

PENSIONS COMMITTEE

Monday, 26 March 2018

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| <u>Present:</u> | Councillor | P Doughty (Chair) | |
| | Councillors | G Davies T Jones B Kenny B Mooney M McLaughlin (deputy for Cllr Adrian Jones) J Fulham, St Helens Council P Lappin, Sefton Council | G Watt K Hodson C Povall |
| <u>Apologies</u> | Councillors | N Crofts, Liverpool City Council Adrian Jones, Wirral Council | |

79 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked if they had any pecuniary or non-pecuniary interests in connection with any application on the agenda and, if so, to declare them and state the nature of the interest.

Councillor George Davies declared a pecuniary interest by virtue of his wife being a member of Merseyside Pension Fund.

Councillor Paul Doughty declared a pecuniary interest by virtue of his wife being a member of Merseyside Pension Fund.

Councillor John Fulham declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund.

Councillor Tony Jones declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund.

Councillor Paulette Lappin declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund.

Councillor Cherry Povall declared a pecuniary interest by virtue of her daughter being a member of Merseyside Pension Fund.

Councillor Geoffrey Watt declared a pecuniary interest by virtue of a relative being a member of Merseyside Pension Fund

80 MINUTES

Resolved – That the accuracy of the Minutes of the Pensions Committee held on 22 Jan, 2018 be approved as a correct record.

81 **AUDIT PLAN**

A representative from Grant Thornton UK, attended the meeting and presented the External Audit Plan for Merseyside Local Government Pension Scheme Year ended 31 March 2018.

Resolved – That;

1. Grant Thornton be thanked for the presentation on the Audit Plan.

2. the Audit Plan be noted.

82 **LGPS UPDATE**

A report of the Director of Pensions informed Members that on 22 January 2018, HM Treasury (HMT) had published a response to its consultation dated 28 November 2016.

The consultation had proposed options for the indexation of Guaranteed Minimum Pensions (GMPs) in public service pension schemes following the reform of the State Pension and the ending of contracting out.

The report also raised awareness of the Ministerial changes made at the Department for Communities and Local Government.

Resolved – That the report be noted.

83 **MANAGEMENT OF CARBON RISK**

Members gave consideration to a report of the Director of Pensions that sought to update Members on the progress being made toward implementing the decarbonisation goals set as part of the climate risk management policy for Merseyside Pension Fund.

It was reported that in January 2018, Members had approved a proposal to allocate one-third of MPF's passive equities portfolio to a low carbon strategy. This would meet the Fund's decarbonisation goal in respect of listed equities: to effect a measurable reduction of exposure to climate risk factors in the public equity portfolio and to better align this with the transition to a low carbon economy as defined by the Paris Agreement. It was expected that the passive low carbon strategy would exhibit a lower carbon risk profile with a return profile in line with or better than the benchmark.

Peter Wallach, Director of Pensions informed members that the first stage of a carbon footprint analysis of the Fund's listed equity investments had been undertaken and provided a partial quantification of the climate risk present in the portfolio. The first draft had been presented to the Investment Monitoring Working Party on 8 March 2018. The Director of Pensions outlined the headlines from the analysis and responded to Members questions. It was reported that there was a modest risk of the Fund not achieving the returns targeted from the passive equities allocation. It was considered likely that this

would be offset by the risk mitigation benefits likely to be realised over the long-term by reducing the investment strategy's exposure to climate risk. It was also reported that the implementation of a low carbon strategy would almost certainly involve an increase in investment management costs.

Resolved – That;

1 the progress made toward implementing the Pension Committee's decision to allocate one-third of MPF's passive equities to a low carbon index be noted.

2 the Pensions Committee continue to receive reports on the progress made on the Management of Carbon Risk.

84 PLSA LOCAL AUTHORITY CONFERENCE

A report of the Director of Pensions requested nominations for members to attend the Pensions & Lifetime Savings (PLSA (formerly NAPF)) Local Authority Conference 2018 to be held in Gloucester from 21 May to 23 May 2018.

Resolved – That;

1 Members agree to send a delegation to attend the Pensions & Lifetime Savings (PLSA (formerly NAPF)) Local Authority Conference 2018.

2 invitations be sent out by the Director of Pensions office and members confirm if they wish to attend.

85 TRUSTEE KNOWLEDGE SEMINAR

A report informed Members of a Trustee Knowledge seminar; 'Managing the Investment Challenge' hosted by Legal & General, on 4 September 2018 in Birmingham and sought expressions of interest in attending the event.

The programme for the event was attached as an appendix to the report and covered a number of topical investment issues.

Resolved – That;

1 Members agree to send a delegation to attend the Trustee Knowledge seminar, 'Managing the Investment Challenge' hosted by Legal & General, on 4 September 2018 in Birmingham.

2 invitations be sent out by the Director of Pensions office and members confirm if they wish to attend.

86 TRUSTEE TRAINING

A report of the Director of Pensions informed Members of a Trustee training event, 'Managing Scheme Strategy', hosted by Schroders and sought expressions of interest in attending the event.

It was reported that the seminars were intended provide valuable insights on a variety of investment topics and were open to trustees of DB and DC pension schemes. The seminar was available in Birmingham on 15 June or in Leeds on 16 November.

