Members explored some of the issues. Resolved: That the report and the exempt appendix be noted.

Resolved – That the report be noted.



PENSIONS COMMITTEE

18 MARCH 2025

REPORT TITLE:	MINUTES OF WORKING PARTY MEETINGS
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

The purpose of this report is to provide Members with the minutes of meetings of Working Parties held since the previous Committee meeting.

RECOMMENDATION/S

That the Pensions Committee is recommended to approve the minutes.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The approval of Working Party minutes by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund. These arrangements were approved by Pensions Committee as part of the Fund's Governance Statement.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not relevant for this report. The approval of Working Party minutes by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

3.0 BACKGROUND INFORMATION

- 3.1 The Investment Monitoring, Governance & Risk and Responsible Investment Working Parties enable Members and their advisors to consider pension matters relating to Merseyside Pension Fund in greater detail. They are not decision-making bodies but minutes, recommendations and action points arising are reported to Committee.

4.0 FINANCIAL IMPLICATIONS

- 4.1 There are none arising directly from this report. The Working Parties ensure scrutiny by elected members of the performance of the Fund's investments and administrative functions.

5.0 LEGAL IMPLICATIONS

- 5.1 Under the Fund's governance arrangements, minutes of Working Parties are reported to Committee for approval.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 There are none arising directly from this report. The Working Parties ensure the oversight of the Fund's activities by Elected Members.

7.0 RELEVANT RISKS

- 7.1 A failure to provide Pensions Committee with information on legislative changes and the Fund's activities could hinder the Committee in fulfilling its statutory requirements.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 There has been no consultation planned or undertaken for this report. There are no implications for partner organisations arising from this report.

9.0 EQUALITY IMPLICATIONS

- 9.1 There are no equality implications arising from this report.

10.0 ENVIRONMENT, BIODIVERSITY AND CLIMATE CHANGE IMPLICATIONS

10.1 Environmental, Biodiversity and Climate Change matters are a standing item on the Investment Monitoring Working Party (IMWP) agenda.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising from this report.

REPORT AUTHOR: **Peter Wallach**
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APPENDICES

Appendix: Working Party minutes/Responsible Investment/Stewardship reports.

BACKGROUND PAPERS

CIPFA: Managing Risk in the Local Government Pension Scheme

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section A of its Terms of Reference:

(a) To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance of the Fund.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Minutes of all IMWP, GRWP and RIWP meetings are brought to the subsequent Pensions Committee.	

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IMWP Minutes

Date: 19th November 2024

Name	Initials	Organisation
Councillor Brenda Hall (Chair)	BH	WBC
Councillor Ann Ainsworth	AA	WBC
Councillor Christine Howard	HC	WBC
Councillor Chris Carubia	CC	WBC
Councillor George Davies	PC	WBC
Councillor Helen Cameron	GD	WBC
Councillor Jayne Lonergan	RM	WBC
Councillor Jeff Green	JG	WBC
Councillor Pat Cleary	RM	WBC
Councillor Ruth Molyneux	JL	KBC
Councillor Sue Powell-Wilde	SPW	WBC
Roger Bannister	RB	UNISON
Tom Pilcher	TP	Redington
Jill Davys	JD	Redington
Charlie Sheridan	CS	Redington
Paul Lee	PL	Redington
Rohan Worrall	RW	Independent Advisor
Paul Watson	PWa	Independent Advisor
Peter Wallach	PW	MPF
Owen Thorne	OT	MPF
Alex Abela-Stevenson	AAS	MPF
Emma Littler	EL	MPF
Ciaran Sharp	CS	MPF
Dragos Serbanica	DS	MPF
Dan Proudfoot	DP	MPF
Donna Smith	DS	MPF
Gregory Campbell	GC	MPF
Grace Onomerike	GO	MPF
Allister Goulding	AG	MPF
Neil Gill	NG	MPF

1. Apologies

None.

2. Minutes of Previous Meeting (18th September 2024)

- Helen Cameron (HC): Requested a minor edit to comments on Japan's macroeconomic position.
- Christine Howard (CH): Highlighted incorrect organisation classification in the attendee register.

3. MPF Quarterly Investment Review (Presenter: Rohan Worrall, RW)

RW presented to committee the quarterly investment review

Key Updates included:

- Economic indicators on global equities, bonds, commodities, alternatives, and currencies.
- Discussed cooling inflation and monetary policy easing in developed markets, US employment, China's stimulus, and Germany's economic position.
- Detail was provided on a broader asset outlook relative to benchmark
- Energy prices over the previous 12 months were shown
- US tech stocks dominance in the index as well as their continued growth was highlighted
- Continued market volatility within equities was underlined

Committee Queries:

- Bond market control: RW explained risks, but assured MPF is well-positioned long-term.
- Germany's economy: RW discussed trade protectionism, NATO changes, and economic projections.

