

LOCAL PENSIONS BOARD

Wednesday, 23 June 2021

Present: J Raisin (Chair)

G Broadhead

R Irvine

P Fieldsend

P Maloney

D Ridland

L Robinson

Apologies

S Van Arendsen

1 WELCOME AND INTRODUCTION

The Chair welcomed Members of the Local Pension Board and viewing members of the public to the meeting. It was noted that this meeting was being held remotely in consultation with the legal advisor and the Director of Pensions due to current restrictions and it was hoped that the Local Pensions Board would be able to resume face to face meetings as soon as possible.

2 APOLOGIES

Apologies were received from Stephan Van Arendsen.

3 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

No such declarations were made however Pat Maloney made Members aware that he had recently been elected to Liverpool City Council.

4 MINUTES

That the accuracy of the minutes of the meeting held on 31 March 2021 be agreed.

5 MERSEYSIDE PENSION FUND - ANNUAL EXTERNAL AUDIT PLAN

Donna Smith, Head of Finance and Risk, presented the Annual External Audit Plan that had been considered by the Pension Committee at its meeting held on 22 June 2021. Donna Smith outlined the key message and headlines of the Plan and noted that regular meetings had been held with the external auditors, Grant Thornton, and the senior finance team at MPF. The report

outlined the Risks outlined the impact of the Covid 19 and the Head of Finance and Risk responded to members questions.

Resolved – That the Audit Plan be noted.

6 **STATEMENT OF ACCOUNTS 2020/21 – MANAGEMENT QUESTIONS**

Donna Smith, Head of Finance and Risk, introduced a report that provided Board Members with a copy of the report taken to Pension Committee 22 June 2021 in relation to Grant Thornton’s audit of the Fund’s Statement of Accounts for 2020/21. The completed questionnaire was attached as an appendix to the report.

Grant Thornton, as part of their audit of the Fund’s Statement of Accounts for 2020/21 had asked management to respond to a series of questions.

Fund officers had completed the questionnaire prepared by Grant Thornton and presented it to Members, to support members responsibilities in relation to the financial reporting process. This would inform the auditors risk assessment, where the auditor was required to make inquiries of Pensions Committee under auditing standards.

The questionnaire provided members with an understanding of management processes and the Fund’s oversight of the following areas:

- General Enquiries of Management
- Fraud
- Laws and Regulations
- Related Parties
- Accounting Estimates

Resolved - That the management responses to questions posed by the Fund’s external auditors Grant Thornton, having been considered by the Local Pensions Board, be noted.

7 **LGPS UPDATE**

Board members gave consideration to a report of the Director of Pensions that had been presented to the Pensions Committee on 22 June 2021 and informed members on the publication of a Written Ministerial Statement on McCloud and the remedy for the Local Government Pension Scheme (LGPS), along with recent developments on ongoing national issues and overriding legislation that would impact on the administration of the LGPS. The response to the consultation ‘Increasing the Normal Minimum Pension Age: Consultation on Implementation’ was attached as an appendix to the report.

Yvonne Murphy, Head of Pension Administration, highlighted the key points in the report and responded to Members questions. The Head of Pensions

explained the background to the report, that the 'Court of Appeals' ruling in December 2018 had confirmed that the transitional protections provided for members of the Judges' and Firefighters' pension schemes when the public sector pension reforms were implemented in 2014 and 2015, were age discriminatory. This was because eligibility for these protections had been based on an age criterion. Similarly, age-restricted transitional protections had also provided across the other public service pension schemes including the LGPS and last year the government had announced that it would seek to remedy the position. On 16 July 2020, the Ministry of Housing, Communities and Local Government (MHCLG) had released the much-anticipated consultation on the McCloud remedy for the LGPS in England and Wales and could be accessed from the following link:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901173/Condoc - amendments to LGPS underpin - FOR PUBLICATION.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/901173/Condoc_-_amendments_to_LGPS_underpin_-_FOR_PUBLICATION.pdf)

The consultation had closed on 8 October 2020 and a response to the consultation was expected later this year. The recent written statement could be accessed from the following link:

<https://questions-statements.parliament.uk/written-statements/detail/2021-05-13/hcws26>

The report informed that the statement confirmed the key changes that the Government would make to the LGPS regulations to remove the unlawful age discrimination. The regulations would be retrospective to 1 April 2014 and it was expected that MHCLG would issue a full response to the consultation later this year.

A Public Service Pensions Bill would introduce amendments to incorporate the McCloud judgment into public service pension schemes, and subsequently MHCLG would publish draft regulations later this year implementing the remedial McCloud provisions in readiness for the effective date of 1 April 2023.

In preparation for the enactment of the legislation, Fund Officers had undertaken a project to identify qualifying members who were in scope for underpin protection and were verifying the data held in relation to hour changes and breaks in service received for membership accrual post 1 April 2014.

In relation to the Consultation on Increasing the minimum pension age from 55 to 57 in April 2028, Members were informed that Merseyside Pension Fund had responded to the recent consultation on the national increase of the minimum pension age from age 55 to 57. The Chair informed that the consultation had been shared with both himself and the Chair of the Pensions

Committee some significant time in advance and this had enabled genuine involvement in the response.

