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WIRRAL

Pensions Committee

Date:	**Monday, 21 January 2019**
Time:	**6.00 p.m.**
Venue:	Birkenhead Town Hall - Council Chamber

This meeting will be webcast at
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AGENDA

1. 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.

2. MINUTES (Pages 1 - 8)

To approve the accuracy of the minutes of the meeting held on 29 October, 2018.

3. NORTHERN POOL DRAFT RESPONSIBLE INVESTMENT POLICY

Presentation - PIRC

4. LGPS UPDATE (Pages 9 - 16)

5. PENSION FUND BUDGET (Pages 17 - 22)

6. MEMBER DEVELOPMENT PROGRAMME (Pages 23 - 26)

7. TREASURY MANAGEMENT STRATEGY (Pages 27 - 42)

8. UPDATE ON INVESTMENT STRATEGY (Pages 43 - 74)

9. LGC INVESTMENT SEMINAR (Pages 75 - 80)

10. PENSION BOARD MINUTES (Pages 81 - 88)

11. POOLING UPDATE (Pages 89 - 102)

12. CONTRACTUAL ARRANGEMENTS (Pages 103 - 106)

13. LIABILITY RISK MANAGEMENT (Pages 107 - 110)

14. WORKING PARTY MINUTES (Pages 111 - 114)

15. 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.

16. CONTRACTUAL ARRANGEMENTS (Pages 115 - 116)

17. LIABILITY RISK MANAGEMENT (Pages 117 - 122)

18. WORKING PARTY MINUTES (Pages 123 - 130)

19. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR

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PENSIONS COMMITTEE

Monday, 29 October 2018

Present:	Councillor	P Doughty (Chair)	
	Councillors	G Davies	K Hodson
		P Cleary	T Jones
		A Gardner	B Kenny
		P Hackett	C Povall
	Councillors	J Fulham, St Helens Council	
		P Lappin, Sefton Council	
		R Bannister, Unison retired member representative	
Apologies	Councillor	Ms J Aston, Knowsley Council	

24 **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 and a Board Member, Torus.

Councillor Andrew Gardner 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.

25 **MINUTES**

Resolved – That the accuracy of the Minutes of the Pensions Committee held on 16 July 2018 be agreed.

26 **LGPS UPDATE**

Members gave consideration to a report of the Director of Pensions that provided a high level overview of the proposed changes to the valuation and cost management process for public service pension schemes, and the subsequent impact on the LGPS.

Resolved – That the report be noted.

27 **DRAFT FUNDING STRATEGY STATEMENT**

A report of the Director of Pensions provided an update for Members of the requirement for the Scheme Manager to keep the Funding Strategy Statement (FSS) under review between triennial actuarial valuations.

Yvonne Caddock, Head of Pension Administration, outlined the report and informed Members that there was a statutory responsibility under regulation 58 (3) of Local Government Pension Scheme 2013 Regulations to ensure it remained appropriate in the event of changes to the Investment Strategy Statement or overarching legislation.

It was reported that as the LGPS (Amendment) Regulations 2018 had introduced the provision to refund an "Exit Credit" to an employer" with effect from 14 May 2018; thus presenting as a material change in funding arrangements, it was necessary to review the impact on the termination policy and consult with employers on any proposed changes to the FSS.

The Fund had opened a consultation with Scheme employers on 9 July 2018 and had shared an explanatory letter detailing the background to the consultation, together with a draft copy of the 2018 FSS. The consultation had closed on 6 August 2018.

Members were informed that the Pension Board had considered the draft Funding Strategy Statement at its meeting on 16 October 2018 and deemed it suitable for presentation to Pension Committee.

The revised draft FSS was attached as an appendix to the report together with the Fund's response to the issues raised by employers and the Independent Chair of the Pension Board, during the consultation.

Resolved – That

1) the policy on Scheme employers exiting the Fund; and

2) the updated Funding Strategy Statement be approved.

28 RESPONSIBLE INVESTMENT EVENT

A report of the Director of Pensions informed Members of a Responsible Investment event being organised and hosted by the Fund on 26 November 2018 on behalf of the Northern Pool.

The Director of Pensions informed Members that this conference was for those involved with the creation of the Northern Pool and others with a direct interest. The objective was to give those attending a reminder of what was required of the three administering authorities and funds to meet legislative requirements, achieve good investment returns together with developing a collective view on strong stewardship arrangements for the assets of the funds whether held directly or through the pooling arrangements. Councillor Pat Cleary commented that he hoped that the event would feature climate change and that the presentation would address this at a high level. The Director of Pensions indicated that he would follow up on this.

Members were informed that a mix of external and internal speakers would be attending. A number of areas of best practice would be discussed and case studies presented. An agenda for the event will be circulated shortly. The Chair encouraged members to attend the event and commented that it would provide an opportunity to meet with counterparts from the Northern Pool.

Resolved – That the report be noted and Members be encouraged to attend the Responsible Investment event on 26 November 2018.

29 POOLING UPDATE

Members gave consideration to a report of the Director of Pensions that provided an update on pooling arrangements relating to MPF and the Northern Pool and sought approval for the Director of Pensions, in conjunction with the Borough Solicitor, to conclude an inter-authority operating agreement between the three funds of the Northern Pool and any constitutional amendments that might be required.

Resolved – That;

1. **the pooling report be noted.**

2. **subject to any necessary approval of the Council in relation to Constitutional changes or amendments, approval be given for the Director of Pensions, in conjunction with the Borough Solicitor, to conclude an inter-authority operating agreement between the three funds of the Northern Pool and any constitutional amendments that may be required.**

30 LAPFF CONFERENCE

A report of the Director of Pensions recommended that the Committee approved attendance by the Chair and party spokespersons at the Local Authority Pension Fund Forum (LAPFF) Annual Conference, organised by PIRC, to be held in Bournemouth from 5 to 7 December 2018.

The report informed that MPF was a member of LAPFF and its Annual General Meeting and annual conference provided a forum for Responsible Investment matters and topical issues affecting Local Authority Pension Funds to be discussed and addressed. With sustainability issues gaining a higher profile it was proposed that the arrangements pertaining last year be continued and invitations extended to party spokespersons as well as the Chair.

An agenda for the conference was attached as an appendix to the report. Members were informed that the conference would commence on the Wednesday afternoon and conclude around midday on the Friday.

Resolved – That attendance at the LAPFF conference by the Chair, party spokespersons and other Members who wish to attend be approved.

31 **ANNUAL EMPLOYERS CONFERENCE**

A report of the Director of Pensions informed Members of the arrangements for the annual Employers' Conference to be held on at Aintree Racecourse on Thursday 29 November 2018.

Members were informed that in addition to the annual reports on investment performance and the administration of the Pension Fund over the previous year, a presentation would be given by Mercer, the Fund Actuary, summarising the recent interim valuation and an outline of next year's triennial valuation.

Members were invited to attend the Conference and further details would be circulated to all Members of the Committee as soon as arrangements were finalised.

Resolved – That the report be noted.

32 **PENSION BOARD MINUTES 13/06/18**

A report of the Director of Pensions provided members with the minutes of the previous meeting of the Local Pension Board held on 13 June 2018.

Resolved – That the minutes of the Local Pension Board held on 13 June 2018 be noted.

33 **LGPS GOVERNANCE CONFERENCE**

A report of the Director of Pensions requested nominations for members to attend the 15th Annual LGPS Governance Conference, organised by the Local Government Pensions Committee, to be held in Bristol between 17 and 18 January 2019.

The Conference "Clarity in Confusion" was aimed at elected members and others involved in pensions committees and local pension boards. It would provide an

update on the latest developments in the LGPS and an insight to the current governance and investment issues in the LGPS.

Members were informed that attendance would be beneficial in fulfilling the Committee's Knowledge and Skills objectives as set out by CIPFA. The programme was attached as an appendix to the report.

Resolved – That the report be noted.

34 **INTERIM VALUATION**

Members gave consideration to a report of the Director of Pensions that outlined the scope of the interim funding review for Merseyside Pension Fund, undertaken by the Fund Actuary, Mercer Ltd, assessed at 31 March 2018.

The appendix to the report 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 outcome of the interim valuation at 31 March 2018, updated to 31 August 2018 be noted.

35 **ADMISSION BODY APPLICATION**

Councillor John Fulham left the room during consideration of this item.

A report of the Director of Pensions sought approval of Pension Committee to admit both New Torus 62, and its principal subsidiary ComMutual, as community admission bodies of Merseyside Pension Fund; with effect from 1 December 2018. Yvonne Caddock, Head of Pension Administration, outlined the report and responded to Members questions.

The appendix attached to the report contained exempt information. This was by virtue of paragraph 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;

1 the report be noted.

2 the applications from New Torus 62 Limited and ComMutual for admission to Merseyside Pension Fund, as community admission bodies, with effect from 1 December 2018 be approved in principle.

3 the completion of the detailed terms of the pension transfer agreement, including the statutory guarantees, be delegated to the Head of Pension Administration and to the Borough Solicitor.

36 **WRITE-OFF PENSION OVERPAYMENTS**

Members gave consideration to a report of the Director of Pensions that requested approval to write off a sum of £113,071.36, in respect of pension overpayments that had arisen and which were now Statute Barred or irrecoverable; they were now recommended by Legal Services for write off.

The appendix to the report 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 sum of £113,071.36 be approved for write-off.

37 **WRITE-OFF RENT ARREARS**

A report of the Director of Pensions t requested that Members agree to the write off of £93,246.69 of unrecoverable rent arrears from the Fund's property portfolio. The annual property rental income for 2017/18 was £26.8 million.

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 of £93,246.69 be approved.

38 **WORKING PARTY MINUTES 12/07/18 & 11/09/18**

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 exempt appendix to the report be approved.

39 **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.

40 **INTERIM VALUATION**

The appendix to the report on Interim Valuation was exempt by virtue of paragraph 3.

41 **ADMISSION BODY APPLICATION**

The appendix to the report on Admission Body Application was exempt by virtue of paragraph 3.

42 **WRITE-OFF OF PENSION OVERPAYMENTS**

The appendix to the report on Write-Off of Pension Overpayments was exempt by virtue of paragraph 3.

43 **WRITE-OFF OF RENT ARREARS**

The appendix to the report on Write-off of Rent Arrears was exempt by virtue of paragraph 3.

44 **WORKING PARTY MINUTES 12/07/18 & 11/09/18**

The appendix to the report on Interim Valuation was exempt by virtue of paragraph 3.

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WIRRAL COUNCIL

PENSION COMMITTEE

21 JANUARY 2019

SUBJECT:	**LGPS UPDATE**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report provides an update on the Scheme Advisory Board's key projects relating to the governance and administration of the Local Government Pension Scheme; specifically national initiatives to deal with inconsistencies across the Scheme for academies, the risks associated with Third-Tier employers and the conflicting interests at local authority employers who undertake the administering authority function.

1.2 In addition, it covers the policy consultation issued by the Ministry of Housing, Communities & Local Government on 'Technical Amendments to Benefits' and Merseyside Pension Fund's response.

1.3 Fund Officers sought comments and approval from the Chairs of both the Pension Committee and Pension Board on the policy perspective, before submitting the consultation response by the prescribed deadline of 29 November 2019.

1.4 The consultation response is attached as an Appendix to the report.

2 BACKGROUND AND KEY ISSUES

National Initiatives and Associated Scheme Advisory Board Activity

2.1 The Scheme Advisory Board (SAB) is coordinating a number of projects to resolve issues that have arisen within the LGPS, relating to; the inconsistent treatment of Academies across Funds and the affordability constraints of Third-Tier Employers.

In addition, further research is being undertaken to consider the dual role and conflicts of interest for a local authority employer undertaking the Scheme Manager function.

Academies Project

2.2 As previously reported to Pension Committee at its meeting dated 13 November 2017, minute 42 refers, Ministers agreed that the Department for Education (DfE), MHCLG and Government Actuary's Department (GAD) should work together to pursue solutions to achieve consistency across the LGPS in the administrative and funding arrangements for academy schools.

2.3 Two working groups have been set-up to address each specific issue, with activity currently ongoing to agree a standard data extract to simplify the administrative requirements and information exchanges for the academy sector.

2.4 To inform the funding review, GAD produced a report on 14 September 2018 which indicates that, in recognition of the DfE guarantee, on the whole, academies were treated consistently with Local Authority employers when funding plans were set for the 2016 Triennial Valuation.

2.5 MPF acknowledges the status of the DfE as a central government department, supported by tax receipts, when considering the guarantee and covenant strength of an academy.

The GAD report should assist in discussions with regard to the 2019 Triennial Valuation, to provide assurance to the sector that the ongoing funding arrangements applied by MPF are equitable to other participating employers underpinned by a statutory guarantee.

2.6 SAB's work is still ongoing to meet the stated objective of achieving a consistent and cost-effective operational and funding regime for academies participating in multiple funds across the LGPS.

Third-Tier Employer Project

2.7 SAB is committed to identify and manage the risk of default in respect of Fund employers with no tax raising powers or guarantees; defined as Third-Tier employers.

2.8 A SAB commissioned report has been published on associated issues, as identified through an information gathering exercise with stakeholders. The

report summarises the findings and sets out a wide range of possible options to address the issues raised by employers and Pension Funds.

2.9 A working group, comprising of SAB members has been tasked to produce a set of recommendations in the near future, based on concerns expressed by third-tier employers.

Stakeholders will then be given the opportunity to comment on these recommendations and Fund Officers will update Members on progress and the final outcome in due course.

Separation Project

2.10 The objectives of the 'Separation Project' is to identify issues derived from current Scheme administration arrangements and to consider the potential benefits of increasing the level of separation to strengthen the delineation between the host authority and scheme manager role.

2.11 A report was produced by KPMG in 2015 which outlined a range of options, from removing the potential conflicts of interest for the Section 151 Officer, to each Fund operating as a standalone company.

2.12 The project was put on hold while pooling was in its initial stages. However, SAB has recently restarted the project and is commissioning professional advisers to take the project forward

2.13 Notwithstanding the objectives of the project, there is a consensus among most Funds that conflicts of interests amongst officers and the Pensions Committee are well managed.

Consultation on 'Technical Amendments to Benefits'

2.14 The MHCLG issued a policy consultation on 4 October 2018; in regard a number of technical amendments to the provisions of the LGPS as a result of a number of challenges in the Supreme Court.

These challenges related to survivor benefits as the scheme rules are inconsistent with the 1998 Human Rights Act.

The consultation document can be accessed from the following link:

http://lgpslibrary.org/assets/cons/lgpsew/20181004.pdf

2.15 The main change relates to survivors' benefits of same-sex marriages or civil partners, with the objective to equalise benefits to those of an opposite sex surviving spouse.

2.16 Surviving partners in a civil partnership or same sex marriage of either sex are all currently afforded benefits equivalent to widowers.

2.17 The Government has decided that all public service pension schemes should implement changes to ensure that survivors of a registered civil partnership or same-sex marriage are provided with benefits that replicate those provided to widows.