4. Monitoring Report (Presenter: Peter Wallach, PW)

Key Updates:

- Fund Performance (Q3 2024) of public and private market asset overview.
- PW highlighted a number of internal and external portfolios which are red rated
- PW updated members regarding two funds which have been terminated since the previous IMWP meeting
- PW reiterated the longer-term plan of reducing weighting to equities and increasing exposure to fixed income.

Committee Queries:

- UK domestic investment policy: PW explained domestic investments are more heavily weighted in private markets, compared to fixed income.

- Fixed income mandates: International weighting likely to increase relative to UK

5. Fixed Income, Strategy Update & Engagement Framework (Presenter: Redington)

Key Updates:

Fixed Income

TP outlined a liquid fixed income recommendation to committee as part of the funds change programme. TP presented the following topics:

- Recap on the overall objectives for the fixed income portfolio, incorporating considerations from the investment strategy survey.
- Recap on Redington's approach to constructing fixed income portfolios, within the four liquid fixed income asset classes within the Fund's SAA.
- Liquid fixed income portfolio recommendation for approval incorporating MPF-specific considerations and varying across complexity and sustainability.
- Appendix – further information on the four liquid fixed income asset classes in the Fund's SAA, which was covered at the September IMWP

Committee Queries:

- Asset allocation between fixed income and equities.
- Costs of active management in new strategies.
- Benchmarks for fixed income allocation.
- Integration of ESG and net-zero goals.

Strategy Update

- Charlie Sheridan (CS) provided a recap on strategic asset allocation.
- Specific detail was given on how key metrics have changed over the quarter looking at returns, risk and liquidity
- MPF's Pensions Risk Management Framework was highlighted with emphasis on targets, risk budgets, cashflow, local investment and ESG
- Committee members were shown MPF's current asset allocation against the planned strategic asset allocation with weightings.
- Implementation considerations were given

Engagement Framework

- Paul Lee (PL) presented Redington's framework, focusing on stewardship and exclusions.
- Focus was given to the topic of divestment versus engagement
- Challenges to ESG exclusion
- Fiduciary duties and how this relates to Redington's ESG framework

- Political implications
- Appropriate methods of exclusion decision making
- Examples of relevant exclusion lists

Committee Queries:

- Sensitivity of exclusions during global conflicts.
- Legal issues with high-risk ESG assets.
- Importance of clear engagement reporting.

6. Responsible Investment Update (Presenter: Owen Thorne, OT)

Key Updates:

- Updates on stewardship, COP29, and UK sustainability outcomes (e.g., TCFD reporting).
- Transition climate planning was considered
- OT discussed recent announcements around ESG ratings
- Private finance in emerging economies
- Emissions reductions and transition risks were discussed
- OT highlighted MPF's submission to the financial reporting council under the stewardship code.

[LAPFF_QER_Q2_2024.pdf](#)

[stewardq3_2024.pdf](#)

Committee Queries:

- CEO remuneration and alignment with sustainability goals.
- MPF's sustainable climate solutions targets.

Meeting End.

RIWP 19th February 2025

Name	Initials	Organisation
Councillor Brenda Hall (Chair)	BH	WBC
Councillor Ann Ainsworth	AA	WBC
Councillor Chris Carubia	CC	WBC
Councillor George Davies	GD	WBC
Councillor Jeff Green	JG	WBC
Councillor Brian Kenny	BK	WBC
Councillor Ruth Molyneux	RM	WBC
Councillor Sue Powell-Wilde	SPW	WBC
Councillor Christine Howard	CH	Sefton
Roger Bannister	RB	UNISON
Peter Jewell	PJ	WBC
Edina Molinar	EM	Redington
Jill Davys	JD	Redington
Mark Wilson	MW	Mercer
Paul Watson	PWt	Independent Advisor
Rohan Worrall	RW	Independent Advisor
Peter Wallach	PWI	MPF
Allister Goulding	AG	MPF
Owen Thorne	OT	MPF
Greg Campbell	GC	MPF
Alex Abela-Stevenson	AAS	MPF
Susannah Friar	SF	MPF
Emma Littler	EL	MPF
Ciaran Sharp	CS	MPF
Neil Gill	NG	MPF
Beth Breen	BB	MPF
Dragos Serbanica	DS	MPF
Adil Manzoor	AM	MPF
Dan Proudfoot	DP	MPF
Yvonne Murphy	YM	MPF

1. Welcome, Introduction & Apologies

No apologies.

2. Incorporation of Climate in Actuarial Valuation: Mercer

Mark Wilson from Mercer presented on how the 2025 actuarial valuation will account for climate risk in liabilities and contributions. The presentation included:

- Actuarial valuation – integrating climate risks
- Climate scenarios
- Model limitations

Mention was made regarding the criticism that standard climate scenario models tend to understate potential risks. In response, it was explained that the models are regularly updated to improve granularity and better reflect the cumulative impact of climate factors.