Resolved – That the operational implications emerging from impending changes to the regulations and industry developments be noted.

8 **MERSEYSIDE PENSION FUND BUDGET OUT-TURN 2020/21 AND FINANCIAL YEAR 2021/22**

Donna Smith, Head of Finance & Risk, introduced a report that provided Board Members with a copy of the Pension Fund budget report taken to Pensions Committee on 22 June 2021.

Highlights included:

- The out-turn for the financial year 2020/21.
- The finalised budget for the financial year 2021/22.

The actual out-turn for 2020/21 was £21.5m, lower than the original budget approved 3 February 2020 of £23.0m and lower than the projected out-turn of £22.0m as reported at Pensions Committee on 29 March 2021. The underspend was largely due to planned projects and areas of work being deferred to 2021/22 as a result of the pandemic, and the assumptions used for staffing. The finalised out-turn was included in appendix 2 of the report.

The 2021/22 budget reported in March had been reviewed and remained the same as reported and approved in March, the finalised 2021/22 budget was £25.5m.

The budget for 2021/22 was higher at £25.5m than £23.0 in 2020/21 primarily due to higher investment management fees, principally, as a consequence of outperformance by external investment managers during the pandemic induced market volatility.

Resolved - That the out-turn for 2020/21 and the finalised budget for 2021/22 be noted.

9 **BOND REVIEW AND INTERACTION WITH COVENANT**

Yvonne Murphy, Head of Pensions Administration, introduced a report that aimed to provide Board members with information and reassurance on Bond Review and the interaction with covenant. A number of employers had bonds in place which aimed to cover part or all of the value of their termination debt if they exited the Fund and were unable to pay the full debt.

The report set out the updated risk adjusted approach that had been adopted to review employer bonds with an assessment date of 31 December 2020.

This approach took the covenant of an employer into consideration in order to achieve a balance between reduced risk on the Fund and the burden of cost for an employer. This included how they would be monitored going forwards to manage the risk of unfunded debts arising in the future. The report also set out the measures that had been put in place by the Fund to reduce the overall risk associated with an employer failing to meet their financial obligations to the Fund.

Resolved – That the completion of the bond review allowing for the covenant-based risk adjusted approach and the ongoing engagement with employers to seek to increase the bond cover be noted.

10 **NORTHERN LGPS UPDATE**

The Director of Pensions introduced a report that provided Board members with an update on pooling arrangements in respect of MPF and the Northern LGPS. Minutes of the previous Joint Committee meeting were attached as an appendix to the report.

The Independent Chair indicated that he hoped that the three Employee representatives would soon be actively participating in the Northern LGPS Joint Committee.

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

11 **MINUTES OF WORKING PARTY MEETINGS**

The Director of Pensions introduced a report that provided Members with the minutes of meetings of Working Parties held since the last meeting.

Resolved - That the minutes of the Working Party be noted.

12 **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.

13 **PENSION ADMINISTRATION MONITORING REPORT [PERIOD 1 JAN – 31 MAR 2021]**

Yvonne Murphy, Head of Pensions Administration, introduced a report that provided the Pension Board with monitoring information on the key

performance indicators in respect of work undertaken by the administration team during the period 1 January 2021 to 31 March 2021.

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 person, including the authority holding that information.

Members raised concerns regarding the decline in service provided by Prudential to members and employers following the change to the administration platform which has resulted in significant delays in the processing of contribution and disinvestment of Funds. The Head of Pensions Administration advised that a formal complaint had been submitted to their complaints department and that Prudential had implemented a service recovery plan and self-reported to the Pension Regulator.

Resolved - That;

1 the Local Pension Board notes with concern the ongoing failure of Prudential to provide an effective service to LGPS members using their AVC facility and that a letter be sent to Prudential, signed by the Head of Pensions Administration on behalf of the Local Pension Board, reflecting their dissatisfaction that a multinational financial organisation should find itself in this operational position with adverse consequences for members.

2 having considered the report that the contents be noted.

14 **RISK REGISTER**

Peter Wallach, the Director of Pensions, introduced a report that provided Board Members with a copy of the Fund's Risk Register.

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 having considered the changes to the risk register that the report be noted.

15 **PENSION BOARD REVIEW 2020-21 AND WORK PLAN 2021-22**

The Chair of the Local Pensions Board, John Raisin, introduced a report that had been prepared in accordance with the Terms of Reference of the Pension Board, reviewed the work and performance of the Board and its Members during its sixth year (1 April 2020 to 31 March 2021). Following consideration

by the Board an approved version of the review would be presented by the Independent Chair to the Pensions Committee at its meeting in September 2021. The report also included a proposed Work Plan for 2021-22. 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 person, including the authority holding that information.

The Chair highlighted key points from the report. He placed on record his thanks to the Director of Pensions and his team at the Fund for their support and willingness to share and consult with the Board. He noted that the Board had achieved a 94% attendance record and had operated positively and constructively to add to the governance process.

Resolved – That;

1 the Pension Board Review 2020-21 be received and approved.

2 the proposed Work Plan 2021-22 be noted.