



## Local Pensions Board

<b>Date:</b>	<b>Monday, 20 September 2021</b>
<b>Time:</b>	<b>1.00 p.m.</b>
<b>Venue:</b>	Floral Pavilion, Marine Promenade, New Brighton CH45 2J

Members of the public are encouraged to view the webcast (see below) but for anyone who would like to attend in person, please contact the box office at the Floral Pavilion by telephone on 0151 666 0000, in advance of the meeting. All those attending will be asked to wear a face covering (unless exempt) and are encouraged to take a Lateral Flow Test before attending. You should not attend if you have tested positive for Coronavirus or if you have any symptoms of Coronavirus.

This meeting will be webcast at  
<https://wirral.public-i.tv/core/portal/home>

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## AGENDA

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

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

- 4. MINUTES (Pages 1 - 8)**

To approve the accuracy of the minutes of the meeting held on 23 June 2021.

5. **LOCAL PENSION BOARD MINUTES (Pages 9 - 20)**
6. **MINUTES OF WORKING PARTY MEETINGS (Pages 21 - 30)**
7. **NORTHERN LGPS UPDATE (Pages 31 - 58)**
8. **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 1 of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

9. **MERSEYSIDE PENSION FUND INTERNAL AUDIT ANNUAL REPORT 2020/21 (Pages 59 - 72)**
10. **PENSION ADMINISTRATION MONITORING REPORT [PERIOD 1 APR - 30 JUNE 2021] (Pages 73 - 92)**
11. **RISK REGISTER (Pages 93 - 100)**
12. **LOCAL GOVERNMENT PENSION SCHEME UPDATE (Pages 101 - 110)**

## 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.**

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## WIRRAL COUNCIL

### PENSIONS COMMITTEE

20 SEPTEMBER 2021

<b>REPORT TITLE:</b>	<b>LOCAL PENSION BOARD MINUTES</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF PENSIONS</b>

#### REPORT SUMMARY

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

#### RECOMMENDATION/S

That the Pensions Committee be recommended to note the minutes of the Local Pension Board.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION**

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

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 Not relevant for this report.

### **3.0 BACKGROUND INFORMATION**

- 3.1 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.
- 3.2 The Local Pension Board reports to the Administering Authority on its activities and, as a part of that reporting, the minutes of its meetings are shared with Pensions Committee.

### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 There are no implications arising directly from this report.

### **5.0 LEGAL IMPLICATIONS**

- 4.1 There are none arising from this report.

### **6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS**

- 5.1 There are none arising directly from this report.

### **7.0 RELEVANT RISKS**

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

### **8.0 ENGAGEMENT/CONSULTATION**

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

### **9.0 EQUALITY IMPLICATIONS**

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

## 10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

**REPORT AUTHOR: PETER WALLACH**

Director of Pensions

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email peterwallach@wirral.gov.uk

### APPENDICES

Appendix 1 Pension Board minutes

### BACKGROUND PAPERS

The Public Service Pensions Act 2013

CIPFA: the guide for local pension boards

### SUBJECT HISTORY (last 3 years)

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

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# 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**

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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
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**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.

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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:

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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.

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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**

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**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.**

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## LOCAL PENSIONS BOARD

20 SEPTEMBER 2021

<b>REPORT TITLE:</b>	<b>MINUTES OF WORKING PARTY MEETINGS</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF PENSIONS</b>

### REPORT SUMMARY

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

### RECOMMENDATION/S

That the Pensions Board be recommended to note the minutes.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION/S**

- 1.1 The approval of working party minutes by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund. There is a requirement for Members of the Board to be kept up to date with the Fund's activities as part of their role in supporting the Scheme Manager.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 Not relevant for this report.

### **3.0 BACKGROUND INFORMATION**

- 3.1 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.

### **4.0 FINANCIAL IMPLICATIONS**

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

### **5.0 LEGAL IMPLICATIONS**

- 5.1 There are none arising from this report.

### **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

- 6.1 There are none arising from this report. The working parties ensure the oversight of the Fund's activities by elected members.

### **7.0 RELEVANT RISKS**

- 7.1 A failure to provide the Board with information on the Fund's activities could hinder the Board in the discharge of its responsibilities.

### **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 Not relevant for this report.

### **9.0 EQUALITY IMPLICATIONS**

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

## 10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are none arising directly from this report. Environmental, Social and Governance matters are a standing item on the IMWP agenda.