This change would be significant as post-retirement marriage is based on service from 1978 for widows but only from 1988 for widowers.

2.18 The Fund responded to the consultation on 28 November 2018, supporting the equalisation of survivor benefits but raised concern that the proposals do not extend to cover survivor pensions for opposite sex marriages or cohabitating partners. The response is attached as an appendix to the report.

3.0 Relevant Risks

As proposed, the 'Technical Amendments to Benefits' consultation do not address the inequitable payment of survivor benefits for members in opposite sex marriages or cohabiting partners.

This continuing inequality will inevitably lead to a tangible risk of further legal challenge with an associated drain on administering authority resource.

4.0 Other Options Considered

4.1 Not relevant for this report.

5.0 Consultation

5.1 Not relevant for this report

6.0 Outstanding previously approved actions

6.1 None associated with the subject matter.

7.0 Implications For voluntary, community And Faith Groups

7.1 There are none arising from this report.

8.0 Resource Implications: Financial: IT; Staffing and Assets

8.1 The changes to Survivor pensions will apply from the date civil partnerships and same-sex marriages were implemented; resulting in the need for Pension Funds to revisit all awards made under the current rules to those members affected and pay any additional sums due.

8.2 As it has been estimated that the cost to extend the improvement in survivors' pensions to survivors of opposite sex marriages and cohabitating partners amounts to £2.8 billion across the public sector; there is no intent to take the provision forward at this time.

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9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10.0 Equalities Implications

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

No, because MHCLG undertake equality impact assessments with regard to the statutory reform of the LGPS.

11.0 Carbon Reduction and Environmental Implications

11.1 There are none arising from this report

12.0 Planning And Community Safety Implications

12.1 There are none arising from this report

13.0 Recommendation

13.1 That Committee Members note:

a) the developments of the Scheme Advisory Board's projects

b) the response sent to MHCLG regarding the policy consultation issued in October.

14.0 Reason/s for Recommendations

14.1 There is a requirement for Members of the Pension Committee to be kept up to date with legislative developments as part of their decision making role.

REPORT AUTHOR	Yvonne Caddock Head of Pension Administration Telephone (0151) 242 1333 Email yvonnecaddock@wirral.gov.uk

APPENDIX ONE

Merseyside Response to the consultation on 'Technical Amendments to Benefits'

LGF Reform and Pensions Team
Benefits Consultation
Ministry for Housing, Communities and Local Government
2nd Floor, Fry Building
2 Marsham Street
London
SW1P 4DF

c/o **LGPensions@communities.gsi.gov.uk**

Direct Line: 0151 242 1390

Please ask for: Yvonne Caddock

Date: 28 November 2018

Merseyside PENSION FUND

Dear Sirs

Consultation on Local Government Pension Scheme
Technical Amendments to Benefits

I refer to the above mentioned consultation document and I am responding to the invitation for comments on behalf of Wirral Council in its capacity as the Administering Authority for Merseyside Pension Fund (MPF).

The Fund is part of the Local Government Pension Scheme (LGPS) and the 4th largest of the 88 funds in England and Wales, with assets of £8bn. MPF undertakes the LGPS pension administration and investments on behalf of the five Merseyside district authorities, over 180 other employers on Merseyside and elsewhere throughout the UK. The Fund has over 130,000 active, deferred and pensioner members.

1/ Equitable Treatment for Survivor Benefits

The Fund supports the Local Government Association's response dated 23 November 2018; as this concentrates on matters that we also believe the Government should carefully consider, before reaching any conclusions and the formalisation of any overarching policy.

Whilst the proposals in relation to same-sex survivors are understandable following the recent Supreme Court judgement on the case of Walker v Innospec, it is difficult to see how the Government could legitimately maintain the differential treatment for widowers in an opposite-sex marriage.

Once the proposed changes are in force, a female member in an opposite-sex marriage will have a strong argument for inequality on the grounds of sexual orientation; given that the widower's benefits paid in respect of her LGPS membership are less favourable than the more generous widow's benefits payable if she were in a same-sex marriage.

The contingent benefits payable to cohabitating partners are also inferior to the benefits that will be payable to survivors of civil partners or same sex marriages, further compounding the inequalities that the proposals would generate.

The Fund further support's the LGA contention that inequitable payment of survivor benefits to the above mentioned membership cohorts will inevitably lead to further legal challenge and an unwelcomed drain on administering authority resources.

2/ Power to issue statutory guidance

The Fund acknowledges that it would be useful to provide more flexibility within the regulatory framework through the issue of statutory guidance as, the inflexibility of the LGPS regulations often creates problem for funds, as the drafting of the regulations is frequently prescriptive.

In addition, the inordinate delay in Parliamentary time to make regulatory changes following ground breaking court decisions can often lead to inconsistencies across Funds on the approach to the revised payment of benefits.

The Fund is apprehensive to see increased central government control over the LGPS and a reduction of local influence, and would thus appreciate an assurance that there will be widespread engagement across Funds prior to the issue of any statutory guidance.

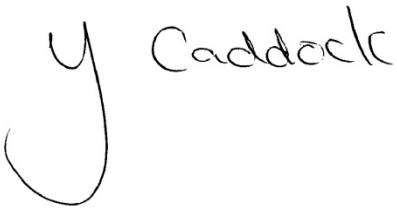
3/ Early access to benefits for deferred members of 1995 Scheme

The Fund agrees to the technical amendment in order to afford members who left with deferred benefits prior to 1 April 1998 (pre-98 members) the same automatic early access rights to benefits from age 55 as afforded other deferred members in the LGPS.

However, the proposal to time limit the facility to claim benefits from 14 May 2018 for a six month period for pre-98 deferred members, should also apply to all other applications to access deferred benefits as a consequence of the enactment of the 2018 amendment regulations. This would limit the opportunity for <u>all</u> members who left with deferred benefits prior to 1 April 2014, from making a backdated application from 14 May 2018. Currently the regulations permit members over age 55 to access benefits from May 2018 at any time in the future and claim accumulated arrears.

I hope the above is useful and assists the Ministry in formulating the final policy position.

Yours faithfully



Yvonne Caddock
Head of Pensions Administration

WIRRAL COUNCIL

PENSIONS COMMITTEE
21 JANUARY 2019

SUBJECT:	**MERSEYSIDE PENSION FUND BUDGET FINANCIAL YEAR 2019/20**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to request that Members approve the budget for the financial year 2019/20.

1.2 The headline figures are that, during the financial year 2019/20, we are estimating that MPF will pay £332m in pensions and receive £213m in contributions from employers and employees. The Fund has a value of £8.9bn at 30 September 2018. The proposed administration costs of £22.0m including £14.0m of investment management charges to external managers represent a cost of £160.65 per member of the scheme or 0.25% of assets under management. Taken separately the external investment management costs are approximately £102.15 per member or 0.16% of assets under management.

1.3 The budget for 2019/20 at £22.0m is higher than the projected outturn for 2018/19, but in line with the £22.0m set in 2018/19 primarily due to a number of projects and areas of spend being deferred and carried forward to the next financial year.

2.0 BACKGROUND AND KEY ISSUES

2.1 The method used to compile estimates of expenditure for 2019/20 is as follows:

Staffing		Current structure to be fully staffed throughout year at the top of the grade.
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 2.4% as at September 2018.
Investment Performance		4% bonds; 8% equities; 50% of

		performance targets met for active management.

2.2 This report includes a predicted out-turn for 2018/19. 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 the July meeting of Pensions Committee. At present, the outturn is lower than predicted largely due to investment market volatility and budgeted projects and areas of work being deferred to 2019/20.

2.3 The Fund's major expenditure is on investment management fees. These are mostly charged on an ad-valorem 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 2017/18 the outturn is expected to be lower than the estimate made last year due to market volatility.

2.4 The second highest expenditure is on staffing. The outturn for 2018/19 will be underspent due to assumptions used and vacancies. In the light of the new pooling guidance, a further review of staffing requirements will be undertaken and any material changes will be reported to a subsequent meeting of this Committee.

2.5 The predicted 2018/19 outturn for supplies is lower than estimated largely due to an underspend on costs associated with investment selection services and pooling; this budget has been carried forward to 2019/20.

2.6 IT expenditure costs rise in 2019/20 for system upgrades and the workflow and image migration project continuing during 2019/20.

2.7 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 £363,879. Officers at the Fund will continue to negotiate service level agreements with Wirral support service functions.

3.0 RELEVANT RISKS

3.1 The Chair of the CIPFA Pensions Panel has previously written to all administering authorities reminding them of their responsibilities regarding the resourcing requirement of LGPS funds. 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.

4.0 OTHER OPTIONS CONSIDERED

4.1 The majority of the Pension Fund budget is taken up by investment management costs and staffing. The investment management arrangements are subject to review with further reviews being undertaken on an on-going basis. For all other expenditure there has been a careful review process culminating in a planning meeting at which the Director of Pensions approved the proposals for discretionary expenditure in this report.

5.0 CONSULTATION

5.1 Not relevant for this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are no implications arising directly from this report.

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

8.1 The costs of the Pension Fund are charged directly to the Pension Fund and are then ultimately covered by investment income and employee and employer contributions, the full costs are estimated to be £160.65 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.

8.2 The Fund is undertaking a number of initiatives to increase efficiencies and deliver savings, particularly from investments, over the medium term.

9.0 LEGAL IMPLICATIONS

9.1 There are no implications arising directly from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are no planning or community safety implications arising from this report.

13.0 RECOMMENDATION/S

13.1 Members approve the budget for 2019/20. (Subject to review of charges from the administering authority for support services and changes in recharges for pension deficit recovery)

13.2 That a further report on the outturn for 2018/19 with finalised estimates in particular for salary overheads and departmental & central support charges for 2019/20 be presented to Pensions Committee Members in July.

14.0 REASON/S FOR RECOMMENDATION/S

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

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APPENDICES

The budget for 2019/20 is attached as appendix 1 to this report.

BACKGROUND PAPERS/REFERENCE MATERIAL

Internal working papers were used in the production of this report.

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee: **Pension Fund Budget**	**16 July 2018** **22 January 2018** **17 July 2017** **23 January 2017** **4 July 2016** **25 January 2016** **22 June 2015** **19 January 2015**

Appendix 1

Value of the Fund	£8.9bn	*30/09/2018*
Investment income Received	£221m	*Projected 2019/20*
Pensions Paid	£332m	*Projected 2019/20*
Contributions Received (see note 1)	£213m	*Projected 2019/20*
Active Contributing members	49,151	*31 March 2018*
Deferred members	38,176	*31 March 2018*
Pensioners	50,160	*31 March 2018*
Total Members	137,487	*31 March 2018*

		Budget 2018/19 (£)	Probable Out-Turn 2018/19	Budget 2019/20 (£)
Employees				
	Pay, NI and Pension	3,339,555	2,706,004	3,498,471
	Training	20,000	11,533	20,000
	Other Staffing Costs	270,758	276,217	267,360
		3,630,313	**2,993,754**	**3,785,831**
Premises				
	Rents	190,608	190,608	197,259
		190,608	**190,608**	**197,259**
Transport				
	Public Transport Expenses	53,733	28,007	52,190
	Car Allowances	1,630	1,838	1,862
		55,363	**29,845**	**54,052**
Supplies				

Furniture and Office Equipment	14,000	7,630	14,000
Printing and Stationery	32,000	14,333	26,500
Computer Development and Hardware	643,000	634,406	668,000
Postages and Telephones	97,250	88,053	94,000
External Audit	41,000	41,000	30,000
Services and Consultants Fees	1,588,350	985,542	1,638,680
Conferences and Subsistence	47,893	22,123	40,097
Subscriptions	147,360	139,972	145,392
Other	65,835	57,804	61,400
	2,676,688	**1,990,863**	**2,718,069**
Third Party			
Medical Fees	3,500	840	3,500
Bank Charges	20,000	12,426	10,000
Investment Management Fees	14,235,600	13,202,978	14,044,397
Custodian Fees	300,000	172,434	300,000
Actuarial Fees	280,000	280,000	310,000
Other Hired and Contracted Services	277,033	242,829	300,010
	15,116,133	**13,911,507**	**14,967,907**
Departmental & Central Support Charges	363,879	363,879	363,879
	363,879	**363,879**	**363,879**
Total Expenditure	**22,032,984**	**19,480,456**	**22,086,997**

Note 1 The estimated contributions for 2019/20 are lower than reported in previous years due to a number of employers of the Fund opting to pay their 3 year deficit calculated by the actuary as part of the 31 March 2016 triennial valuation as a one off payment. This has resulted in the Fund receiving additional contributions during 2017/18, with the subsequent 2 years contributions being lower to account for the upfront payments.

WIRRAL COUNCIL

PENSIONS COMMITTEE
21 JANUARY 2019

SUBJECT:	**MEMBERS' DEVELOPMENT 2019**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to provide Members with an outline of the proposed programme for member development in 2019.

2.0 BACKGROUND AND KEY ISSUES

2.1 The CIPFA Pensions Panel has developed a technical knowledge and skills framework for the Local Government Pension Scheme. The framework was adopted by Pensions Committee in 2010 as demonstrating best practice and enables the Fund to determine that it has the appropriate mix of knowledge and skills necessary to discharge its governance requirements. It also assists Members in planning their training and development needs.

2.2 An outline training programme is attached as an appendix to this report. It is comprised of a series of internal and external training events throughout the year. Individual papers will be brought to consider and approve attendance at each event and, as and when officers become aware of other appropriate events, Committee will be informed.

2.3 When relevant, formal training sessions are included in Investment Monitoring Working Parties. Additionally, presentations by external professional organisations and the deliberative nature of all the working parties mean that attendance is regarded as an important element of Member development.

2.4 The Local Government Pensions Committee-organised 'Fundamentals' course is considered essential for all members to complete. It provides a comprehensive overview of the LGPS and the 'trustee' role carried out by those serving on a pension committee/panel. The course takes place over three days (during October – December), at multiple dates and in multiple locations (Cardiff, Leeds & London). While considered essential for new members, longer serving members of Pensions Committee may also benefit from refresher training.

2.7 It is a statutory requirement that the Fund's annual report includes detailed information on training events offered and attended by elected members. A register of Members' attendance at training and development events is kept and reviewed annually by the Governance & Risk Working Party.

3.0 RELEVANT RISKS

3.1 Failure to maintain an appropriate level of knowledge and skills, commensurate with that thought appropriate for those acting in a trustee-like role in the LGPS, may impair effective decision-making. Suitable and effective training and development activity should assist in mitigating this risk.

4.0 OTHER OPTIONS CONSIDERED

4.1 Based on an ongoing assessment of training needs, there may be the option of reverting to stand-alone training and development events.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 None

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 Provision for Member training and development is included in the Fund's annual operating budget.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members note and approve the proposed training and development plan for 2019.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The requirement for good governance in the LGPS to be underpinned by informed decision-making, combined with the increasing complexity of financial markets and investment strategies, makes ongoing training and development an essential element of Members' responsibilities.