A question was raised about green investments - specifically, how confident can members be that the Fund's investments are making a positive impact. It was explained that Mercer's analysis is based on the Fund's strategy and future plans, with a focus on accuracy, but the Fund's investment advisors would be better placed to provide an answer.

It was asked if the discount rate could be broken down by individual asset classes. Mercer confirmed that more detailed assumptions could be shared and Redington noted that they could also provide further detail on this.

3. Draft Workplan 2025/26: Redington

Jill Davys from Redington presented the draft work plan for the upcoming year. The presentation included:

- Dates and indicative RIWP draft workplan

Flexibility to adapt the plan as needed was emphasised. No further questions were raised.

4. Stewardship Code Update: Redington

Jill Davys and Edina Molinar from Redington delivered a presentation updating attendees on the Fund's stewardship efforts. The presentation included:

- MPF Stewardship Code – Outcome
- Stewardship Code 2024 – Feedback
- Stewardship Code – FRC consultation on proposed changes

The Fund's successful application to become a signatory of the UK Stewardship Code was noted.

In relation to voting policy, discussions with PIRC are ongoing regarding updates to their voting policy, particularly on how escalation is addressed within their voting recommendations. The Fund is also in the process of implementing pass-through voting for State Street index-tracking funds.

For the next Stewardship Code submission in October, a draft incorporating the feedback from the FRC will be presented for member approval.

A question was raised about the percentage of the portfolio where the Fund does not have discretion over voting policy. It was confirmed that this currently applies to approximately a quarter of listed equities.

A report on defence companies will be presented at either the next IMWP or RIWP meeting, depending on finalisation.

5. Asset Owner Statement on Climate Stewardship: Owen Thorne

Owen Thorne from MPF presented on MPF's participation in two collaborative actions. The presentation included:

- PLSA response to the FRC's Stewardship Code consultation
- Asset owners' statement on climate stewardship

A question was raised about whether the Fund would need to make changes if the FRC does not update the suggested amendments. It was clarified that in Officers' view the proposed & unamended change in the stewardship definition weakens the effectiveness of the Code; it remains voluntary. The implications arising from proposed regulatory changes, particularly in the UK & US, to stimulate economic growth was also raised and whether it had implications for the implementation of MPF's investment strategy.

It was also asked whether the Fund is an outlier in its response to the FRC consultation. It was noted that there has been significant pushback from UK asset owners, meaning the Fund is not alone in its position.

Regarding whether the Fund's endorsement of the PLSA response has been made public, it will be checked with the PLSA, but it is expected that the endorsement will be publicly acknowledged.

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PENSIONS COMMITTEE

18 MARCH 2025

REPORT TITLE:	ACTUARIAL CONTRACT AWARD
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

This report informs Members on the outcome of a recent procurement in respect of the provision of actuarial and benefit consultancy services to the Pension Fund.

Utilising the National Local Government Pension Scheme (LGPS) Frameworks, the four providers on the framework were notified in 2024 of the Fund’s intention to procure services via a process of further competition, with the activity taking place during January/February 2025.

Two providers responded to the further competition, and following, an evaluation of responses the highest ranked provider regarding the ‘Most Economically Advantageous Tender’ was Mercer Limited. The two providers who responded to the further competition have both been informed of the outcome of the procurement.

RECOMMENDATION

Pensions Committee is recommended to:

- (1) Endorse the procurement process outlined within this report pursuant to the Actuarial Services Framework;
- (2) authorise the appointment of Mercer Limited as the most economically advantageous tenderer pursuant to a mini competition as the Fund’s actuary for a contract period of ten years.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 Merseyside Pension Fund requires the professional services of an actuary to carry out the triennial actuarial valuation of the Fund and a variety of other tasks, including consultancy services, ad-hoc advice and guidance regarding the provision of pension benefits and tax related matters to members.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Conducting the procurement activity via the National LGPS Frameworks was the most cost-effective and time-efficient means of accessing the marketplace.
- 2.2 The alternative would have been for the Fund to conduct a full tender process under the Public Contracts Regulations 2015, which, given the contract value, would require publication in the Official Journal of the European Union (OJEU) to invite interested suppliers to participate.

3.0 BACKGROUND INFORMATION

Actuarial Services

- 3.1 The main function of the Fund Actuary is to carry out the statutory triennial actuarial valuation of the Pension Fund. The actuarial valuation sets out the Fund's assets and liabilities, based on a set of actuarial assumptions, and reviews the financial position of the Fund. It also sets the contribution rates for each employer in the Fund for the following three years.
- 3.2 In addition to the triennial valuation, the Actuary also carries out accounting valuations for the Fund and the Fund's constituent employers on an annual basis.
- 3.3 The Actuary will also advise on the content of the Funding Strategy Statement, carry out employer risk assessments, exit calculations, cash flow analyses and assessments of the cost of pension arrangements for any new admitted bodies resulting from Councils outsourcing services.