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

Appendix 1 Working Party minutes

## BACKGROUND PAPERS

CIPFA: the guide for local pension boards

## SUBJECT HISTORY (last 3 years)

Council Meeting	Date
<b>Minutes of all IMWP and GRWP meetings are brought to the subsequent Pensions Committee and Pension Board.</b>	

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## Minutes of IMWP held on 29 June 2021

### Attendees

Name	Initials	Organisation
Councillor Pat Cleary (Chair)	PC	WBC
Councillor Cherry Povall (Vice Chair)	CP	WBC
Councillor Brian Kenny	BC	WBC
Councillor Chris Carubia	CCa	WBC
Councillor Adrian Jones	AJ	WBC
Councillor Jayne Aston	JA	WBC
Councillor Jeff Green	JG	WBC
Paulette Lapin	PL	Sefton
Donna Ridland	DR	Pension Board
Councillor Martin Bond	MB	SHBC
Roger Bannister	RB	UNISON
Rohan Worrall	RW	Independent Adviser
Paul Watson	PWa	Independent Adviser
Jennifer O'Neill	JO	Aon
Lucinda Downing	LD	Aon
John Simmonds	JS	CEM
Rhijuta Dahal	RD	CEM
Peter Wallach	PW	MPF
Adil Manzoor	AM	MPF
Greg Campbell	GC	MPF
Allister Goulding	AG	MPF
Daniel Proudfoot	DP	MPF
Donna Smith	DS	MPF
Alan Robertson	AR	MPF

Elizabeth Barlow	EB	MPF
Owen Thorne	OT	MPF
Susannah Friar	SF	MPF
Farbod Abarghouei Nejad	FN	MPF
Alex Abela-Stevenson	AAS	MPF
Neil Gill	NG	MPF
Dragos Serbanica	DS	MPF
Christopher Crawford	CC	MPF
Emma Jones	EJ	MPF

### 1. Apologies

Cllr J Bird

### 2. Declarations of Interest

It has been agreed that Declarations of Interest are an annual declaration at the beginning of the Municipal year.

### 3. Minutes of IMWP held on 23 February 2021

Noted, no amendments

### 4. Presentation: CEM Benchmarking

John Simmonds (JS) presented the results of the independent assessment taken by CEM in providing a comparison of the costs and performance of MPF investment programme relative to that of other pension funds.

PC asked, in the context of MPF becoming more cost efficient in implementing its strategy due to its emphasis on internal management, whether CEM has observed other pension funds to adopt a similar approach with respect to internally managed funds and how common that approach is.

JS advised that the decision to implement an internally managed investment strategy is a function of the scale of the investment programme. When funds achieve a certain scale, over GBP 10-20 bn in AUM, the incidence of internally managed funds increased. JS added that internal management does not guarantee success. Over the long term however, the data has shown that internal management is superior to external management on a cost comparison basis.

RW asked, given that the returns of the hedge fund investments have been relatively low, what are the experiences of other pension funds that have also made investments in hedge funds.

JS commented that there is some scepticism in the market regarding the role of the hedge funds within the portfolios, leading to an increasing trend of disinvestment from hedge funds.

PW confirmed that MPF has also reduced its exposure to hedge funds.

RW asked whether CEM looks at equity style when comparing the performance of equities.

JS commented that CEM does not include equity style in the analysis, adopting a broad comparison of the asset class. JS mentioned that the source of MPF equity programme underperformance relative to peers lies with MPF's overweight position to UK equities.

PW asked whether CEM does any analysis on the currency exposure or on the currency hedging decisions and whether there are any plans of including carbon footprint as a component of future analysis.

JS mentioned that CEM does not look in detail at currency or hedging exposure, though it is trying to limit currency noise in the analysis. In terms of ESG, JS confirmed that CEM is starting to look at it as an organisation.

RW commented that it is worth focussing on the risk as well, highlighting that the risk relative to the liabilities has been well managed and controlled.

JS added that MPF has managed to achieve returns greater than its peers while at the same time having a relatively lower risk exposure.

## **5. Review**

### **5.1. Investment Update**

PW presented an update in terms of the allocation, performance, AUM, and funding position of the pension fund as of 31 March 2021 together with achievements recorded for the year as well as touching on the strategic goals for 2021/2022 and beyond.

JG asked what is meant by the term "discount rates" and what are the implications of it.

PW commented that a discount rate is used to provide a present value measure to a future stream of cash flows, acting like the reverse of the compound interest on a building society account.

### **5.2. Investment Update**

RW gave an update on the market performance for Q1 2021, focussing on the themes that have driven investor sentiment in the market, drivers of equity market performance, fixed income, alternative asset classes, currencies, and gold performance as well as the outlook for future growth.

PC asked for feedback regarding the expectation of future inflationary pressures, given the media coverage regarding concerns of future inflation.