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APPENDICES

Appendix 1- Development Programme

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date
Pensions Committee	**January 2018**
Pensions Committee	**January 2017**
Pensions Committee	**January 2016**

APPENDIX 1

MONTH (2018)	EVENT	REPRESENTATION*
23 January	Responsible Investment Event Aintree	
28 February - 1 March	LGC Investment Summit, Chester	All Members
6 - 8 March	PLSA Investment Conference, Edinburgh	Chair
5 March	Investment Monitoring Working Party	All Members
13 - 15 May	PLSA Local Authority Conference, Cotswolds	Party Spokespersons
6 June	Investment Monitoring Working Party	All Members
July	CIPFA Conference	Chair
4 - 6 September	LGC Investment Seminar, Celtic Manor	Party Spokespersons
18 September	Investment Monitoring Working Party	All Members
October	Local Government Pension Investment Forum	Party Spokespersons
16-18 October	PLSA Annual Conference, Manchester	All Members
November	Annual Employers Conference, Aintree	All Members
October – December	Fundamentals training days; multiple dates & locations	All Members
4 – 6 December	LAPFF Annual Conference, Bournemouth	Party Spokespersons

**Reflects previous attendance*

WIRRAL COUNCIL

PENSIONS COMMITTEE
21 JANUARY 2019

SUBJECT:	**TREASURY MANAGEMENT POLICY**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to request that Members approve the treasury management policy statement and the treasury management practices and annual plan for Merseyside Pension Fund (MPF) for the year 2019/20.

2.0 BACKGROUND AND KEY ISSUES

2.1 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. The plan and strategy were last approved by the Pensions Committee on 22 January 2018.

2.2 The Fund's cash flows for dealings with members have moved 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.

2.3 The policy statement is attached as Appendix 1 to this report. There are no significant changes to the policy followed for 2018/19.

2.4 Plan and Strategy

- MPF will comply with the twelve treasury management practices set out in the treasury management policy statement.

- The Fund will run minimal cash balances to pay pensions and meet other obligations. The core position is 0% of Fund assets following the change to the strategic asset allocation approved on 21 March 2017.

- Internally managed investment cashflows will be channelled through the Custodian, to maximise benefits and efficiencies agreed under the new contract.

- 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.

- The UK Bank Rate has increased from 0.50% to 0.75%, and is anticipated to increase further during 2019/20. Short-term money market rates and bank deposit rates are likely to remain at low levels for an extended period which will have an impact on investment income.

- For MPF the achievement of high returns from treasury activity is of secondary importance compared with the need to limit exposure of funds to the risk of loss.

- The maximum maturity for any single treasury management investment is 1 year.

- 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.

3.0 RELEVANT RISKS

3.1 The treasury management policy statement is concerned mainly with the mitigation of risks.

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report.

5.0 CONSULTATION

5.1 Not relevant for this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no outstanding previously approved actions.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are no implications arising directly from this report.

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

8.1 There are no implications arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are no implications arising directly from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?
(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are no planning or community safety implications arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members approve the treasury management policy statement and the treasury management annual plan and strategy for Merseyside Pension Fund for the financial year 2019/20.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The approval of the treasury management policy statement and the treasury management annual plan and strategy for Merseyside Pension Fund by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund. These arrangements were approved by Pensions Committee as part of the Investment Strategy Statement on 21 March 2017.

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APPENDICES

The Treasury Management Policy Statement 2019/20 is attached as appendix 1 to this report.

BACKGROUND PAPERS/REFERENCE MATERIAL

CIPFA Treasury Management Code of Practice and Guidance Notes.

SUBJECT HISTORY

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee – Treasury Management Annual Report	16 July 2018
Pensions Committee – Treasury Management Policy and Strategy	22 January 2018
Pensions Committee – Treasury Management Annual Report	17 July 2017
Pensions Committee – Treasury Management Policy and Strategy	23 January 2017
Pensions Committee – Treasury Management Annual Report	4 July 2016
Pensions Committee – Treasury Management Policy and Strategy	25 January 2016

Appendix 1

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.

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 best value 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 principals 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; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

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 arrangements 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 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 with a Constant Net Asset value	£30m
Fund's Custodian (Money Market Fund) (Internal and External Managers guideline)	£100m*
Fund's Custodian (Money Market Fund)	£50m

**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 Fund Operating Group (FOG). Such instances will be reported to Pensions Committee in ito the following meeting of the IMWP.

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 inter-bank rate. 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 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 with a constant Net Asset Value
- Call funds
- 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 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(s).

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 Finance & Risk CPFA
Senior Fund Accountant CIMA
Fund Accountant (Compliance) AAT
Fund Accountant (Operations) CPFA, 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 investments office 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

WIRRAL COUNCIL

PENSIONS COMMITTEE
21 JANUARY 2019

SUBJECT:	**UPDATE ON INVESTMENT STRATEGY**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to present to Members a report commissioned as part of the Merseyside Pension Fund's investment strategy review process. The report examines the Fund's beliefs in regards to sustainable or responsible investing.

1.2 A letter from Sefton Council informing Committee of a Council Motion in relation to disinvestment from fossil fuel companies is attached at appendix 3.

2.0 BACKGROUND AND KEY ISSUES

2.1 The administering authority of the Merseyside Pension Fund is required under the LGPS (Management and Investment of Funds) Regulations 2016 to formulate an investment strategy, after taking proper advice and following statutory guidance. The strategy must be published (in an ISS) and include the authority's policy on Responsible Investment. A process to formally review the investment strategy, in tandem with the 2019 Fund Actuarial Valuation, is now underway.

2.2 There is a body of academic literature concerned with the identification and examination of investment beliefs and their relationship to effective pension fund governance. A report published in 2010 by the International Centre for Pension Management noted that:

> *Investment beliefs address strategic choices in the investment philosophy and process that affect the future performance of the fund….We find that the beliefs to which a fund adheres affect its success; the thorough consideration of the relationships between beliefs is equally important.* (Koedijk, 2010)

2.3 The U.N.-backed PRI organisation has published guidance for asset owners on setting their investment strategy (Principles for Responsible Investment, 2018) that notes:

> *Crafting an investment strategy is the first step within an asset owner's overall investment process. Asset owners should craft a clear and explicit investment strategy that comprehensively considers: all long-term trends affecting their*

portfolios, how the fund fulfils the asset owner's fiduciary duty and how it can operate as efficiently as possible for beneficiaries and other stakeholders…..

…To be effectively embedded in the organisation, any responsible investment considerations must be part of the core investment strategy process.

As a signatory to the PRI, the Fund is committed to integrating RI considerations into all investment decision-making, including the setting of strategy. An examination of the local and global context in which the Fund operates can, in turn, help to develop the Fund's vision for the future and its mission, which may be crystallised into a set of investment beliefs. Building greater clarity around the Fund's core investment beliefs should improve strategy selection and decision-making. Such clarity may improve accountability, but also brings into focus a vision of the Fund's long-term purposefulness as pension investors for and by local government.

2.4 As part of the initiation of the investment strategy review process, a report has been commissioned from the advisory firm Sustineri that examines the Fund's core investment beliefs in relation to responsible investing and long-term sustainability. Wide-ranging interviews were carried out with a select group of stakeholders to provide a unique evidence base for the report's analysis and conclusions. The full report from Sustineri is published at Appendix 1 of this paper. In summary, its findings are:

- Merseyside Pension Fund stakeholders are strongly supportive of the view that environmental, social and governance (ESG) factors are financially material and that their integration in investment strategy is consistent with their responsibility to act in the best interests of all MPF stakeholders and beneficiaries.

- MPF has strong foundations on which to build in this area: the current RI policies are well-aligned to the direction of travel of public policy and markets toward sustainability and engaged ownership practices. Adopting an even more ambitious posture in relation to these trends may serve to 'future-proof' the investment strategy by improving its resilience and by demonstrably serving the values and expectations of stakeholders.

- MPF's strategic investment framework should explicitly relate to the Sustainable Development Goals (SDGs), as an expression of this ambition.

- Stakeholders would like a stronger connection between MPF investment and the Merseyside region; and to improve communication with beneficiaries about its investment activity.

- Adopting a revised set of beliefs in relation to Responsible Investment, drawn from the findings of this report, can play a valuable role in the Fund's strategy review process and would mark a definite step toward

further strengthening the RI approach. A statement of these RI beliefs is set out in Appendix 2.

2.5 The investment strategy review process will seek to incorporate the findings of this report, alongside further analysis to be carried out by the Fund's strategic investment adviser (Aon Hewitt). This analysis will also include a focus on RI considerations, particularly in relation to the further development of the Fund's climate risk strategy (including the use of climate scenario analysis).

3.0 RELEVANT RISKS

3.1 The Fund's investment strategy is a key element of the management of its investment risk.

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report.

5.0 CONSULTATION

5.1 Consultation has been undertaken with stakeholders in the preparation of the draft report by Sustineri.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 Not relevant for this report.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are no implications arising directly from this report.

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

8.1 There are no implications arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are no implications arising directly from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?
(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are no planning or community safety implications arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members note the report by Sustineri and its recommendations.

13.2 That Members accordingly endorse the Fund's Statement of RI Beliefs.

13.3 That Members agree a reply to Sefton Council.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The recommendations will be taken forward as part of the Merseyside Pension Fund's investment strategy review process.

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Portfolio Manager
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APPENDICES

1. Future Proofing the Investment Strategy, MPF/Sustineri 2018

2. MPF Responsible Investment: Statement of Beliefs

3. Letter from Sefton Council

BACKGROUND PAPERS/REFERENCE MATERIAL

Bibliography

Koedijk, K. (2010). *Investment Beliefs that Matter: New Insights into the Value Drivers of Pension Funds.* Toronto: International Centre for Pensions Management.

Principles for Responsible Investment. (2018). *Asset Owner Strategy Guide: How to craft an investment strategy.* London: PRI.

SUBJECT HISTORY

BRIEFING NOTES HISTORY

Briefing Note	Date
MPF Climate Strategy Summary	July 2017

https://mpfmembers.org.uk/content/climate-change	

SUBJECT HISTORY (last 3 years)

	Date
Pensions Committee: Investment Strategy Statement	March 2017
Pensions Committee: Climate Risk Options	March 2016

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Merseyside
PENSION FUND

Future Proofing the Investment Strategy - Should its Responsible Investment strategy be further strengthened and, if so, how?

DECEMBER 2018

Sustineri

MERSEYSIDE PENSION FUND

Future Proofing the Investment Strategy - Should its Responsible Investment strategy be further strengthened and, if so, how?

CONTENTS

EXECUTIVE SUMMARY

- The recommendations in this report are built on a combination of "bottom-up" stakeholder input and "top-down" assessment of the major policy and market trends.

- Direction of travel on responsible investing (RI) and environmental, social and governance (ESG) issues in UK and Western Europe is clear: regulators are acting.

- Likewise, many institutional investors in the region – including other LGPS – are responding to the need for a pro-active approach on the RI agenda.

- MPF stakeholders are strongly supportive of the view that ESG factors are financially material and that their integration in investment strategy is consistent with fiduciary duty.

- Stakeholders would also like a stronger connection between MPF investments and the Merseyside region, including closer contact with Fund beneficiaries.

- There is stakeholder interest in the Fund doing more to invest in private markets, diversifying into more low-carbon and sustainable infrastructure opportunities.

- There is also interest in an investment framework related to the Sustainable Development Goals (SDGs) and support for the ongoing decarbonisation of the portfolio.

- These recommendations are backed up by a revised set of investment beliefs on RI (also incorporating the key element of active engagement), which build on the core framework of a strengthened MPF RI strategy and narrative. This in turn helps to future-proof MPF's overall investment strategy in the long-term.

MPF'S MOTIVATION IN REVIEWING ITS RI STRATEGY

In April 2018, Merseyside Pension Fund ("MPF" or the "Fund") commissioned Sustineri to consider its RI strategy and the case for strengthening it. This mandate took place against the wider backdrop of MPF's decision to review its overall investment strategy and to safeguard the future sustainability of the scheme. MPF therefore took the opportunity to revisit and deepen its investment beliefs on RI, climate change and sustainability issues; in order to:

- address both investment risk management and opportunities;
- form the basis of a coherent internal and external narrative around these topics; and
- establish a strong foundation on which to further develop and refine core areas in its investment strategy to more effectively manage risk, return and costs.

MPF's interest in examining its RI strategy at this time is motivated not only by the broader strategic exercise; it also comes **within the wider context of LGPS pooling**, which has been in train since 2015. MPF is part of the Northern Pool and it clearly makes sense to review the fund's RI policy alongside this major structural change going on in the pensions sector.

It's also worth highlighting at the outset that **high-level trends – policy, regulatory and the development of market standards – make this review timely**. As we detail in the section on the Policy and Markets Backdrop, the global transition to a low-carbon economy and a more sustainable future is well underway, and it would seem to be accelerating. As one of the larger pension schemes in the UK, MPF has consistently taken a progressive role in active stewardship and engagement on ESG issues. Therefore, as it considers its broader investment strategy, we suggest that it's incumbent on MPF to take account of these macro trends; and there would appear to be at an inflection point in the world of responsible investing because of the way that these trends are coming together.

MPF's Existing RI Strategy

Unlike many LGPS and pooled funds, MPF is confident and transparent about its RI strategy with a page that states **its "commitment" to a RI policy**. The Fund says furthermore that its policy is built on three pillars:

- the exercise of voting rights;
- engagement with companies on environmental, social and governance (ESG) issues; and
- collaboration with like-minded investors through investor advocacy groups.

However, the RI policy does not represent MPF's only public statements on this agenda. It also **gives substantial space on its website to the issue of climate risk**, reflecting a sense that, for the Fund, climate change would seem to be the most important of the issues that make up the RI agenda because of the material financial risks that it presents to assets in the portfolio. If we analyse the series of papers submitted to the Pensions Committee around 2015/2016, the Paris Climate Agreement was clearly a strong factor in persuading MPF: a) to undertake a strategic review of its exposure to climate-related financial risk; and b) to reach the conclusion in that review that options for a decarbonisation plan should be brought forward. It was agreed that the plan should concentrate on four elements:

- to use climate scenario analysis to further articulate its investment beliefs on climate and to shape these into investment strategy goals (e.g. the asset allocation level);
- an investment strategy that substantially reduces the Fund's exposure to high carbon intensity assets, incorporating partial but not the full divestment of fossil fuel companies;
- ongoing engagement through investor groups with fossil fuel companies – reading across to its corporate engagement on ESG;
- continuing to deploy capital at scale into renewable energy.

It is also important to read across the RI Strategy so that it is consistent with MPF's over-arching Investment Strategy Statement (ISS). The ISS makes clear that the Fund "*pursues a policy of Responsible Investment, arising from the belief that environmental, social and corporate governance (ESG) factors will materially affect investment performance over the long term.*" The ISS adds that "*such an approach is consistent with MPF's view of its fiduciary duty to seek optimal investment outcomes that are in the best interests of all of its scheme participants…*"

Scope of the Project

When MPF commissioned Sustineri to undertake this review, we agreed on the following scope of work:

1. To identify and define MPF's investment beliefs relating to ESG/climate/sustainability, in order to support and strengthen the foundation of MPF's investment policy.
2. To develop a coherent and cohesive narrative around ESG, climate and sustainability that will in turn facilitate a deeper dive by MPF into assessing more effective asset allocation, manager selection and developing metrics that are a fit for the organisation.