National LGPS Frameworks

- 3.4 The national LGPS frameworks are the result of collaboration between a number of LGPS funds with procurement, legal and project management support provided by Norfolk County Council. They are a direct example of funds with shared interests collaborating effectively to deliver benefits locally and nationally across the entire LGPS.
- 3.5 The benefits of using a framework agreement for the Fund are that it reduces procurement time and cost because the providers on the framework have already been through a competitive tender and Public Contracts Regulation 2015 compliant procurement process.

- 3.6 The national frameworks are multi-provider, allowing several qualified providers to be on the frameworks. The Actuarial, Benefits & Governance Consultancy Services Framework has the following providers:
- Aon Solutions UK Ltd;
 - Barnett Waddingham LLP;
 - Hymans Robertson LLP; and
 - Mercer Limited
- 3.7 Agreed terms and conditions are provided so LGPS Funds can simply 'call-off' the framework to meet their own local requirements. The Fund opted to buy services from the framework agreement by running a 'mini competition' amongst the four providers, allowing the Fund to define local requirements and obtain value for money from the market.
- 3.8 The evaluation criteria used for the framework procurement, was:
- 80% Quality & Service Fit,
20% Cost
- 3.9 The rationale for the ratio of quality versus price highlights that actuarial advice and risk management services are fundamental to the success of the funding framework, as misjudgements can cost employers (mainly the Merseyside Councils) hundreds of millions of pounds over the contractual period.
- 3.10 The potential financial risk of not having a quality Actuary would exponentially outweigh the contract cost and adversely affect Merseyside Council budgets and taxpayers.

Further Competition

- 3.11 Following advanced notification to the four providers in 2024, Fund officers, supported by the Council's Procurement team, conducted a competitive procurement activity under the framework during January and February 2025. At the closing date, two of the providers declined to submit a response.

3.12 Following procurement best practice, Senior Fund Officers conducted a moderated evaluation of the two provider responses.

Service Provider	Quality & Service Fit weighted score (max 80%)	Price weighted score (max 20%)	Total weighted score
Mercer Limited	76.80%	17.02%	93.82%
Provider 2	68.00%	17.12%	85.12%

3.13 The highest ranked provider in regard the ‘Most Economically Advantageous Tender’ was Mercer Limited. The two providers who responded to the further competition have been informed on the outcome of the procurement activity.

3.14 Subject to the recommendations within this report being endorsed, the term of the new contract with Mercer Limited will be for a term of ten years with annual reviews of service quality. The Fund retains the right under the terms of the contract to give notice to Mercer should performance fall below acceptable metrics such as the quality of service and timeliness of those services.

4.0 FINANCIAL IMPLICATIONS

4.1 The spend over the ten-year period is anticipated to be in the region of £10m, although a significant proportion of this amount will be recharged back to participating employers within the Fund.

5.0 LEGAL IMPLICATIONS

5.1 The Fund is statutorily required to have an appointed professional actuary.

5.2 The National LGPS Frameworks provide frameworks and advice that are fully compliant with the Public Contracts Regulations 2015.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 As Mercer Limited is the incumbent provider of actuarial services to the Fund, there are no resource or ICT implications to Fund staff managing a transition of knowledge and data to a new provider.

7.0 RELEVANT RISKS

- 7.1 Failure to have a suitably qualified, professional actuary would place the Fund in a position of extreme risk in successfully managing the liabilities of the Fund and individual employers.
- 7.2 The Government Actuary Department (GAD) conducts periodic reviews of valuation (under section 13 of the Public Service Pensions Act 2013) to ensure they are meeting the aims of: compliance, consistency, solvency and long-term cost efficiency. A professional actuary with long-standing LGPS experience is essential in meeting these metrics and the avoidance of government sanction.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 The National LGPS Actuarial & Benefits Consultancy framework has four appointed providers who were all notified of the procurement activity.
- 8.2 Expert procurement advice was provided from Norfolk County Council in the utilisation of the framework, and Fund officers were supported by the Wirral procurement team.

9.0 EQUALITY IMPLICATIONS

- 9.1 Ministry of Housing, Communities and Local Government (MHCLG) and the Pensions Regulator undertake equality impact assessments regarding the provisions of the LGPS Regulations and the administration and governance of public service pension schemes.
- 9.2 The Equality Statement published on the introduction of the Local Government Pension Scheme 2014 can be viewed at: <https://mpfund.uk/lgpsequalitystatement>
- 9.3 MHCLG and HM Treasury undertake equality impact assessments with regard to the statutory reform of the public sector pension schemes and LGPS.