RW commented that he does not believe that we will be experiencing a hyperinflationary environment similar to the one that occurred in the 70s. In the aftermath of the Global Financial Crisis, the expansionary monetary policy pursued by central banks was balanced by contractionary fiscal policies, by lowering government expenditure and pursuing austerity programmes, therefore both policies cancelling each other out in terms of the inflationary impact. The unprecedented level of government intervention in the real economy in an effort to contain the consequences of the pandemic has the potential to put upward pressure on expected inflation in the short term.

PWa added that it is unlikely for the UK economy to experience a long-term systemic inflation.

### **5.3. Strategic Adviser Update**

JO from AON's consulting team gave an update on the strategic overview, funding level and asset allocation as well as on the investment outlook.

JG asked about the outlook for interest rates in the context of heightened inflation expectations and what does it mean for the fund if interest rates do start to rise.

LD commented that there is strong relationship between interest rates, inflation, and economic growth. Typically, if inflation rises when growth rises, that represents a good thing for the economy. When inflation rises and it causes interest rates to rise without a strong economic growth in the mix, it generates a generally undesirable economic outlook. The expectation is for a period of higher inflation to persist over the short term with interest rates kept at low levels and growth rising at the same time.

JG commented that in terms of the impact of rising interest rates on the fund, if central banks decide to raise interest rates, that will translate in a higher level of expected return sought by investors in the market and in higher discount rates used in valuations.

### **5.4. Monitoring Report**

PW gave an update on fund performance by asset classes and investment mandates for Q1 2021.

PWa asked for the drivers behind the outperformance of the internal UK equity mandate portfolio and what risk controls are set in place to manage that mandate.

AG commented that a large part of the outperformance comes from having a physical exposure to precious metals, gold, silver, palladium, platinum, and rhodium. During economic troughs, precious metals have outperformed other asset classes historically as well as acting a good inflation protection tool.

Monitoring report was noted.

## **6. Responsible Investments**

### **6.1 LAPFF Quarterly Engagement Report**

OT provided a summary of the LAPFF (Local Authority Pension Fund Forum) quarterly engagement report, detailing the engagement with HSBC and the shareholder resolution that was filed and ultimately withdrawn at HSBC's AGM in favour of a resolution tabled by the company itself. HSBC has strengthened its commitment to align to the Paris agreement. MPF was part of the original shareholder group that filed the initial resolution.

OT also advised on the progress made on engagements with companies that have activities in the Occupied Palestinian Territories. OT mentioned that the fund has received considerable interest from members of the public in regard to its investments in such companies.

### **6.2 Climate Risk and Climate Strategy**

OT commented that the pension committee has approved last year the fund's strategic plan to put climate risk at the heart of the fund's investment strategy. OT gave an update on the progress made so far in terms of developing an implementation plan for the agreed strategy on climate change.

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## LOCAL PENSION BOARD

20 SEPTEMBER 2021

<b>REPORT TITLE:</b>	<b>NORTHERN LGPS UPDATE</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF PENSIONS</b>

### REPORT SUMMARY

This report provides Board Members with an update on pooling arrangements in respect of Merseyside Pension Fund (MPF) and the Northern LGPS. Minutes of the previous Joint Committee meeting are appended for noting. The draft Responsible Investment (RI) policy is also attached for consideration.

### RECOMMENDATION/S

That the Pension Board be recommended to note the minutes of the Northern LGPS Joint Committee meeting and consider the draft Responsible Investment policy.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION**

- 1.1 Pooling is resulting in fundamental changes to the oversight and management of Local Government Pension Scheme (LGPS) assets and it is important that Board Members are informed of all developments affecting the Fund.
- 1.2 The views of the Pension Board as employer and employee representatives are an important consideration in the development of the Fund's RI policy.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 This is the most suitable option to provide this information to members.

### **3.0 BACKGROUND INFORMATION**

- 3.1 Minutes of the previous Northern LGPS Joint Committee meeting are attached at appendix 1.
- 3.2 The LGPS Investment Regulations 2016 require MPF, after taking proper advice, to formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State. Amongst other matters, this strategy must include "how social, environmental and corporate governance (ESG) considerations are taken into account in the selection, non-selection, retention and realisation of investments" and "the exercise of the rights (including voting rights) attaching to investments".
- 3.3 The three NLGPS funds have historically had a high degree of commonality in their approach to Responsible Investment and the NLGPS RI policy is intended to establish these areas of common interest enabling the funds to effectively implement and prosecute the policy by collaborative working between themselves and with other investors. This approach is set out in greater detail in the policy (appendix 2).
- 3.4 If this policy is approved at Committee, MPF's Investment Strategy Statement (ISS) will be revised to reflect the new NLGPS policy, revisions to the MHCLG guidance following the Supreme Court judgment in 2019 and MPF specific requirements. The ISS will be the subject of a future report to Pensions Committee.

### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 There are none arising directly from this report. ESG factors can be financially material and, as such, should be part of the assessment and monitoring of investments in all asset classes

### **5.0 LEGAL IMPLICATIONS**

5.1 There are none arising from this report. There is a statutory requirement for an LGPS fund to formulate and publish an RI policy as part of its Investment Strategy Statement.

## **6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS**

6.1 There are none arising directly from this report. The assessment and monitoring of investments in relation to ESG factors is integral to the ongoing management of the fund's assets. As the scope of the fund's RI policy expands, greater demands are placed on staff and associated resources. By collaborating with our pooling partners and other investors, these costs can be defrayed to a certain extent but RI remains an area of growing activity and interest.

## **7.0 RELEVANT RISKS**

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

7.2 An effective RI policy can assist in managing financial and reputational risks to the fund.

## **8.0 ENGAGEMENT/CONSULTATION**

8.1 There are none arising directly from this report. The policy has been reviewed by the NLGPS partner funds. Additionally, the policy was presented to the Investment Monitoring Working Party on 15 September ahead of this Committee meeting.

## **9.0 EQUALITY IMPLICATIONS**

9.1 There are no equality implications arising directly from the report. The policy has reference to international standards such as the UN Sustainable Development Goals, the UN guiding principles on business and human rights and IIGCC's Net Zero Investment Framework. It is intended to maximise the positive impact good corporate practice can have on the fund's stakeholders, particularly the communities and beneficiaries residing in the North of England.

## **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

10.1 There are no environment or climate implications arising directly from this report. The policy explicitly addresses environment and climate implications as financially material to long-term performance of investments.

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## APPENDICES

Minutes of Joint Committee meeting.  
Draft NLGPS RI policy

## BACKGROUND PAPERS

<https://www.gov.uk/government/publications/local-government-pension-scheme-investment-reform-criteria-and-guidance>

Local Government Pension Scheme: Guidance on preparing and maintaining an Investment Strategy Statement.

## SUBJECT HISTORY (last 3 years)

Council Meeting	Date
The Northern LGPS update is a standing agenda item on Pension Board.	

# Agenda Item 3

## NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

15 April 2021

(Meeting held remotely via Zoom Pro platform)

Commenced: 11.00am

Terminated: 12.20pm

**Present:**

<b>Cllr Gerald P Cooney (Chair) Councillor Brenda Warrington</b>	<b>Vice Deputy – Greater Manchester Pension Fund Chair – Greater Manchester Pension Fund</b>
<b>Cllr Andrew Thornton Councillor Pat Cleary Councillor Cherry Povall Liz Bailey</b>	<b>Chair - West Yorkshire Pension Fund (WYPF) Chair – Merseyside Pension Fund Vice Chair – Merseyside Pension Fund (MPF) West Yorkshire Pension Fund</b>

**In attendance:**

<b>Rodney Barton</b>	<b>Director of Pensions - WYPF</b>
<b>Peter Wallach</b>	<b>Director of Pensions - MPF</b>
<b>Sandra Stewart</b>	<b>Director of Pensions, GMPF</b>
<b>Euan Miller</b>	<b>Assistant Director of Pensions, Funding and Business Development, GMPF</b>
<b>Tom Harrington</b>	<b>Assistant Director of Pensions, Investments, GMPF</b>
<b>Paddy Dowdall</b>	<b>Assistant Director of Pensions, Local Investments and Property, GMPF</b>
<b>Steven Taylor</b>	<b>Assistant Director of Pensions, Special Projects, GMPF</b>
<b>Mushfiqur Rahman</b>	<b>Investment Manager (Public Markets)</b>
<b>Greg Campbell</b>	<b>Merseyside Pension Fund</b>
<b>Owen Thorne</b>	<b>Merseyside Pension Fund</b>
<b>Colin Standish</b>	<b>West Yorkshire Pension Fund</b>
<b>Joanna Wilkinson</b>	<b>West Yorkshire Pension Fund</b>
<b>Alan McDougall</b>	<b>PIRC</b>
<b>Janice Hayward</b>	<b>PIRC</b>
<b>Tom Powdrill</b>	<b>PIRC</b>
<b>Conor Constable</b>	<b>PIRC</b>
<b>John Simmonds</b>	<b>CEM Benchmarking</b>

### 36. DECLARATIONS OF INTEREST

There were no declarations of interest declared by Members.