3. To align the longer-term narrative and investment beliefs with the future needs of the organisation, for example how it can be translated into an investment framework based on the Paris Climate Agreement, the UN SDGs and the evolving macro trends such as policy and technology, and impact on assets such as infrastructure.

The review now by Sustineri of MPF's RI strategy must therefore build on the existing strategy: identifying through the process described below what is unique about MPF's principles as an LGPS, and serve to reinforce the next phase for MPF regarding its investment strategies and stewardship.

Review Process

Apart from building on what is ready there, this review draws on two other important components.

The first key element is the **stakeholder exercise** that we have undertaken. We agreed with MPF that, both as essential input but also to secure buy-in for the review, it would be important to talk to a cross-section of internal and external stakeholders of the Fund. The process therefore required an engagement with important decision-makers and other key stakeholders inside the organisation, in order to form a collective view on the issues and drivers that are most relevant to the investment strategy for the medium and longer term. This exercise has taken the form of one-to-one meetings with a variety of stakeholders. The list of interviewees is detailed in an appendix to this report. Essentially, it includes MPF portfolio members, Councillors, the Chair and other members of the Pensions Board, so it represents a broad representation of investment professionals (some with RI/ESG expertise), and also those with a deep knowledge of the Merseyside region and the challenges that it faces. The list of stakeholder interviewees is at Annex A.

The second key input is **desk-based research, underpinned by market knowledge and insights**. We agreed with the Fund that it would be particularly relevant to assess activity and practice by MPF peers, and to cover key policy and regulatory trends. We go into some detail in these areas in the next section of the report.

POLICY AND MARKETS BACKDROP

Policy and Regulatory Trends

Officers of the Fund are well acquainted with the **main policy drivers** of recent years: the Paris Climate Agreement; the UN Sustainable Development Goals (SDGs); and the establishment of the Taskforce on Climate-Related Financial Disclosures (TCFD) (whose overall impact on business and investment is probably still too early to assess, although there is clearly momentum behind it).

2018 is however seeing a significant acceleration, both at the UK and European level. To take the **UK** first, differing types of policymakers and regulators are taking a growing interest in the ESG and sustainable finance agenda, viz:

- BEIS (Dept. of Business) and Treasury, through their sponsorship of the **Green Finance Taskforce (GFT)**. In its report published in April 2018, one of the GFT's principal recommendations was that investors' roles and responsibilities should be clarified on this agenda. Specifically, relevant regulators should ensure that fiduciary duty clearly states the importance of ESG issues; and that the Government should require that pension fund Statements of Investment Principles (SIP) include language on the extent to which social, ethical and environmental issues (including climate change) are considered.
- The Government has still to respond to the GFT report, but the policy direction of travel was given a further steer in June 2018 when the **Department of Work and Pensions (DWP)** issued a consultation on clarifying and strengthening trustees' investment duties. The consultation, to some extent (although it's not clear if this was intentional, as the sponsoring Whitehall department is different) picking up on the GFT SIP recommendation, proposed that trustees should be required by 1 October 2019 to publish an SIP which should take account of financially material considerations, including ESG (singling out climate change here). In other words, a strong steer (in case there is any confusion on the behalf of trustees) that ESG issues are financially material and ought not to be placed in a special "other" category. The Government responded to this consultation on 11 September, confirming that (apart from some clarification on the appropriate time horizon for the scheme and its members) its proposal in respect of a required SIP taking account of financially material ESG criteria (singling out climate change owing to its systemic and cross-cutting nature), should stand.

- The key UK financial regulators are also starting to act. **The UK's Pensions Regulator** was somewhat ahead of the game when it updated and strengthened its guidance in 2016 to state to Trustees that where they think ESG factors (likewise singling out climate change as an example) are financially significant, they should take them into account.
- The **Financial Conduct Authority (FCA**) has been criticised for its comparative lack of activity on the ESG/climate risk agenda. But it is now coming under some pressure, e.g. from the bully pulpit of the Environmental Audit Committee (EAC). The EAC issued a report on greening finance and embedding sustainability in financial decision-making in June 2018, and flagged the "worrying disparity" between The Pensions Regulator's (TPR) and FCA's pension scheme guidance when it comes to considering environmental risk as a financial factor. Since then, the FCA has responded with its first ever consultation on climate change. The UK **Financial Reporting Council (FRC)** is perceived to be lagging behind the FCA in this field; but it should not detract from the message that UK policymakers and regulators are acting on ESG risks and their implications for UK pension funds, and that the overall issue is moving up their agenda in terms of its importance.

Likewise, at the European level, policymakers are acting. The Financial Services Directorate-General of the European Commission was initially a bit slow to react and take into account the implications of the Paris Climate Agreement – as Governor Carney did when he established the TCFD at Paris 2015 with his Financial Stability Board remit. However, recognising the significance of the TCFD once it got moving, the Commission then moved to appoint the High-Level Expert Group of Sustainable Finance (HLEG). The HLEG reported at the beginning of 2018, and their report was quickly followed up by a European Commission Action Plan, detailing envisaged policy and regulatory measures. The key areas where action is being taken forward (and on present scheduling due to be enacted by the end of 2019) are as follows:

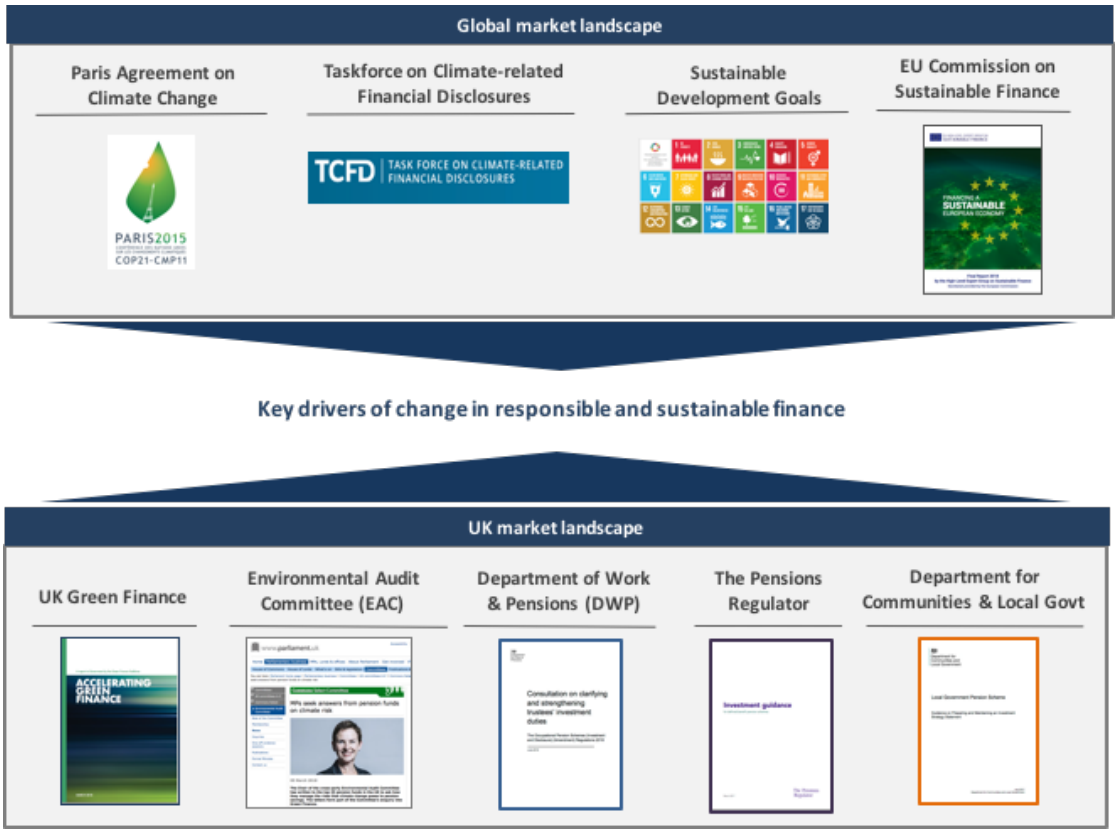
- as per the UK GFT report, the Commission has now introduced a discrete legislative proposal that will clarify the duties of institutional investors and asset managers and explicitly require them to integrate ESG matters into their decision-making;
- linked to this legislative proposal, the Commission will also require institutional investors and asset managers to disclose how they consider sustainability factors in their strategy and investment decision making process, in particular for their exposure to climate change-related risks;
- in addition, in a bold move, the Commission plan to scrutinise how credit ratings factor ESG into their decision-making processes.

We appreciate that some of the measures detailed above, notably the DWP consultation, are focused on the corporate pension funds sector, as opposed to LGPS, who come under the auspices of a different government department, the Department of Communities and Local Government (DCLG). That said, the regulatory thrust in both the UK and the wider EU is a clear signal of where the market is heading with respect to responsible investing and addressing sustainability/climate-related financial risks and opportunities.

It's also fair to say that actions in the corporate sector influence developments in the LGPS sector and vice versa. Moreover, on the key question of the regulatory backdrop, it's important to remind the Fund of the most recent (2017) DCLG guidance to LGPS on an investment strategy statement, where the Department clearly states that an LGPS Investment Strategy Statement (ISS) must include the authority's policy on how it takes into account ESG considerations. We understand also that DCLG is working to bring its guidance further into line with the new corporate pension fund guidance emanating from DWP. However, the point should be made here that, if anything, the guidance to corporate pensions funds is actually playing catch-up with guidance for the public sector. To underline this point, it is worth detailing here key relevant extracts from the 2017 DCLG guidance for LGPS, viz:

- a scheme ISS should consider any factors that are financially material, including ESG factors;
- that a scheme may take non-financial considerations into account provided that would not involve significant risk of financial detriment;
- also, even, that some part of the financial return may be foregone to generate the impact of social investments.

Figure 1: Key drivers of change in Responsible Investing and Sustainable Finance both globally and in the UK



Market Trends and Development

There is a self-evident dynamic between policy and regulation, and how the market is behaving. The case for a strengthened RI strategy for MPF therefore also needs to be considered in the light of market trends.

Broadly, **the institutional investor community in western Europe – and specifically asset owners - are responding to the pressure for a more pro-active and rigorous approach towards ESG issues**. To provide a example, Sustineri was recently commissioned by ClientEarth to analyse how a cross-section of asset owners in the OECD (bar the United States, who are regarded as a special case because of the prevailing federal climate politics) are addressing climate risk.

Our findings are set out in this report. A key passage in the executive summary sends a strong message:

"This review shows that climate risk management and disclosure is becoming increasingly mainstream for asset owners and that the existing market standard is growing in sophistication. The clear message to asset owners that are not currently taking the steps outlined in this report is that they must quickly ramp up their efforts and consider the impact of climate risk across their whole portfolio and multiple timeframes."

The detailed report lists why and how these asset owners are acting on climate risk. Factors, apart from the climate-specific TCFD, include financial materiality and regulation. There is also evidence – especially relevant for this report – that **LGPS recognise the reputational benefits** (and, conversely, how inaction can generate reputational risk) of acting on climate and ESG.

There are also specific examples of asset owners agreeing strong and quite detailed responsible investment strategies. In the local government community, it's premature to look at the new pooled funds as examples of best practice on RI. But some other individual local government pension funds, e.g. the West Midlands Pension Fund, are recognised as forward-leaning on RI, and therefore worth considering in terms of leading practice. Universities Superannuation Scheme (USS) is a progressive private sector pension fund and, in its statement of beliefs and principles, emphasises the importance of the long-term approach and of focusing on ESG.

However, a summary of how LGPS are treating this agenda, including in the new world of pooling, would be that it is a mixed bag and provides opportunity for those funds and pools who would like to be leaders or at least on the progressive end of the scale.

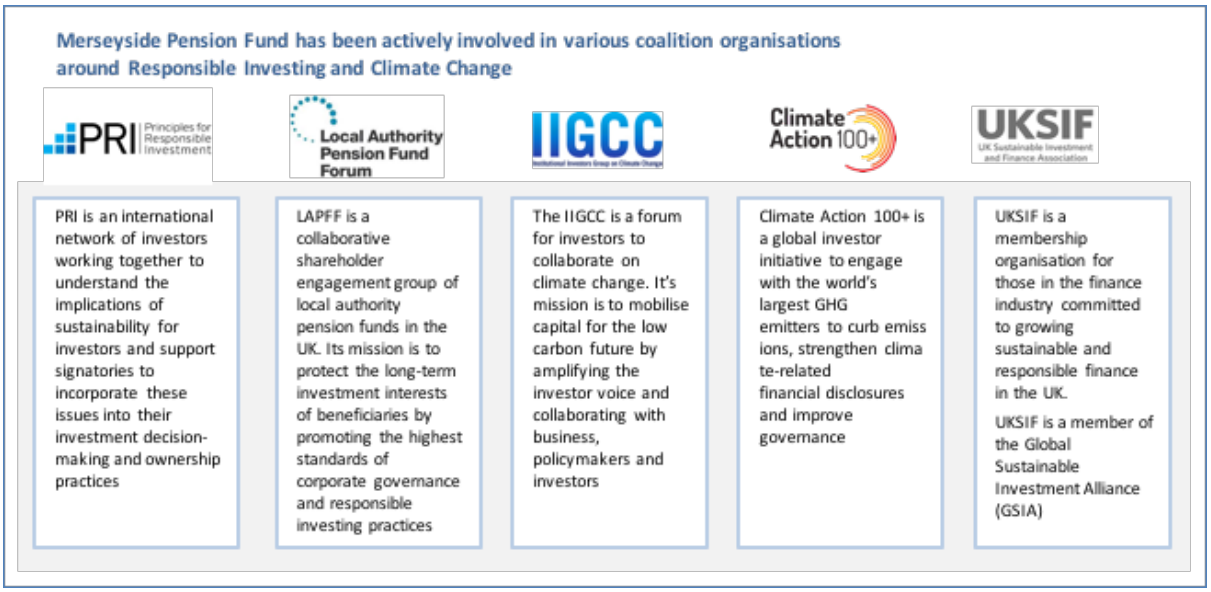
In Europe, the most progressive asset owners are located in Scandinavia (e.g. the AP funds in Sweden) and the Netherlands (e.g. ABP, PFZW), and they may provide pointers for more innovative measures. Certain themes are prominent: a concentration on the long-term horizon; a robust RI policy does pay off – sustainability factors in investment will be increasingly important in the future, and there is evidence that it leads to higher returns; a measured decarbonisation strategy supported by active engagement is a better stewardship policy than divesting from companies; and that the active steward role can be well supported through membership of organisations such as PRI and IIGCC.