10.0 ENVIRONMENT, BIODIVERSITY AND CLIMATE IMPLICATIONS

- 10.1 The Fund Actuary, when advising the Fund, acknowledges climate risk as a key systemic risk for long-term pension funding with the requirement to keep the management and governance of environment, biodiversity and climate risk under review.

11.0 COMMUNITY WEALTH IMPLICATIONS

- 11.1 There are none directly arising from this report. Mercer Limited maintains an office in Liverpool which provides employment and pays business rates in the local area.

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BACKGROUND PAPERS

[National LGPS Frameworks – Actuarial, Benefits Consultancy Services](#)

[The Public Contracts Regulations 2015](#)

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section D of its Terms of Reference:

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day-to-day administration and to be responsible for any policy decisions relating to the administration of the scheme

Subject History (last 3 years)

Council Meeting	Date



PENSIONS COMMITTEE

18 MARCH 2025

REPORT TITLE:	LOCAL GOVERNMENT PENSION SCHEME (LGPS) CONSULTATION: FIT FOR THE FUTURE
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

This report provides Members with Merseyside Pension Fund’s (MPF) response to the consultation ‘LGPS fit for the future’. In addition, as invited in the consultation, the Northern LGPS (NLGPS) with its partner administering authorities has prepared a separate proposal setting out how it will deliver the proposed pooling model and complete the transfer of all assets including legacy assets. The proposal is attached at appendix 2.

This report appendices contain 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.

RECOMMENDATION/S

That the Pensions Committee be recommended to:

1. note the response to the consultation.
2. consider the NLGPS proposal and authorise the Director of Pensions, in consultation with party spokespersons, to work with the NLGPS partner funds and incur the costs necessary to deliver the requirement for an FCA regulated investment manager.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

- 1.1 At December's Committee meeting, the Director of Pensions was authorised to prepare a response to the consultation and to work with the Northern LGPS and with its partner administering authorities to prepare a separate proposal setting out how it will deliver the proposed pooling model.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 This is the most appropriate option for informing Pensions Committee of legislative developments and obtaining authorisation to pursue the establishment of an FCA authorised investment manager.

3.0 BACKGROUND INFORMATION

- 3.1 At this Committee in September, the Director of Pensions tabled a report informing Members of the landmark pensions review launched by the Chancellor on 4 September 2024.
- 3.2 Following the Chancellor's Mansion House speech, an interim report of the Pensions Investment Review was issued together with consultations on proposals for changes within Defined Contribution pensions and the Local Government Pension Scheme (LGPS). A summary of the proposals contained in the 'Fit for the future' consultation were set out.
- 3.3 The consultation sought views on proposals to strengthen the management of LGPS investments in three areas:
- 3.4 First, reforming the LGPS asset pools by mandating certain minimum standards deemed necessary for an optimal and consistent model in line with international best practice. The minimum standards proposed are:
- Administering Authorities (AA) would be required to fully delegate the implementation of investment strategy to the pool, and to take their principal advice on their investment strategy from the pool;
 - Pools would be required to be investment management companies authorised and regulated by the Financial Conduct Authority (FCA), with the expertise and capacity to implement investment strategies;
 - AAs would be required to transfer legacy assets to the management of the pool.
- 3.5 Second, boosting LGPS investment in their localities and regions in the UK, by requiring AAs to:
- Set out their approach to local investment in their investment strategy including a target range for the allocation and having regard to local growth plans and priorities:

- To work with local authorities, Combine Authorities, Mayoral Combined Authorities, Combined County Authorities and the Greater London Authority to identify local investment opportunities;
 - To set out their local investment and its impact in their annual reports.
- 3.6 Pools would be required to conduct suitable due diligence on potential investments and make the final decision on whether to invest.
- 3.7 Third, strengthening the governance of both LGPS AAs and LGPS pools in the following ways, building on the recommendations of the Scheme Advisory Board (SAB) in their 2021 Good Governance Review.
- Committee members would be required to have appropriate knowledge and skills;
 - AAs would be required to publish a governance and training policy (including a conflicts of interest policy) and an administration strategy, to appoint a senior LGPS officer and to undertake independent biennial reviews to consider whether AAs are fully equipped to fulfil their responsibilities.
 - Pool boards would be required to include representatives of their shareholders and to improve transparency.
- 3.8 In addition to considering the reforms proposed in the consultation, asset pools, working with their partner AAs, were invited to submit a separate proposal, setting out how they would deliver the proposed pooling model and complete the transfer of all assets including legacy assets. Proposals needed to include their view of costs, timeline and potential barriers and solutions. Government would continue to work closely with pools ahead of proposals being submitted. Government is proposing an indicative timeline, to move to the new model, of March 2026.
- 3.9 Each pool was invited to demonstrate a clear path to meeting the requirements outlined in the consultation document. In their reports, pools are expected to provide clear evidence that they are able to capture the advantages of managing assets at a very large scale. Proposals are expected to be submitted by 1 March 2025.
- 3.10 Members attending events such as the Annual Employers Conference and the Northern LGPS stakeholder day have received presentations on the consultation and an opportunity to consider and discuss the potential implications. The NLGPS joint committee considered the NLGPS proposal at a meeting on 27 February 2025 ahead of its submission on 28 February.
- 3.11 The timelines the establishment of a new pooling model are very stretching. The proposal found in appendix 2 sets out the progress made by officers in developing and evaluating options in order for Members to assess the most appropriate course of action for MPF and for the Northern LGPS. Government will be reviewing all proposals submitted by LGPS funds and pools and, ultimately, the course of action taken by NLGPS will be subject to government approval and shaped by the form of legislation in the Pensions Bill.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Until a course of action is approved by Committee, the financial implications are uncertain. However, indicative costs of establishing and maintaining an FCA regulated entity are set out in the proposal. Additionally, the considerable costs of transitioning assets to pooled funds within an FCA regulated entity are also set out. Government has indicated that these requirements will be legislated for and therefore MPF will need to realign its arrangements accordingly.