The programme for the event was attached as an appendix to the report and covered a number of topical investment issues.

Resolved – That;

- 1 Members agree to send a delegation to attend the a Trustee training event, ‘Managing Scheme Strategy’.**
- 2 invitations be sent out by the Director of Pensions office and members confirm if they wish to attend.**

87 TRUSTEE STEPS TRAINING

A report of the Director of Pensions informed Members of a Trustee training event, hosted by UBS, on 17 May 2018 in Manchester and sought expressions of interest in attending the event.

The seminars were intended to provide valuable insights on a variety of investment topics and were open to trustees of DB and DC pension schemes.

The programme for the event was attached as an appendix to the report and covered a number of topical investment issues.

Resolved – That;

- 1 Members agree to send a delegation to attend the Trustee Steps training event on 17 May 2018.**
- 2 invitations be sent out by the Director of Pensions office and members confirm if they wish to attend.**

88 GIFTS & HOSPITALITY DECLARATIONS

Members gave consideration to a report of the Director of Pensions that provided Members with a summary of subsidised business events attended by officers of the Fund and details of gifts and hospitality received from January 2017 to December 2017.

In November 2012, the Pensions Committee had approved new guidance in relation to the declaration of gifts and hospitality received by officers and those members of Committee that were not otherwise subject to personal conduct arrangements. Appendix 1 and 2 of the report provided schedules of declarations from January 2017 to December 2017.

Resolved – That the report be noted.

89 POOLING UPDATE

Members gave consideration to a report of the Director of Pensions that provided Members with an update on pooling arrangements relating to MPF and the Northern Pool. Appendix 1 to the report contained minutes of the Shadow Joint Committee meeting on 5 December 2017. Members were also requested to consider the 26 February 2018 Shadow Joint Committee report, presentation and recommendation at appendix 2.

Appendices 1, 2 and 3 to the report contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of Local Government Act 1972 i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information).

It was reported that following the update to Committee in January that had provided details of the progress report to DCLG as at 30 September 2017, the Northern Pool had received a response from MHCLG which was attached at appendix 3 to the report.

Peter Wallach, Director of Pensions, informed the Committee that a meeting of the Northern Pool Shadow Joint Committee had taken place on 26 February 2018. Mr Ian Greenwood had been agreed as Chair. The principal ongoing work streams for the Northern Pool were set out in the report and were making satisfactory progress. The Director of Pensions reminded members that Pooling would result in fundamental changes to oversight and management of LGPS assets. It was therefore essential that appropriate governance arrangements were put in place to ensure that Pensions Committee could exercise its responsibilities in accordance with the Council's constitution.

The Chair informed members that a further report would be brought back to Committee after the meeting with the Minister had taken place.

Resolved – That;

- 1 the pooling report be noted.**
- 2 Pensions Committee defer any decision in relation to the Northern Pool fulfilling the government's pooling criteria until the meeting between the Minister and elected members has taken place or further clarification be received.**

90 **MONITORING POLICY**

A report of the Director of Pensions sought approval for a revised policy for the monitoring of investment mandates for Merseyside Pension Fund.

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

Peter Wallach, Director of Pensions, informed members that the purpose of the policy was to provide a framework for the monitoring of internal and external

mandates for the Fund. The original version of the policy had been approved by this Committee on 31 March 2008 and a revised policy on 20 March 2012.

The Fund had undertaken to review the policy from time to time to ensure it retained its relevance. Some changes were proposed to the policy to reflect the implications of pooling and the availability of additional benchmarks for public and private market assets. The revised policy also sought to avoid 'short-termism' in decision making.

Committee were informed that the purpose of the policy was to provide a structured approach by the investment team to the performance of all elements of the Fund; allowing full consideration of relevant facts in decision making and ensuring that there was an auditable trail of actions.

Resolved – That the policy attached as an appendix to the Monitoring Policy report be approved.

91 **PROPERTY ARREARS**

Members gave consideration to a report of the Director of Pensions that requested that Members agree to the write off of £21,043.29 of unrecoverable rent arrears from the Fund's property portfolio.

Appendix 1 to the report, (a report from CBRE detailing property rent arrears), contained exempt information. This was 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 particular person (including the authority holding that information).

Resolved – That the write-off of uncollectable property rental income as set out in the exempt appendix to the report be approved.

92 **WORKING PARTY MINUTES**

A report of the Director of Pensions provided Members with the minutes of meetings of Working Parties held since the last meeting.

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

Resolved – That the minutes attached as an appendix to the report be approved.

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

Resolved – That in accordance with section 100 (A) 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 it involved the likely disclosure of exempt information as defined by relevant paragraphs of Part 1 of Schedule 12A (as amended) to that Act. The public interest test had been applied and favoured exclusion.

94 **POOLING UPDATE EXEMPT**

The appendix to the report on Pooling Update was exempt by virtue of paragraph 3.

95 **MONITORING POLICY EXEMPT**

The appendix to the report on Monitoring Policy was exempt by virtue of paragraph 3.

96 **PROPERTY ARREARS EXEMPT**

The appendix to the report on Property Arrears was exempt by virtue of paragraph 3.

97 **WORKING PARTY MINUTES EXEMPT**

The appendix to the report on Working Party Minutes was exempt by virtue of paragraph 3.