Annex B provides some brief examples of innovative practices that UK, Swedish and Dutch asset owner funds are adopting in respect of decarbonizing the portfolio, reporting and disclosure on climate risk, and using an SDGs-related framework for investment. Internationally, as a tangible sign of how the investor community continues to mobilise on the low-carbon economy, the Investor Agenda – a coalition of regional investor groups representing $32 trillion in assets – issued a statement at the Global Climate Action Summit in San Francisco in September, highlighting the importance for investors to step up their work in addressing climate-related risks and opportunities, and to integrate these issues into their portfolio analysis and decision-making.

We note here the active role that MPF has played and continues to play an active role within the investor community on the agenda, viz on the Institutional Investors Group on Climate Change (IIGCC), UN Principles for Responsible Investment (UNPRI) and the UK Sustainable Investment Forum (UKSIF).

We should also make a point of singling out the prominence of MPF officers within local government forums, notably the Local Authority Pension Fund (LAPFF). MPF's presence in LAPFF circles is something that can potentially be leveraged more, both in the engagement context and as Northern Pool arrangements evolve.

Figure 2: Merseyside Pension Fund's role as an active steward in Responsible Investing and Climate Change



STAKEHOLDER EVIDENCE

As we highlighted early in our report, a key element of this policy review is the material we amassed from the number of internal and external stakeholders whom we interviewed in one-to-one meetings. We have now distilled this into principal stakeholder outputs, to provide support and evidence for the analysis and recommendations that conclude the report.

Stakeholder Input

The one-to-one interviews were conducted under three main headings: RI and wider ESG issues; Governance; Investment Strategy and Risk. This report presents the stakeholder evidence under the same headings.

1. RI and Wider ESG Issues

- A message coming through from some of the interviewees was the need to ground the revised strategy in the **relevant legislation**. This view emphasis the importance of the policy and regulatory backdrop (as set out above), and why it must be taken into major account in making changes.
- MPF is a public sector pension fund, and a number of the interviewees highlighted the **public sector ethos** of the Fund and how that fully aligns with the Fund's fiduciary duty responsibilities. More broadly, this theme of a public sector ethos seemed to represent a set of values and principles that people thought the Fund should bear in terms of how it conducts itself in the public arena and towards its members, a form of a "social contract".
- There was no questioning by any of the stakeholders, and a strong support for the view, that – although risk-adjusted returns remain the primary objective of those who manage a pension fund – ESG criteria are financially material and, therefore, the act of integrating them into decision-making is entirely consistent with **fiduciary duty**.
- Most interviewees regarded **climate change** as the most important issue on the ESG agenda, although there should be a proportionate balance between the attention given to climate and other ESG matters: "first among equals".
- There was some discussion about and support for whether the Fund should have a strategy that is more attuned and aligned with the **SDGs**. The broad conclusion was that any such development should support the need to fuse these global objectives with local priorities.

2. Governance

- Provided resourcing and cost constraints can be sensibly addressed, there was broad support among interviewees for MPF – building on the progressive position it has adopted within LGPS in recent years – to take a **leadership position on RI as part of the Northern Pool**, and to promote an ambitious approach.
- Stakeholders were near-unanimous that the Fund should make a **stronger connection between its investments and the Merseyside region and the North more generally**. A revised policy in this area would in addition enhance the local democratic accountability of MPF, demonstrating its ability to deal in "real world impacts": this could be labelled as a "partnership with the region".
- Some of the interviewees advocated – likewise within the context of local democratic ability – actions by the Fund to **engage more actively with its beneficiaries and members on responsible investing**. One idea mooted was for the Fund to undertake a survey of its members on its investment strategy; another view, expressed more simply, was for more regular communication and engagement with beneficiaries (which might also help to overturn the preconception that pensions are "dull"). It was noted that younger people attach particular importance to the environmental agenda, and that there is evidence that pension fund members engage more actively on tangible issues such as climate change and modern slavery.
- There was also unanimous support for MPF to continue to play an **active stewardship** role as part of its wider external engagement. Stakeholders welcomed the Fund's membership of organisations such as UNPRI and IIGCC, and wanted this to continue. Some noted that it would be useful to show how MPF influences through its active engagement. MPF's prominence in LAPFF circles was highlighted, with the suggestion that the Fund should capitalise on this.

3. Investment Strategy and Risk

- The widespread support among stakeholders for a strong local connection was also expressed within the context of a **more diversified investment strategy** – diluting risk and promoting opportunity.
- Some interviewees voiced the view that, given the present healthy (fully-funded) state of the Fund, MPF investment managers can afford to adopt a **more enterprising and innovative approach towards investing in opportunities in the low-carbon sector**.

- Related to this point was a view from a few stakeholders that MPF should **invest more in private markets.** This would position the Fund to take greater advantage, e.g. of infrastructure investment opportunities that should be more readily addressable through the scope provided by the scaling-up of pooling (and might also make a more SDGs-focused strategy, as mentioned above, feasible).
- There was in general terms (although not unanimous) a **lack of support for MPF to introduce more exclusion policies** dealing with certain asset classes, at least as far as the fossil fuels sector is concerned. As one stakeholder said, MPF is in fact steadily divesting from fossil fuels on account of its policy of decarbonising the portfolio. Tobacco was another subject discussed, with no definite conclusion on how tough the Fund should be on divestment. The key point made overall was that the Fund should have a robust and defensible narrative on divestment-type issues.

CONCLUSIONS

Against this background – combining this input "on the ground" from stakeholders with our summary of the major trends of policy and regulation, and how the market is responding to the accelerating agenda – our conclusions are as follows: -

Foundation Stones: MPF should be confident that its policies are aligned and consistent with the overall policy and markets backdrop. The Fund's interest in a more ambitious approach would be consistent with these trends. Its progressive approach towards integrating ESG matters into its investment strategy and decision-making likewise is in line with building a more resilient portfolio that can "future proof" for the long term; and its policies in respect of decarbonising the portfolio and robust external engagement are solidly grounded with its stakeholders.

Direction of Travel: there was strong support from stakeholders for MPF to promote leadership on the RI agenda, and the way in which this agenda is developing is continuing to pave the way for the Fund to take advantage of the progressive position and reputation it has already created, within LGPS and the Northern Pool. On its investment strategy, there would be support for the Fund to do more on climate-related themes and low-carbon sectors – as it is already doing, e.g. with steadily decarbonising the portfolio – in tune with the broader political, economic and business environment.

Innovative Measures: some innovative changes the Fund could make would also relate to the investment strategy. In particular, there would seem to be support for making more local and regional investments; and this could be combined (as part of a diversification strategy) with pushing more into private markets such as infrastructure, building on the sizeable Infrastructure Fund that MPF already has. Another major change would be to engage more actively and closely with MPF's members (which in itself could be wrapped up with the changes made to the investment strategy). Last, a strategy that utilises a framework more closely aligned with the SDGs would most certainly be innovative for an LPGS, although the evidence would suggest that this requires further exploration.

RECOMMENDATIONS FOR ACTION

By deciding to instigate a stakeholder exercise, MPF embarked on a **bottom-up process across key representative stakeholders within the Fund with an aim to develop a set of common and shared beliefs (principles) and narrative that would potentially support a strengthened approach towards what it does on RI**. Our recommendations are therefore derived empirically from the evidence and our resulting analysis. Furthermore, we believe that these recommendations are strengthened by having an authentic and authoritative stakeholder voice behind them.

When making the comparison with its existing strategy, we therefore recommend that the Fund should consider the following principal actions in order to strengthen its RI strategy:

1. Place its strategy within an **overall strengthened framework** that would support public positions and statements. This would enable a more robust and cohesive narrative, which would both bolster MPF's strong steward role and enable it to engage more widely with the spectrum of external stakeholders and the Fund's members. Resources permitting, this could enable MPF to do more on public engagement and extend its collaborations with specific organisations. This framework and narrative should be based on some key core beliefs and principles, viz:
    - A strong RI policy should be seen within the context of the long-term and future proofing the Fund.
    - ESG factors will materially affect investment performance over the long-term.
    - This approach is entirely consistent with a responsible asset owner's fiduciary duty.
    - A strengthened RI strategy chimes with MPF's core philosophy about the importance of active risk management.
    - Risk can be mitigated through diversification of the portfolio.
    - A divestment-led approach can weaken the Fund's ability to influence through active engagement. However, the promotion of ESG criteria in decision-making supports an active engagement approach.
    - MPF's approach towards active engagement, through its various channels and membership organisations, strengthens the Fund's ability to be a capable steward of capital, and also reflects its public sector ethos.
    - The exercise of voting rights is consistent with an asset owner's fiduciary duty.
    - Social impact investing is compatible with a strong RI policy, as supported by DCLG guidance for LGPS.

2. On **themes**, the Fund should be prepared to strengthen even further its public positions on climate change and the low-carbon sector, confident in its positioning on this agenda. In its March 2018 Annual Report, MPF published its first TCFD report. This was its first such report. This review should provide levers and material by which the 2019 TCFD report can be considerably expanded in line with the emerging best practice in the sector.

   MPF should also instigate a workstream on an SDGs-related investment framework, which could be linked to work investigating the feasibility of more local and social investments. Some detailed follow-up work might be necessary here; but one way to elaborate on this approach would be to consider each SDG in turn (following pioneering best practice from asset owners in the Netherlands) and assess how they relate to potential investments in the region. To take some possible examples:

   - Linking SDG 3 (Good Health) with a regional public health objective.
   - Linking SDG 7 (Affordable and Clean Energy) with investments in major local renewables projects.
   - Linking SDG 11 (Sustainable Cities) with Liverpool City's sustainable action planning.

3. On its **investment strategy**, MPF should look further to diversify its portfolio – in line with DCLG guidance on investing in a range of asset classes - so that there is a greater emphasis on **investing in private markets**. According to the 2018 Annual Report, MPF has 21% of its assets invested in these markets under the heading of "Alternatives". To take each of these discrete funds in turn:

   - The Infrastructure Fund (7% allocation) has major investments in bio energy and energy from waste, so already has a strong environmental tilt. According to the 2017 edition of the Bloomberg "New Energy Outlook", global investments in renewable energy will top $7 trillion by 2040, so the investment opportunity is clear.
   - The Private Equity Fund (5% allocation) might also provide opportunities in sustainable investment.
   - Separately, MPF's has 8% of its assets invested in Property, which can be examined from both the risk and opportunity perspectives as to whether it can be given a stronger sustainability theme.

   MPF should, consistent with the more diversified approach, pursue its policy of **integrating ESG criteria into investment across all asset classes**.

The Fund has a **decarbonisation target** of switching one third of its passive equities into a low carbon benchmarking strategy. The recommendations in this review ought to support the achievement of this target, and should provide scope for further, more ambitious targets to be set.

4. On **governance**, we noted with interest the idea that the **Fund should engage more actively with beneficiaries on its approach towards responsible investing**. As we note in the main body of the report, there are various ways in which this active engagement could be pursued. There is a push from central government for pension funds (public and private sector) to have more meaningful communication with their members. We therefore recommend that a range of options be considered to take this idea forward.

In summary, the **implementation of a strengthened RI strategy along these lines would naturally put MPF in a stronger leadership position**, enabling it to push onwards within the Northern Pool and more broadly within the LGPS. There would then be a mutual reinforcement between this strengthened position and what it can do to influence behavior in the public sector pension fund marketplace, supported by the new policies that the Fund would like to introduce.

We believe that implementation of these recommendations – subject to some of the further work that might be needed, as we outline – should strengthen the resilience of MPF portfolio, help to future proof, and provide a revised set of shared investment beliefs that underpin the Fund's core objectives on behalf of its beneficiaries. The recommendations are consistent with and build on the actions that MPF has taken, in particular since 2015, and therefore represent a logical and evidence-driven strengthening of the Fund's RI strategy. Grouped collectively, we believe that they would enable MPF to make its mark as a leading LGPS – looking beyond the confines of the UK in asset owner terms – on an agenda based on what is important to them, aligned with their investment beliefs, and which is tailored to its local and regional objectives.

Next Steps

Merseyside Pension Fund will adopt, based on the findings of this report, a Statement of Responsible Investment Beliefs. This statement will form a cornerstone of the Fund's Strategic Investment Review process, culminating in a revised Investment Strategy.

MPF will also consider positioning this exercise into a case study which can be leveraged to promote the Fund's overall leadership position on RI.

ANNEX A: LIST OF STAKEHOLDER INTERVIEWEES

- Councillor Pat Cleary, Member of Pensions Committee
- Patrick Cleary, Co-opted Trade Union Representative on Pensions Committee
- Councillor Paul Doughty, Chair of Pensions Committee
- Shaer Halewood, CFO of Wirral Council (representing the sponsoring employers)
- John Raisin, Chair of Local Pensions Board
- Peter Wallach, Director of MPF Pensions

ANNEX B: PEER REVIEW EXAMPLES

Decarbonising the Portfolio

TPT, the UK pensions provider The Pensions Trust: TPT has for some years been progressive on decarbonising its portfolio and has an overall climate policy. In its latest (2017) report, the Fund sets out the work that it is doing: to reduce climate risk in equities; to quantify climate risk in alternatives/private markets; and to capture new opportunities in real assets.

AP4, the Fourth Swedish National Pension Fund: AP4 takes a strong stance on climate change in its public statements and positions. A feature of the Fund's policy on climate is the approach it is taking towards steadily decarbonising its portfolio: increasing investments in low-carbon strategies to 100% of the global listed (passive) equity portfolio by 2020; and measuring and disclosing carbon footprint in listed equity holdings.

Reporting in line with the TCFD

AP2, the Second Swedish National Pension Fund: AP2 has adopted the TCFD recommendations for its reporting on climate-related activities, citing it as a framework for trustees to assess the Fund's progress on climate-related goals. AP2 has used the TCFD's asset owner-specific guidance to produce, on an annual basis, a report covering the four TCFD climate-related disclosure pillars: Governance, Strategy, Risk Management, and Metrics & Targets. Furthermore, they hope to encourage investee companies to utilise the TCFD framework to increase transparency and risk-assessment capabilities for asset owners. This report is produced and published separately to other scheme disclosures.

An SDG Framework

ABP, the Dutch state pension fund: ABP has been working on a framework to assess how they are contributing towards meeting the SDGs. Apart from citing specific investment that support discrete SDGs, they now use the language of "Sustainable Development Investments" (SDIs) and declare how much of their total assets (12.2% at the end of 2017) contribute to SDG goals.

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RESPONSIBLE INVESTMENTS: STATEMENT OF BELIEFS

This following revised Statement of Beliefs on RI for the Merseyside Pension Fund (MPF) is drawn from a recent report that was commissioned in 2018 against the wider backdrop of MPF's decision to review its overall investment strategy and to safeguard the future sustainability of the scheme. The report reflects major policy and market developments, and is supported by the views of MPF Stakeholders through a stakeholder engagement exercise.