5.0 LEGAL IMPLICATIONS

- 5.1 The administering authority's solicitor, acting for the Fund, provides advice as to the implementation and interpretation of legislative and governance requirements.
- 5.2 LGPS administering authorities have a fiduciary duty to act in the best interests of scheme members. Investment powers must be directed to achieving what is the best for the financial position of the fund.
- 5.3 Government has indicated that, subject to the outcomes of the consultation, it will consider legislating to require in law the pool minimum standards including transition or management of all assets.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 None arising directly from this report. The pool changes will have a direct effect on the Fund's internal investment team. Subject to the pooling arrangements finally entered into, the Fund will need to recruit to some posts that may move to the pool.

7.0 RELEVANT RISKS

- 7.1 There are none arising directly from this report. Further consolidation of LGPS funds and pools may materially increase operational and governance demands across the scheme.
- 7.2 The proposals will require all pools to increase the range and extent of services provided which is leading to a demand for individuals with investment and LGPS experience. The present uncertainty about outcomes is also unsettling for the staff affected.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 The terms of reference of the Government's pension review confirms the intent to "consult widely" and will seek views from "employers, trade unions, the pensions industry, financial services, local government and consumer voices".

9.0 EQUALITY IMPLICATIONS

- 9.1 Ministry of Housing, Communities and Local Government (MHCLG) and the Pensions Regulator undertake equality impact assessments regarding the provisions of the LGPS Regulations and the administration and governance of public service pension schemes.

9.2 The Equality Statement published on the introduction of the Local Government Pension Scheme 2014 can be viewed at: <https://mpfund.uk/lgpqualitystatement>

9.3 MHCLG and HM Treasury undertake equality impact assessments with regard to the statutory reform of the public sector pension schemes and LGPS.

10.0 ENVIRONMENT, BIODIVERSITY AND CLIMATE IMPLICATIONS

10.1 There are none arising directly from this report. The consultation indicates that responsible investment policy will remain with LGPS funds but investment stewardship will be a pool responsibility.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none directly arising from this report.

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APPENDIX

The PDF file below may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact emmalittler@wirral.gov.uk if you would like this document in an accessible format.

Appendix 1. EXEMPT. MPF's response to the fit for the future consultation

Appendix 2. EXEMPT. Northern LGPS response to the fit for the future consultation

BACKGROUND PAPERS LGPS consultation: Fit for the future:

<https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-fit-for-the-future>

HM Treasury, DWP and MHCLG

<https://www.gov.uk/government/calls-for-evidence/pensions-investment-review-call-for-evidence/>

<https://www.gov.uk/government/publications/pensions-investment-review-interim-report>

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section D of its Terms of Reference:

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day-to-day administration and to be responsible for any policy decisions relating to the administration of the scheme

Subject History (last 3 years)

Council Meeting	Date



PENSIONS COMMITTEE

18 MARCH 2025

REPORT TITLE:	MERSEYSIDE PENSION FUND BUDGET FINANCIAL YEAR 2025/26
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

The purpose of this report is to request that Members approve the budget for Merseyside Pension Fund (MPF) for the financial year 2025/26.

RECOMMENDATIONS: That

- (1) The Pensions Committee be recommended to approve the budget for 2025/26, subject to review of charges from the administering authority for support services.
- (2) A further report on the outturn for 2024/25 with finalised estimates, in particular for departmental & central support charges, any known changes in supplies and services for 2025/26 and any changes resulting from the "Fit for the Future" government consultation, will be presented to Members of Pensions Committee at a future meeting.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The approval of the budget for Merseyside Pension Fund by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not relevant for this report as the budget setting process and its approval are an essential part of the Fund's governance arrangements. The Local Government Pension Scheme (LGPS) Advisory Board's Good Governance report recommends that LGPS funds set budgets sufficient to fulfil resourcing requirements and meet regulatory requirements. The Chair of the LGPS Scheme's Advisory Board recently wrote to all Administering Authorities and Chairs of Pensions Committees referring to the Good Governance recommendations and stating it is vital that appropriate resources are in place to ensure service delivery by the pension fund.
- 2.2 The majority of the Pension Fund budget is taken up by investment management costs and staffing. The investment management arrangements are subject to ongoing review with additional scrutiny from the Northern LGPS Joint Committee. For all other expenditure there has been a careful review process with senior management culminating in a planning meeting at which the Director of Pensions approved the proposals for discretionary expenditure in this report.