- **A strong RI policy should be seen within the context of the long-term and future-proofing the Fund.**

  Context: DCLG 2017 Guidance on Investment Strategy Statements requires LGPS to take ESG into account. Existing UK Pensions Regulator guidance recognizes that pension funds are exposed to long-term risks, which includes risks such as climate change. Leading European public sector funds and best practice LGPS place a major emphasis on a long-term investment strategy.

- **ESG factors will materially affect investment performance over the long-term.**

  Context: UK regulatory guidance highlights that ESG issues can be financially material. The European Commission Action Plan on Sustainable Finance (following up the 2018 High-Level Expert Group report) places ESG within the context of pursuing a long-term approach in respect of financial activity. Progressive European asset owners contend that responsible investing need not be at the expense of financial returns, and that investors make better investment decisions if they consider structural sustainability and responsible business factors.

- **A strong RI policy is entirely consistent with a responsible asset owner's fiduciary duty.**

  Context: Existing LGPS guidance places emphasis on the relationship between the "prudential" approach towards investment and ESG as part of its statutory responsibilities. The Commission, as part of its Action Plan, has tabled legislation relevant to "investor/fiduciary duties" which seeks to integrate sustainability risks into the investment decision-making processes of institutional investors. MPF Stakeholders strongly believe that integrating ESG is consistent with fiduciary duty.

- **A strengthened RI strategy chimes with the Fund's core philosophy about the importance of active risk management.**

  Context: The Fund's existing risk management policies state that risk is inherent in many of its activities that external advice and best practice should be used to identify and mitigate risks. There is already a dedicated MPF Governance and Risk Working Party.

- **Risk can be mitigated through diversification of the portfolio.**

  Context: Stakeholders support a diversified investment strategy, which helps not only to mitigate risks but also to identify opportunities. The value of diversification is highlighted in the UNPRI Asset Owner Strategy Guide on how to craft an investment strategy.

- **The promotion of ESG criteria (as opposed to a divestment-led approach) in decision-making supports an active engagement approach.**

  Context: The Fund's existing policy is based on engagement rather than screening companies; and that engagement means influence. This approach is in line with the policy of progressive LGPS funds. Stakeholders are united in the view that MPF should continue to be active with its engagement of investee companies.

- **The Fund's approach towards active engagement, through its various channels and membership organisations, strengthens the Fund's ability to be a capable steward of capital, and also reflects its public sector ethos.**

  Context: This is supported by the first belief in the importance of engagement. But it is also a reflection of stakeholder support for the view that the Fund should use its membership of key forums and organisations in its responsible stewardship role.

- **The exercise of voting rights is consistent with an asset owner's fiduciary duty.**

  Context: MPF's RI policy has the exercise of voting rights as one of the core components. Recent UNPRI guidance states that asset owners can be effective stewards of their assets through voting, as well as engagement.

- **Social impact investing is compatible with a strong RI policy.**

  Context: DCLG guidance for LGPS is explicit that "social impact Investments are compatible with the prudent approach, providing administering authorities have good reason to think scheme members share the concern for social impact, and there is no risk of significant financial detriment to the fund".

Sefton Council

Mrs Y. Craddock
Head of Pensions Administration
Merseyside Pension Fund,
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43 Castle Street,
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L2 9SH

Margaret Carney, Chief Executive
Sefton Council
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Merseyside, PR8 1DA
margaret.carney@sefton.gov.uk

21st November 2018
REF - CEX/CAW

Dear Mrs Craddock,

COUNCIL MOTION

I write to advise you that my Council approved the following Motion at its meeting held on 15 November 2018:

Merseyside Pension Fund

This Council notes:

(i) the action of the Merseyside Pension Fund (MPF) in regard to disinvestment in Fracking Companies.

(ii) Its long-term commitment to the Paris Agreement and its objective to disinvest from all fossil fuel portfolios to become carbon neutral in the near future.

This Council resolves to request MPF to publish a timetable for disinvestment as soon as possible.

I would be grateful if you could take note of the content of the above Motion and let have your detailed response within the near future.

Yours sincerely

M Carney

Margaret Carney
Chief Executive

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WIRRAL COUNCIL

PENSIONS COMMITTEE

21 JANUARY 2019

SUBJECT:	**LGC INVESTMENT CONFERENCE**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report requests nominations for members to attend the Local Government Chronicle (LGC) Investment Conference, to be held in Chester from 28 February to 1 March 2019.

2.0 BACKGROUND AND KEY ISSUES

2.1 The conference is themed "2019: Capitalising on the LGPS' strong financial position, despite the uncertain economic climate".

The 2019 LGC Investment Seminar will provide practical advice from pools and funds, insight on what's new in investment and greater opportunities to sense-check your priorities.

Now the pools are up and running, we can look to move the debate on by seeking ways in which the LGPS can capitalise on its strong financial position during uncertain economic times.

A draft agenda is not yet available but areas of interest include:

- Scheme Advisory Board update
- Discussion on pooling and accountability - **NEW**
- Highly topical insight on what will happen after 29 March - **NEW**
- What will the impact be of the 2019 valuation - **NEW**
- A round table discussion session led by LGPS facilitators, where the audience can debate topical investment areas - **NEW**
- Latest thinking on ESG
- Looking to the future – what's on the funds' radar - **NEW**

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 N/A

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 A free place is available as MPF was represented at the LGC Investment Summit. Additional places plus a night's accommodation (Thursday night) will be £515 per delegate (excluding travel), which can be met from the existing Pension Fund budget.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That attendance at the conference by Members be approved.

13.2 That Members wishing to attend the conference notify the Director of Pensions to enable the necessary registration and administration to be undertaken.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Attendance at this conference is a part of the development programme which is a separate item on this agenda and will assist Members in fulfilling the Committee's Knowledge and Skills objectives as set out by CIPFA.

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REPORT AUTHOR: ***PETER WALLACH***
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APPENDICES

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

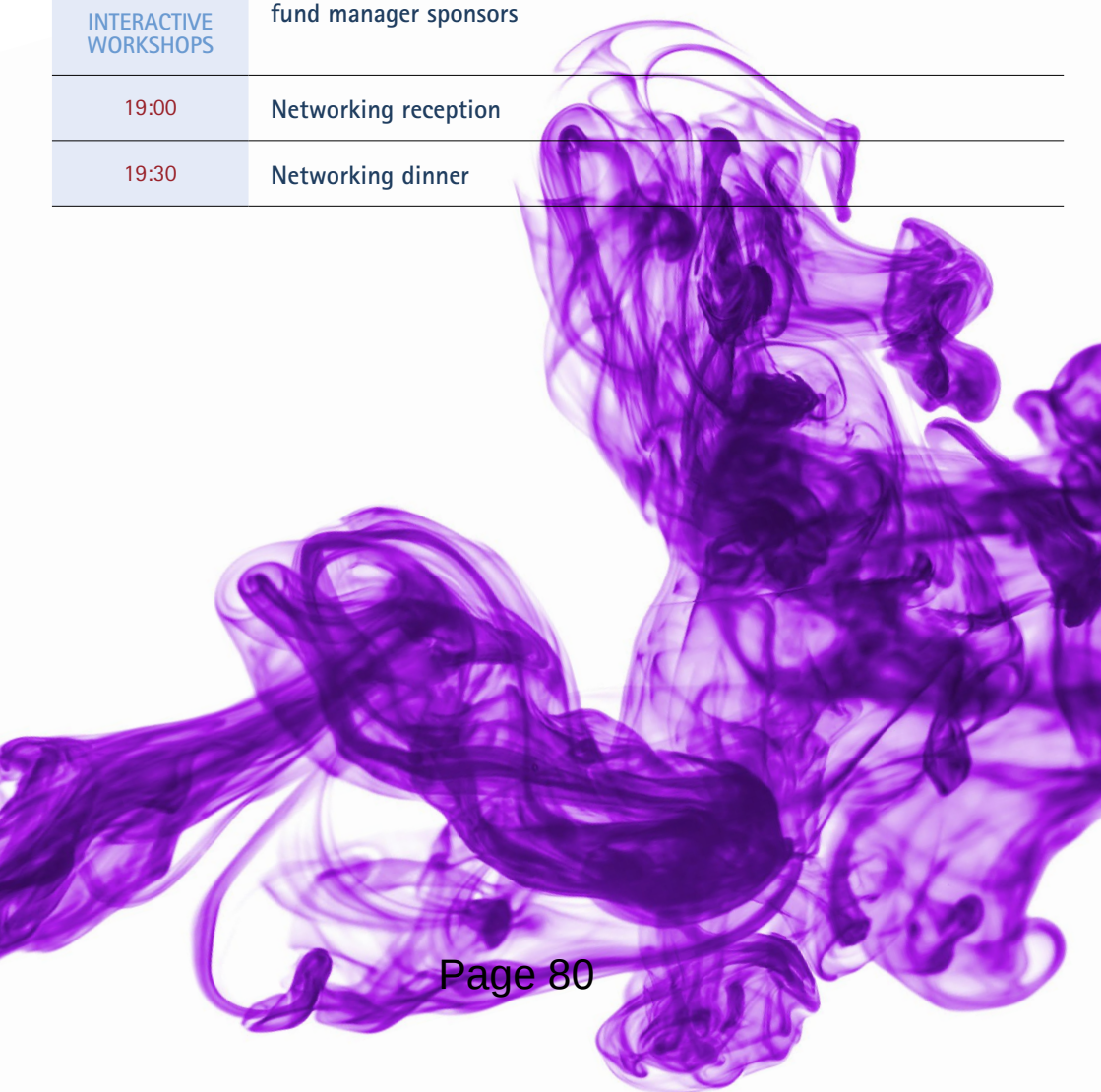
Council Meeting	Date
Pensions Committee	January 2019
Pensions Committee	January 2018
Pensions Committee	January 2017

Programme

Thursday 28 February

09:15–09:45	Registration and networking refreshments
09:45–09:55	**Chairman's welcome** Chris Bilsland, Non-Executive Director, London CIV
09.55–10:45 PLENARY 1	**An update and commentary on emerging issues on the LGPS from the Advisory Board** Jeff Houston, Head of Pensions, LGA **The Financial Resilience of local authorities – making sense of the proposed changes in funding and quantifying the financial challenge.** Rob Whiteman, Chief Executive, CIPFA
10:45–11:35 PLENARY 2	**Pooling and the Transitioning of Assets** • *How investment offerings and strategies are changing to meet the needs of the funds* • *Mitigating the risks and optimising the benefits* • *The importance of collaboration and engagement* • *Managing costs and maximising benefits* Rachel Elwell, Chief Executive, Border to Coast Pensions Partnership Larissa Benbow, Head of Fixed Income and Robert Hall, Head of Equities, London CIV
11:35–12:05	Refreshments and networking
12:05–13:00 INTERACTIVE WORKSHOPS	**Choose to attend 1 out of 4 investment focused workshops led by our fund manager sponsors**
13:00–14:15	Networking lunch
14:15–15:15 PLENARY 3	**World café round table discussion session led by LGPS facilitators** • *Is the LGPS truly affordable and sustainable?* • *Do politics really matter in the long-term?* • *Should LGPS funds continue to hold most of their assets in the UK?* • *What will be the key investment themes for the LGPS over the next 5 years?* • *What significant changes in investment thinking did we see in 2018?* Introduction from Peter Wallach, Director of Pensions, Merseyside Pension Fund

15:15–15:45	Refreshments and networking
15:45–16:30 PLENARY 4	**What happens after 29 March?** *Brexit is likely to have a significant impact on UK schemes' funding and investment strategies* • *Impact on business, investment market and conditions* • *What can be done to manage the impacts* • *Likely legislative and regulatory changes* **John Roe,** Head of Multi-Asset Funds, **Legal & General Investment Management**
16:35–17:30 INTERACTIVE WORKSHOPS	**Choose to attend 1 out of 4 investment focused workshops led by our fund manager sponsors**
19:00	**Networking reception**
19:30	**Networking dinner**



WIRRAL COUNCIL

PENSIONS COMMITTEE

21 JANUARY 2019

SUBJECT:	**LOCAL PENSION BOARD MINUTES**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report provides members with the minutes of the previous meeting of the Local Pension Board.

2.0 BACKGROUND AND KEY ISSUES

2.1 The 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.

2.2 The Local Pension Board provides 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.

3.0 RELEVANT RISKS

3.1 There are none arising from this report

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 N/A

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report

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

8.1 There are no implications arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That members note the minutes of the Local Pension Board

14.0 REASON/S FOR RECOMMENDATION/S

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

REPORT AUTHOR: ***PETER WALLACH***
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APPENDICES

Appendix 1 Pension Board minutes

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

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

LOCAL PENSIONS BOARD

Tuesday, 16 October 2018

Present:	J Raisin (Chair)	
	M Hornby	P Wiggins
	K Beirne	R Irvine
	D Ridland	P Maloney
Apologies	G Broadhead	
	L Robinson	

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

Members were 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.

No such declarations were made.

24 **MINUTES**

Resolved – That the accuracy of the Minutes of the Local Pension Board held on 13 June, 2018 be approved as a correct record.

25 **AUDIT FINDINGS REPORT**

Members gave consideration to the Audit Findings Report 2017 - 2018 prepared by Grant Thornton UK LLP that had been considered by the Pensions Committee on 16 July, 2018. Donna Smith, Head of Finance and Risk, gave an outline of the report and responded to Members questions.

The report informed that the draft financial statements and working papers had been received in accordance with the agreed timetable; the draft accounts had again been prepared to a good standard and had taken into account areas for improvement identified in last year's audit. It was further reported that the audit had not identified any significant issues in terms of the financial statements or the Annual report.

Resolved – That the report be noted.

26 **STATEMENT OF ACCOUNTS/LETTER OF REPRESENTATION/REPORT & ACCOUNTS**

A report of the Head of Finance and Risk provided Board members with copies of the Fund's Statement of Accounts report, Letter of Representation and Report and Accounts that had been reported to Pensions Committee in July 2018.

The purpose of the Statement of Audited Accounts was to present the overall financial position of the Fund at financial year and was contained in the Fund's annual report (appendix 3 to the report). Once it had been considered by Pensions Committee, the Statement of Accounts had been referred to Wirral's Audit & Risk Management Committee. The Letter of Representation had given assurances to the Auditor in respect of various Pension Fund matters (appendix 2 to the report). The Fund's approved report and accounts were attached at appendix 3 to the report.

Resolved – That;

1 the report be noted.

2 the Board notes that the draft accounts had been prepared to a good standard and commends the staff on the preparation for this.

27 **BUDGET OUTTURN 17/18, FINAL BUDGET 18/19**

A report of the Director of Finance and Risk provided Board members with a copy of the recent Budget report taken to Pensions Committee.

It was noted that, on an annual basis, the Fund reported the budget outturn for the previous year and sought approval from Pensions Committee for a budget for the current financial year. Pensions Committee had been informed that the actual out-turn for 2017/18 was £18.0m, lower than the original budget that had been approved 17 July 2017 of £20.9m and lower than the projected out-turn of £18.7m as reported at Pensions Committee on 22 January 2018. It was further noted that the 2018/19 budget reported in January been updated to reflect an agreed pay rise of 2%, along with revised salary overheads, premises and departmental & central support charges; the finalised 2018/19 budget was £22.0m as reported in January 2018.

Resolved – That the report be noted.

28 **LGPS UPDATE**

A report of the Director of Pensions provided Board members with copies of recent LGPS update reports taken to Pensions Committee. The report informed Members that the Local Government Pension Scheme (Amendment) Regulations had been laid before Parliament on 19 April 2018, becoming operational on 14 May 2018. The report further outlined the key changes that

affected the administration of the Fund. Yvonne Caddock, Head of Pensions Administration, outlined the report and responded to members questions.

Resolved – That the report be noted.

29 **TREASURY MANAGEMENT ANNUAL REPORT**

A report of the Head of Finance & Risk provided Board members with a copy of the Treasury Management Annual report that had been taken to Pensions Committee. The report presented a review of treasury management activities within Merseyside Pension Fund (MPF) for the 2017/18 financial year and reported any circumstances of non-compliance with the treasury management strategy and treasury management practices. It had been prepared in accordance with the revised CIPFA Treasury Management Code.

Resolved – That the report be noted.

30 **PENSION BOARD REVISED TERMS OF REFERENCE**

Members gave consideration to a report of the Director of Pensions that provided Board members with a copy of a report recently taken to Pensions Committee recommending a revision to the Board's terms of reference. The revised terms of reference were attached as an appendix to the report.

The Director of Pensions informed Members that it was proposed that the Board's Terms of Reference be revised to increase the number of meetings and to allow the Scheme Manager greater discretion in the appointment and term of Board membership.

Resolved – That the report be noted.

31 **DRAFT FUNDING STRATEGY STATEMENT**

Members gave consideration to a report of Yvonne Caddock, Head of Pension Administration. The report set out that as required under regulation 58 (3) of the Local Government Pension Scheme 2013 Regulations, the administering authority must keep its Funding Strategy Statement (FSS) under review between triennial actuarial valuations. This ensured that it remained appropriate in the event of changes to the Investment Strategy Statement or overarching legislation.

The LGPS (Amendment) Regulations 2018 had introduced the provision to refund a surplus to an employer, defined as an "Exit Credit" with effect from 14 May 2018. As this was a material change in funding arrangements it had been necessary to review the impact on the termination policy and consult with employers on any proposed changes to the FSS.

The Fund had opened a consultation with Scheme employers on 9 July 2018 and shared an explanatory letter detailing the background to the consultation, together with a draft copy of the 2018 FSS. The consultation had closed on 6 August 2018.

The revised draft FSS was attached as an appendix to the report, together with the Fund's response to the questions and issues raised by employers, and the Independent Chair of the Pension Board, during the consultation.

On behalf of the Board the Chair thanked the Head of Pension Administration and noted that consultation with the Chair had resulted in the draft being amended that demonstrated the value of the Local Pensions Board.

Resolved – That prior to presentation at Pension Committee on 29 October 2018, where it would be recommended for ratification, the consultation document and the draft Funding Statement be noted.

32 **POOLING UPDATE**

A report of the Director of Pensions provided Board members with copies of recent Pooling update reports taken to Pensions Committee. Peter Wallach, Director of Pensions, outlined the report and responded to members questions.

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 report be noted.

33 **MANAGEMENT OF CARBON RISK**

Members gave consideration to a report of the Director of Pensions that provided Board members with a copy of a recent report to Pensions Committee on this subject.

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 report be noted.

34 **WORKING PARTY MINUTES**

A report of the Director of Pensions provided Board members with copies of working party minutes since the previous Board 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 report be noted.

35 **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.

36 **POOLING UPDATE**

The appendices to the report on Pooling Update were exempt by virtue of paragraph 3.

37 **MANAGEMENT OF CARBON RISK**

The appendices to the report on Management of Carbon Risk were exempt by virtue of paragraph 3.

38 **INTERIM ACTUARIAL VALUATION**

The report on Interim Actuarial Valuation was exempt by virtue of paragraph 3.

39 **ADMINISTRATION KPI REPORT**

The report on Administration KPI was exempt by virtue of paragraph 3.

40 **WORKING PARTY MINUTES**

The appendices to the report on Working Party Exempt Minutes were exempt by virtue of paragraph 3.

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WIRRAL COUNCIL

PENSIONS COMMITTEE

21 JANUARY 2019

SUBJECT:	**POOLING UPDATE**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report provides Members with details of a consultation issued by the Ministry of Housing, Communities and Local Government (MHCLG) on new statutory guidance on LGPS asset pooling.

2.0 BACKGROUND AND KEY ISSUES

2.1 On 3 January 2019, MHCLG issued draft statutory guidance on LGPS asset pooling. It sets out the requirements on administering authorities, replacing previous guidance, and builds on previous Ministerial communications and guidance on investment strategies. This will be an informal consultation with interested parties only, including the Scheme Advisory Board, Pensions Committees, Local Pension Boards, the pool Joint Committees or equivalent, the Cross Pool Collaboration Group, the pool operating companies where owned by participating funds, CIPFA and ALATS. The consultation will remain open for 12 weeks and will close on 28 March 2019.

2.2 The guidance sets out the requirements on administering authorities in relation to the pooling of LGPS assets, building on previous Ministerial communications and guidance on investment strategies, and taking account of the current state of progress on pooling. It is made under the powers conferred on the Secretary of State by Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 2016 Regulations). Administering authorities are required to act in accordance with it.

The guidance replaces the section at pages 7 to 8 of Part 2 of *Guidance for Preparing and Maintaining an Investment Strategy*, issued in September 2016 and revised in July 2017, which deals with regulation 7(2)(d) of the 2016 Regulations. It also replaces *Local Government Pension Scheme: Investment Reform Criteria and Guidance,* issued in November 2015.

2.3 It is recognised that the existing guidance is not always clear in defining the criteria and guidance for pooling arrangements and the new guidance seeks to address this as well as supporting further progress.

2.4 The guidance covers eight principal areas:

- Definitions
- Structure and scale
- Governance
- Transition of assets
- Investments outside the pool
- Infrastructure investments
- Reporting

2.5 A report providing further analysis of the proposals and a draft response will be brought to Committee in March. If adopted as drafted, the most significant implication for the Northern Pool would be the requirement, as set out in section 3, to establish a pool company for the majority of assets which 'must be a company regulated by the Financial Conduct Authority (FCA) with appropriate FCA permissions for regulated activities'.

3.0 RELEVANT RISKS

3.1 Pooling will result in fundamental changes to oversight and management of LGPS assets. It is essential that appropriate governance arrangements are put in place to ensure that Pensions Committee can exercise its responsibilities in accordance with the Council's constitution.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

5.1 The Pooling consultation has been discussed with the Merseyside Directors of Finance and stakeholders have been kept informed of the pooling consultation and its implications.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report. The anticipated financial costs of establishing pooling arrangements as proposed in the new guidance will be substantially more than the existing intended arrangements.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members note the report.

13.2 That Members give approval for the Director of Pensions, in conjunction with the Borough Solicitor, to conclude an inter-authority operating agreement between the three funds of the Northern Pool and any constitutional amendments that may be required.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Pooling will result in fundamental changes to the oversight and management of LGPS assets.

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APPENDICES

Draft guidance on pooling - consultation

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
An update report is brought to each Pensions Committee	

Local Government Pension Scheme

Statutory guidance on asset pooling

Contents

Foreword

The reform of investment management in the Local Government Pension Scheme (LGPS) for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. LGPS administering authorities responded by coming together in groups of their own choosing to form eight asset pools.

Through the hard work and commitment of people across the scheme, those eight pools are now operational. Their scale makes them significant players at European or global level, and significant annual savings have already been delivered, with the pools forecasting savings of up to £2bn by 2033. Along the way many lessons have been learnt and great progress has been made in developing expertise and capacity, including in private markets and infrastructure investment.

This is a considerable achievement in itself, but there is still a long way to go to complete the transition of assets and to deliver the full benefits of scale. In the light of experience to date with pooling and the challenges ahead, authorities have requested guidance on a range of issues. The time is now right for new guidance to support further progress.

1 Introduction

1.1 This guidance sets out the requirements on administering authorities in relation to the pooling of LGPS assets, building on previous Ministerial communications and guidance on investment strategies, and taking account of the current state of progress on pooling. It is made under the powers conferred on the Secretary of State by Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 2016 Regulations). Administering authorities are required to act in accordance with it.

1.2 This guidance replaces the section at pages 7 to 8 of Part 2 of *Guidance for Preparing and Maintaining an Investment Strategy*, issued in September 2016 and revised in July 2017, which deals with regulation 7(2)(d) of the 2016 Regulations. It also replaces *Local Government Pension Scheme: Investment Reform Criteria and Guidance,* issued in November 2015.

2 Definitions

2.1 This guidance introduces a set of definitions for use in this and future guidance, as follows:

'Pool' the entity comprising all elements of a Local Government Pension Scheme (LGPS) asset pool
'Pool member' an LGPS administering authority which has committed to invest in an LGPS pool and participates in its governance
'Pool governance body' the body used by pool members to oversee the operation of the pool and ensure that the democratic link to pool members is maintained (for example, Joint Committees and officer committees)
'Pool company' the Financial Conduct Authority (FCA) regulated company which undertakes selection, appointment, dismissal and variation of terms of investment managers, and provides and operates pool vehicles for pool members
'Pool fund' a regulated unitised fund structure operated by a regulated pool company, such as an Authorised Contractual Scheme (ACS)
'Pool vehicle' an investment vehicle (including pool funds) made available to pool members by a regulated pool company
'Pooled asset' an investment for which the selection, appointment, dismissal and variation of terms for the investment manager is delegated to a regulated pool company, or an investment held in a pool vehicle
'Retained asset' an existing investment retained by a pool member during the transition period
'Local asset' a new investment by a pool member which is not a pooled asset

3 Structure and scale

3.1 All administering authorities must pool their assets in order to deliver the benefits of scale and collaboration. These include:

- reduced investment costs without affecting gross risk-adjusted returns
- reduced costs for services such as custody, and for procurement
- strengthened governance and stewardship and dissemination of good practice
- greater investment management capacity and capability in the pool companies, including in private markets
- increased transparency on total investment management costs
- diversification of risk through providing access to a wider range of asset classes, including infrastructure investments

3.2 In order to maximise the benefits of scale, pool members must appoint a pool company or companies to implement their investment strategies. This includes:

- the selection, appointment, dismissal and variation of terms of investment managers, whether internal or external

- the management of internally managed investments
- the provision and management of pool vehicles including pool funds

It is for the pool companies to decide which investment managers to use for pool vehicles, including whether to use in-house or external management. Pool members may continue to decide if they wish to invest via in-house or externally managed vehicles.

3.3 Pool companies may be wholly owned by pool members as shareholders or may be procured and appointed by the pool members as clients.

3.4 A pool company must be a company regulated by the Financial Conduct Authority (FCA) with appropriate FCA permissions for regulated activities. This helps ensure the pools comply with financial services legislation, and provides additional assurance to scheme members and employers. Depending on the structure of the pool, appropriate permissions may include permissions for execution, acting as agent, provision of advice, or such other permissions as required by the FCA. Where regulated funds (e.g. in an ACS) are operated by the pool company it should comply with relevant UK legislation.

Regular review of services and procurement
3.5 Pool governance bodies, working with the pool company, should regularly review the provision of services to the pool, and the process of procurement, to ensure value for money and cost transparency. Where services are procured or shared by pool members, pool members should regularly review the rationale and cost-effectiveness of such arrangements, compared to procurement and management through the pool company. Pool members and pool companies should consider using the national LGPS procurement frameworks (www.nationallgpsframeworks.org) where appropriate.

Regular review of active and passive management
3.6 Pool members, working with the pool company, should regularly review the balance between active and passive management in the light of performance net of total costs. They should consider moving from active to passive management where active management has not generated better net performance over a reasonable period. Pool members should also seek to ensure performance by asset class net of total costs is at least comparable with market performance for similar risk profiles.

4 Governance

4.1 Pool members must establish and maintain a pool governance body in order to set the direction of the pool and to hold the pool company to account. Pool governance bodies should be appropriately democratic and sufficiently resourced to provide for effective decision making and oversight.

4.2 Pool members, through their internal governance structures, are responsible for effective governance and for holding pool companies and other service providers to account. Strategic asset allocation remains the responsibility of pool members, recognising their authority's specific liability and cash-flow forecasts.

4.3 Members of Pension Committees are elected representatives with duties both to LGPS employers and members, and to local taxpayers. Those who serve on Pension Committees and equivalent governance bodies in LGPS administering authorities are, in many ways, required to act in the same way as trustees in terms of their duty of care to scheme employers and members, but are subject to a different legal framework, which derives from public law. In particular while they have legal responsibilities for the prudent and effective stewardship of LGPS funds, LGPS benefits are not dependent on their stewardship but are established and paid under statute in force at the time.

4.4 Those who serve on Pension Committees and equivalent governance bodies in pool members should therefore take a long term view of pooling implementation and costs. They should take account of the benefits across the pool and across the scheme as a whole, in the interests of scheme members, employers and local taxpayers, and should not seek simply to minimise costs in the short term.

4.5 Local Pension Boards of pool members have a key role in pool governance, given their responsibilities under the LGPS Regulations 2013 (regulation 106 (1)) for assisting authorities in securing compliance with legislation, and ensuring effective and efficient governance and administration of the LGPS. They can provide additional scrutiny and challenge to strengthen pool governance and reporting, and improve transparency and accountability for both members and employers.

4.6 Local Pension Boards may also provide a group of knowledgeable and experienced people from which observers may be drawn if pool members wish to include observers on pool governance bodies.

Strategic and tactical asset allocation

4.7 Pool members are responsible for deciding their investment strategy and asset allocation, and remain the beneficial owners of their assets, in accordance with *Guidance for Preparing and Maintaining an Investment Strategy.*

4.8 Pool members collectively through their pool governance bodies should decide the pool's policy on which aspects of asset allocation are strategic and should remain with the administering authority, and which are tactical and best undertaken by the pool company. Pool governance bodies, when determining where such decisions lie, should be mindful of the trade-off between greater choice and lower costs and should involve the pool company to ensure the debate is fully informed on the opportunities and efficiencies available through greater scale.

4.9 Providing pool members with asset allocation choices through an excessively wide range of pool vehicles or investment managers will restrict the pool company's ability to use scale to drive up value. On the other hand maximising scale by significantly limiting asset allocation options may not provide all pool members with the diversification needed to meet their particular liability profile and cash flow requirements. Pool members should set out in their Funding Strategy Statement and Investment Strategy Statement how they, through the pool governance body, have balanced these considerations and how they will keep this under regular review.

4.10 Where necessary to deliver the asset allocation required by pool members, pool companies may provide a range of pool vehicles and in addition arrange and manage segregated mandates or access to external specialist funds. Pool governance bodies should ensure that their regulated pool companies have in place the necessary permissions to enable pool vehicles to be made available where appropriate.