3.0 BACKGROUND INFORMATION

- 3.1 The headline figures are that, during the financial year 2025/26, it is estimated that MPF will pay £457m in pension benefits and receive £271m in contributions from employers and employees. The Fund has a value of £10.9bn at 31 December 2024. The proposed administration costs of £23.5m including £12.6m of investment management charges to external managers represent a cost of £151.91 per member of the scheme or 0.21% of assets under management. Taken separately the external investment management costs are approximately £82.02 per member or 0.12% of assets under management.
- 3.2 The budget for 2025/26 is higher at £23.3m than £22.7m in 2024/25 primarily due to increased staffing costs being forecast.
- 3.3 The method used to compile estimates of expenditure for 2025/26 is as follows:

Staffing	Current structure to be fully staffed throughout year.
Investment management Fees	Estimate based on normal market conditions.
Premises	Agreed as a notional charge based on market rates (MPF owns building).
Transport, Conferences and Subsistence	Estimated requirements for current year.

Services and Supplies	Contracts where usage and cost is fixed, plus estimate for variable elements.
Inflation adjustments	CPI 1.7% as at September 2024.
Investment Performance	1.9% / 2.3% bonds; 6.5% equities; 50% of performance targets met for active management.

- 3.4 This report includes a predicted out-turn for 2024/25. Due to the volatility in financial markets and delays in billing from certain third-party suppliers it is not possible to predict the outturn with complete accuracy. Therefore, some estimates have been used, and it is proposed to report on the actual outturn at a future meeting of Pensions Committee. At present, the outturn is higher than predicted largely due to higher investment management fees being forecast, as a result of outperformance by external investment managers.
- 3.5 The Fund's major expenditure is on investment management fees. For 2025/26 it is assumed that the contractual arrangements in respect of assets under management remain as per 2024/25, although the implementation of the strategic asset allocation continues, any changes during 2025/26 are expected to be at least cost natural and may result in financial savings, this will be reflected in future reporting. Investment management fees are mostly charged on an ad-valorem (according to value) basis with, on some occasions, a performance fee. This means that when the Fund's investments rise in value and/or outperform benchmarks, the fees can rise substantially. Accordingly, when this expenditure rises there is a benefit to the Fund in terms of capital appreciation that far exceeds the increase in fees paid. For 2024/25, the outturn is expected to be higher than the estimate made last year due to outperformance by some external investment managers.
- 3.6 The second highest expenditure is on staffing; employee costs overall increase in 2025/26 to reflect a budgeted pay increase of 3%, national insurance increases, and the continuation of implementing a staffing review that is underway, including filling vacancies. The aims of the staffing reviews that commenced in 2023/24 and the estimated growth element of the budget are to manage the growing complexities of the Fund's investment, address the challenges of staff recruitment and retention, and support the objective of bringing more assets in-house. The outturn for 2024/25 will be underspent relative to budget due to assumptions used, including being fully staffed and the pay increase.
- 3.7 The predicted 2024/25 outturn for supplies is lower than estimated largely due to an underspend on costs associated with investment selection services and pooling; these budgets have been reviewed, updated and carried forward to 2025/26, however a further review of these areas will be undertaken and reported at the next meeting, taking into consideration the outcomes of the government's response to the "Fit for the Future" consultation.
- 3.8 For departmental & central support charges, at present, the estimates have been left the same as last year; the figure reported to Committee last year was £298,998. Officers at the Fund will continue to negotiate service level agreements with Wirral support service functions.

4.0 FINANCIAL IMPLICATIONS

- 4.1 This report includes the probable outturn for 2024/25 and the budget proposed for 2025/26; therefore, the financial implications are included within this report.
- 4.2 The costs of the Pension Fund are charged directly to the Pension Fund and are then ultimately covered by investment performance, income and contributions. The full costs are estimated to be £151.91 per member (including active contributors, deferred and pensioners). The costs per member at Merseyside Pension Fund are competitive with other pension funds of similar size in both the public and private sector particularly when analysed net of investment performance.
- 4.3 The Fund is undertaking a number of initiatives to increase efficiencies and deliver savings, particularly from pooling and increasing the proportion of internally managed assets, over the medium term.
- 4.4 The Fund's/Northern LGPS' response to the 'Fit for the Future' consultation is a separate item on this agenda and outlines anticipated additional expenditure arising from the government's proposals. As implementation of the proposals is likely to be subject to legislation enacted through the Pensions Bill, and the detail and timing of the Bill is uncertain, these costs have not been incorporated in the Fund's budget at this stage.