4.11 Determining where asset allocation decisions lie will not be a one-off decision as pool member requirements will change over time. Pool governance bodies should ensure that a regular review process, which involves both pool members and pool companies, is in place.

5 Transition of assets to the pool

5.1 Pool members should transition existing assets into the pool as quickly and cost effectively as possible. Transition of listed assets should take place over a relatively short period.

5.2 Pool governance bodies, working with pool companies and, where appointed, external transition managers, should seek to minimise transition costs to pool members while effectively balancing speed, cost and timing, taking into account exit or penalty costs and opportunities for crossing trades.

5.2 The transition process will incur direct or indirect costs which may fall unevenly across pool members. For example, where the selected managers are used by some pool members but not others. In such cases pool members who are already using the selected manager may incur significantly lower (if any) transition costs than those who do not.

5.3 Inter-authority payments (or other transfers of value) may be desirable in order to share these costs equitably between pool members. The Government's view is that such payments are investment costs within Regulation 4(5) of the 2016 Regulations, and payments made by a pool member to meet its agreed share of costs may be charged to the fund of that pool member, whether the payments are made to other pool members, the pool company, or another body by agreement.

Temporary retention of existing assets

5.4 In exceptional cases, some existing investments may be retained by pool members on a temporary basis. If the cost of moving the existing investment to a pool vehicle exceeds the benefits of doing so, it may be appropriate to continue to hold and manage the existing investment to maturity before reinvesting the funds through a pool vehicle.

5.5 In many cases there will be benefits in such retained assets being managed by the pool company in the interim. However pool members may retain the management of existing long term investment contracts where the penalty for early exit or transfer of management would be significant. These may include life insurance contracts ('life funds') accessed by pool members for the purpose of passive equity investment, and some infrastructure investments. Pool members may also retain existing direct property assets where these may be more effectively managed by pool members.

Regular review of retained assets

5.6 Pool members, working with the pool company, should undertake regular reviews (at least every three years) of retained assets and the rationale for keeping these assets outside the pool. They should review whether management by the pool company would deliver benefits. Pool members should consider the long term costs and benefits across the pool, taking account of the guidance on cost-sharing, and the presumption should be in favour of transition to pool vehicles or moving such assets to the management of the pool company.

6 Making new investments outside the pool

6.1 Pool members should normally make all new investments through the pool company in order to maximise the benefits of scale. Following the 2019 valuation, pool members will review their investment strategies and put revised strategies in place from 2020. From 2020, when new investment strategies are in place, pool members should make new investments outside the pool only in very limited circumstances.

6.2 A small proportion of a pool member's assets may be invested in local initiatives within the geographical area of the pool member or in products tailored to particular liabilities specific to that pool member. Local assets should:

- Not normally exceed an aggregate 5% of the value of the pool member's assets at the point of investment.
- Be subject to a similar assessment of risk, return and fit with investment strategy as any other investment.

6.3 Pool members may invest through pool vehicles in a pool other than their own where collaboration across pools or specialisation by pools can deliver improved net returns.

6.4 During the period of transition, while pool governance bodies and pool companies work together to determine and put in place the agreed range of pool vehicles, a pool member may make new investments outside the pool, if following consultation with the pool company, they consider this is essential to deliver their investment strategy. This exemption only applies until the pool vehicles needed to provide the agreed asset allocation are in place.

7 Infrastructure investment

7.1 Infrastructure investment has the potential to provide secure long term returns with a good fit to pension liabilities, and form part of investment strategies of authorities. The establishment of the pools was intended to provide the scale needed for cost-effective investment in infrastructure, and to increase capacity and capability to invest in infrastructure.

7.2 There is no target for infrastructure investment for pool members or pools, but pool members are expected to set an ambition on investment in this area. Pool companies may provide pool vehicles for investment in UK assets, or overseas assets, or both, as required to provide the risk and return profile to meet pool member investment strategies. However the Government expects pool companies to provide the capability and capacity for pools over time to move towards levels of infrastructure investment similar to overseas pension funds of comparable aggregate size.

7.3 Pool companies may provide pool vehicles for investment in existing (brownfield) or new (greenfield) infrastructure, based on an assessment of the benefits and risks in relation to pool member liabilities, and non-financial factors where relevant. Pool members may invest in their own geographic areas but the asset selection and allocation decisions should normally be taken by the pool company in order to manage any potential conflicts of interest effectively, maintain propriety, and ensure robust evaluation of the case for investment.

7.4 For the purpose of producing annual reports, infrastructure assets are defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance *Preparing the Annual Report* as follows:

Infrastructure assets are the facilities and structures needed for the functioning of communities and to support economic development. When considered as an investment asset class, infrastructure investments are normally expected to have most of the following characteristics:

- *Substantially backed by durable physical assets;*
- *Long life and low risk of obsolescence;*
- *Identifiable and reliable cash flow, preferably either explicitly or implicitly inflation-linked;*
- *Revenues largely isolated from the business cycle and competition, for example, through long term contracts, regulated monopolies or high barriers to entry;*
- *Returns to show limited correlation to other asset classes.*

Key sectors for infrastructure include transportation networks, power generation, energy distribution and storage, water supply and distribution, communications networks, health and education facilities, social accommodation and private sector housing.

Conventional commercial property is not normally included, but where it forms part of a broader infrastructure asset, helps urban regeneration or serves societal needs it may be.

7.5 All residential property is included in this definition of infrastructure. It is not restricted to social accommodation or private sector housing.

7.6 A variety of platforms may be required to implement the infrastructure investment strategies of pool members. Pool companies are expected to provide access to a range of options over time including direct and co-investment opportunities.

8 Reporting

8.1 Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports, following the CIPFA guidance *Preparing the Annual Report*, with effect from the 2018-19 report.

8.2 In summary, pool member annual reports should include:

- opening and closing value and proportion of pooled assets by asset class
- opening and closing value and proportion of local assets by asset class
- net and gross performance of pooled assets by asset class
- total costs of pooled assets by asset class
- for actively managed listed assets, net performance by asset class net of total costs compared to appropriate passive indices over a one, three and five year period
- net and gross performance of local assets by asset class
- total costs of local assets by asset class
- asset transition during the reporting year
- transition plans for local assets
- pool set-up and transition costs, presented alongside in-year and cumulative savings from pooling
- ongoing investment management costs by type, with a breakdown between pooled assets and local assets

8.3 Investments should be classed as pool assets on the basis of the definition in the CIPFA guidance *Preparing the Annual Report.*

For the purpose of defining those assets which are classed as being within an asset pool, 'pooled assets' are those for which implementation of the investment strategy – i.e. the selection, appointment, dismissal and variation of terms for the investment managers (including internal managers) – has been contractually, transferred to a third party out with the individual pension fund's control.

8.4 Any investment where a pool member retains the day to day management, or the responsibility for selecting or reappointing an external manager, is not a pool asset.

8.5 Pool members should provide a rationale for all assets continuing to be held outside the pool, including the planned end date and performance net of costs including a comparison which costs of any comparable pool vehicles. They should also set out a high level plan for transition of assets.

8.6 The SAB will publish an annual report on the pools based on aggregated data from the pool member annual reports, in the Scheme Annual Report. Pool members should comply with all reasonable requests for any additional data and information from the SAB to enable it to publish a comprehensive report.

8.7 Pool members should ensure that pool companies report in line with the SAB Code of Cost Transparency. They should also ensure that pool companies require their internal and external investment managers to do so.

8.8 Pool members should also ensure that the annual report of the pool company is broadly consistent with the reports of pool members, and with the Scheme Annual Report, in so far as it relates to their investments, and that the report includes a narrative to explain differences. These may arise for example from reporting periods of pool companies which differ from that of the pool member.

8.9 Pool members are required to report any change which results in failure to meet the requirements of this guidance to the LGPS Scheme Advisory Board (SAB) and to MHCLG.

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WIRRAL COUNCIL

PENSIONS COMMITTEE

21 JANUARY 2019

SUBJECT:	**CONTRACT ARRANGEMENTS**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report provides Members with details of the Fund's contracts which are due for review and/or retender and seeks approval for the actions proposed.

1.2 The appendix to this report contains exempt information. This is 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).

2.0 BACKGROUND AND KEY ISSUES

2.1 This report provides members with an update to the report brought to this Committee in January 2018. The Fund holds a number of contracts relating to the provision of pension and investment services from third parties. These are tendered regularly in accordance with the Council's Contract Procedure Rules.

2.2 Since the last report, the Fund has undertaken a number of procurement exercises:

- Custodian
- Review of investment strategy
- Low carbon multifactor portfolio
- Framework of managers of equity downside protection strategies
- LDI manager

2.3 A progress report on the investment strategy review is a separate item on this agenda. The strategy review has taken longer than anticipated and this has influenced the timing of some of the anticipated contract reviews. Another consideration has been the development of pooling arrangements by the Northern Pool which remains ongoing. Once concluded, the new investment strategy will inform the review and retender of the contracts and services that remain outstanding, subject to pooling arrangements being finalised. A revised schedule is set out in the appendix. Where necessary, transitional contractual

arrangements will need to be put in place in conjunction with the Council's Corporate Procurement team.

3.0 RELEVANT RISKS

3.1 In support of its internal resources, the Fund makes extensive use of third party services to monitor, manage and maintain its systems and assets. Continuity of service provision is essential to ensure there is no interruption to these arrangements.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

5.1 The Fund liaises with the administering authority's corporate procurement team in relation to procurement and contract management.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report. Work that can be undertaken in house will be undertaken in house but some of the tenders will require the support of specialist support in the areas involved. The costs of those specialists will be managed by use of the LGPS National Frameworks but a budget provision of £500,000 has been made.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members note the report and approve the contract timetable and related expenditure.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The Fund is subject to the EU's public procurement regulations and the Council's Contracts Procedure Rules.

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APPENDICES

Contract schedule – EXEMPT.

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSIONS COMMITTEE

21 JANUARY 2019

SUBJECT:	**RISK MANAGEMENT**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report informs Members of the appointment of investment managers providing equity downside protection strategies to a framework agreement and implementation of a bespoke investment strategy in relation to a substantial employing body in the Fund.

2.0 BACKGROUND AND KEY ISSUES

2.1 Members will be aware that officers have been actively developing risk reduction strategies for the Fund. As advised to this Committee in January 2018, one area of interest has been the potential use of equity option strategies and, following an in-depth review of these strategies, a framework of investment managers able to implement these strategies has been put in place. The firms appointed are listed in appendix 1 to this report.

2.2 Additionally, following the 2016 actuarial valuation, the Fund introduced two additional investment strategies (medium risk and lower risk) to give employers the option of reducing the level of investment risk they wished to take.

2.3 The Fund was approached by an admitted body in the Scheme with a request to provide them with a lower risk strategy which would include explicit hedging of their liabilities' sensitivities to inflation and interest rate risk. Following detailed negotiations involving the Fund's actuary, officers and KPMG, advisors to the admitted body, a bespoke strategy has been agreed and designed to fulfil the requirements. The parameters of the strategy proposed by the employer are set out in appendix 2.

2.4 The majority of the strategy will comprise existing holdings of the Fund but in different proportions to the standard investment strategies. Additionally, it will involve an LDI mandate which will hedge a significant proportion of the interest rate and inflation sensitivities of the liabilities. This will provide scale efficiencies to the employing body and provide some simplification for the Fund in the

operational management of the strategy. The LDI mandate is being provided by one of the Fund's incumbent bond managers.

2.5 The two principal operational challenges for the Fund has been to ensure that performance of the strategy is accurately provided to the employing body and that it pays its share of the investment and other costs arising from the strategy. Officers are satisfied that appropriate controls have been put in place.

3.0 RELEVANT RISKS

3.1 As with any insurance, equity option structures have a cost which will have the effect of reducing returns in the long term. The cost, purpose and duration of these strategies should be identified clearly before they are implemented.

3.2 Regarding alternative investment strategies, a failure to provide an auditable record of investment performance and of the investment and related costs arising from the strategy may result in a challenge from the employing body. The Fund has worked closely with its actuary to ensure robust arrangements have been put in place.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

5.1 Not relevant to this report

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 The costs of the strategy will be borne by the employing body. The Fund intends to use reports from its custodian to provide the requisite performance and cost data.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 It is important that members are informed of strategic developments within the Fund.

REPORT AUTHOR: **PETER WALLACH**
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APPENDICES

Framework of equity downside protection managers

Letter of confirmation.

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL
PENSIONS COMMITTEE
21 JANUARY 2019

SUBJECT:	**MINUTES OF WORKING PARTY MEETINGS**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	No

1.0 EXECUTIVE SUMMARY

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

1.2 The appendix to this report contains exempt information. This is 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).

2.0 BACKGROUND AND KEY ISSUES

2.1 The Investment Monitoring and Governance & Risk 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 and action points arising are reported to Committee.

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

6.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 There are none arising from this report.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

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

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

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATIONS

11.1 That Members approve the minutes attached as an appendix to this report.

13.0 REASONS FOR RECOMMENDATIONS

13.1 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 at its meeting on 27th June 2011.

REPORT AUTHOR: ***Peter Wallach***
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APPENDICES

Exempt appendix

REFERENCE MATERIAL

None.

SUBJECT HISTORY (last 3 years)

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

1. Minutes of Investment Monitoring Working Party, 15 November 2018

Attendees

Name	Initials	Organisation
Councillor Brian Kenny (Acting Chair)	BK	WBC
Councillor Cherry Povall	CP	WBC
Councillor George Davies	GD	WBC
Councillor Patrick Cleary	PC	WBC
Roger Bannister	RB	Unison
Councillor Paulette Lappin (Sefton Council)	PL	WBC
Paul Wiggins (Observer)		Pension Board
Peter Wallach (Director of MPF)	PW	MPF
Rohan Worrall	RW	Independent Advisor
Noel Mills	NM	Independent Advisor
Louis Paul Hill (AON Hewitt)	LPH	AON Hewitt
Greg Campbell	GC	MPF
Susannah Friar (Property Manager)	SF	MPF
Owen Thorne (Portfolio Manager – Monitoring & Responsible Investment)	OT	MPF
Adil Manzoor (Portfolio Manager)	AM	MPF
Daniel Proudfoot (Senior Investment Analyst)	DP	MPF
Alex Abela-Stevenson (Investment Analyst)	(AAS)	MPF
Emma Jones (PA to Director of Pension Fund)	EJ	MPF

Apologies

Name	Initials	Organisation
Councillor Paul Doughty (Chair)	PD	WBC
Councillor Andrew Gardner	AG	WBC
Councillor Patrick Hackett	PH	WBC
Councillor Tony Jones	TJ	WBC
Councillor John Fulham	JF	St. Helens Council
Linda Desforges (Senior Portfolio Manager)	LD	MPF

Declarations of interest.

Councillor Cherry Povall declared a pecuniary interest by virtue of a relation being a member of Merseyside Pension Fund. Councillor Paulette Lappin and Roger Bannister declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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