5.0 LEGAL IMPLICATIONS

- 5.1 The LGPS Scheme Advisory Board's Good Governance report recommends that LGPS funds set budgets sufficient to fulfil resourcing requirements and meet regulatory requirements.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 There are no additional resource implications arising from this report.

7.0 RELEVANT RISKS

- 7.1 The Fund regularly reviews its requirements and updates its Risk Register to reflect identified key risks and mitigating controls for these risks. A key feature of the controls is having appropriate resources available to administer the fund adequately and to manage investments. This budget provides adequate resources for these two core functions.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising from this report.

9.0 EQUALITY IMPLICATIONS

- 9.1 The content and/or recommendation contained within this report have no direct implications for equality.

10.0 ENVIRONMENT, BIODIVERSITY AND CLIMATE IMPLICATIONS

10.1 There are no environmental, biodiversity or climate implications arising from this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The content and/or recommendation contained within this report have no direct implications for community wealth.

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APPENDICES

The budget for 2025/26 including the probable out-turn for 2024/25 is attached as appendix 1 to this report.

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BACKGROUND PAPERS

Chartered Institute of Public Finance Accountants (CIPFA) – Service Reporting Code of Practice for Local Authorities

National LGPS Scheme Advisory Board – Good Governance report

National LGPS Scheme Advisory Board – Letter to all Administering Authorities

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section D of its Terms of Reference:

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	30 July 2024 19 March 2024 11 July 2023 21 February 2023

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Appendix 1

Value of the Fund	£10.9bn	31/12/2024
Investment income Received	£299m	Projected 2025/26
Pensions Paid	£457m	Projected 2025/26
Contributions Received	£271m	Projected 2025/26
Active Contributing members	48,985	31 March 2024
Deferred members	46,320	31 March 2024
Pensioners	57,852	31 March 2024
Total Members	153,157	31 March 2024

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	Budget 2024/25 (£)	Probable Out-Turn 2024/25	Budget 2025/26 (£)
Employees			
Pay, NI and Pension	5,048,728	4,420,565	5,499,592
Training	20,000	31,754	30,000
Other Staffing Costs	72,477	35,519	53,753
	5,141,205	4,487,838	5,583,345
Premises			
Rents	224,612	224,612	235,865
	224,612	224,612	235,865
Transport			
Public Transport Expenses	21,740	18,976	27,963
Car Allowances	1,500	655	1,500
	23,240	19,631	29,463
Supplies			

Furniture and Office Equipment	103,000	467	38,000
Printing and Stationery	16,500	11,047	16,500
Computer Development and Hardware	741,500	712,185	788,500
Postages and Telephones	72,500	84,616	72,700
External Audit	97,413	126,185	126,185
Services and Consultants Fees	1,552,457	1,398,841	1,565,844
Conferences and Subsistence	29,088	29,445	37,147
Subscriptions	213,473	205,000	207,809
Other	67,141	93,611	71,845
	2,893,072	2,661,397	2,924,530
Third Party			
Medical Fees	2,000	0	2,000
Bank Charges	5,000	9,138	10,000
Investment Management Fees	12,730,304	14,449,631	12,561,715
Custodian Fees	250,000	183,283	200,000
Actuarial Fees	750,000	895,797	1,000,000
Other Hired and Contracted Services	408,803	349,923	419,972
	14,146,107	15,887,772	14,193,687
Departmental & Central Support Charges	298,998	298,998	298,998
	298,998	298,998	298,998
Total Expenditure	22,727,234	23,580,248	23,265,888

By virtue of paragraph(s) 4 of Part 1 of Schedule 12A of the Local Government Act 1972.

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Pensions Committee – Terms of Reference

The Pensions Committee is responsible for exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as Administering Authority of the Merseyside Pension Fund.

In particular, the Committee is charged by full Council:

- (a) To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance of the Fund.
- (b) To appoint and terminate the appointments of the professional advisers to, and external managers of, the Fund and agree the basis of their commission and remuneration.
- (c) To receive actuarial valuations of the Fund and determine the level of employers' contributions necessary to balance the Fund.
- (d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme.
- (e) To consider any views expressed by employing organisations and staff representatives relating to the scheme.
- (f) To appoint members of the Investment Monitoring Working Party, which shall have responsibility for reviewing the performance of the Fund's investments and its asset allocation and regularly reporting their findings to the Pensions Committee.
- (g) To award contracts for goods and services relating to the Fund in accordance with the Contract Procedure Rules after taking into account the recommendations of officers and external professional advisers (where appropriate).

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