### 37. MINUTES

The Minutes of the meeting of the Northern LGPS Joint Committee held on 4 February 2021 were agreed as a correct record.

### 38. POOLING UPDATE

Consideration was given to a report of the Assistant Director of Pensions, Funding and Business Development, GMPF, providing an update on pooling activity since the previous Northern LGPS Joint Committee meeting and summarised relevant national pooling developments

It was reported that, on 3 January 2019 MHCLG released new draft statutory guidance on LGPS asset pooling for 'informal' consultation. Parties that were consulted included pools, administering authorities and local pension boards. The guidance was intended to replace previous pooling guidance, in particular the LGPS Investment Reform Criteria and Guidance issued in November 2015 ('the 2015 guidance').

As per discussion at previous meetings, the draft statutory guidance had blurred the original four criteria in the 2015 guidance. In its place the guidance has 6 sections covering; structure and scale, governance, transition of assets to the pool, making new investments outside the pool, infrastructure investment and reporting.

On 25 November 2020 Government set out a commitment to consult on strengthening the framework for pooling in the Balance Sheet Review (published alongside the Spending Review) at <https://www.gov.uk/government/publications/the-balance-sheet-review-report-improving-public-sector-balance-sheet-management>, (pages 34-35). This referred to stronger governance, improved reporting, and greater transparency on investment performance, including benchmarking against UK and international comparators.

MHCLG had indicated that a new consultation on pooling guidance and potential changes to the LGPS Investment Regulations was expected sometime later in the year. In the short-term there may be a ministerial statement on the Government's commitment to pooling.

MHCLG civil servants had also been working with the Chair of the Client-side Cross-Pool Group to produce a questionnaire to be completed by funds and pools to help MHCLG draft new guidance and/or regulations. As at 5 April this questionnaire had not yet been issued by MHCLG.

Updates on the progress of the main ongoing work-streams for the Northern LGPS together with LGPS Pooling developments nationally were provided in the report.

## **RESOLVED**

**That the content of the report be noted.**

### **39. UPDATE ON INVESTMENT MANAGEMENT COST BENCHMARKING**

The Assistant Director of Pensions Investments, GMPF, submitted a report providing members of the Committee with an update on investment management cost benchmarking for 2019/20. In addition, CEM had provided a report analysing Northern LGPS Investment benchmarking results for the 6 year period ending 31 March 2020. John Simmonds of CEM Benchmarking also delivered a presentation.

Analysis of the interim 2019/20 data indicated that the Northern LGPS remained low cost and was below the median (average) cost of its peer group (which consisted of 21 global pension funds (inclusive of Northern LGPS) ranging from £12.7 billion to £90.7 billion).

In 2014/15, CEM calculated Northern LGPS' benchmarked costs to be 0.35% (£112 million relative to an average Pool value of £29 billion). The Northern LGPS' costs increased to 0.39% (£170 million relative to an average Pool value of £43 billion) in 2019/20.

## **RESOLVED**

**That the content of the report be noted**

#### **40. COMMON CUSTODIAN UPDATE**

Consideration was given to a report of the Assistant Director of Pensions Investments, GMPF, which provided key performance indicators and key milestones and deliverables for the quarter to 31 December 2020 in relation to Northern Trust (NT) in their capacity as the common custodian to the Northern LGPS pool, as attached in an appendix to the report.

#### **RESOLVED**

**That the content of the report be noted.**

#### **41. PERFORMANCE MEASUREMENT**

The Assistant Director of Pensions Investments, GMPF, submitted a report providing Members of the Northern LGPS Joint Committee with an update on performance measurement.

It was reported that, at the Shadow Joint Committee meeting of 10 January 2019, Members endorsed the appointment of Portfolio Evaluation Ltd as the common performance measurement provider for the Pool.

Details of Northern LGPS reporting for periods to 31 December 2020 was attached as an appendix to the report. It was explained that the reporting would assist in fulfilling both reporting requirements to Government, and any oversight obligations of the Joint Committee.

It was noted that Officers continued to work closely with Portfolio Evaluation to separately identify NPEP and GLIL returns, given their importance to the Northern LGPS proposition.

#### **RESOLVED**

**That the content of the report be noted.**

#### **42. UPDATE ON RESPONSIBLE INVESTMENT**

Tom Powdrill, PIRC Ltd., Responsible Investment advisor to the Northern LGPS, provided an update on the Northern LGPS Responsible Investment Policy, a copy of which was appended to the report.

It was explained that a draft of the Responsible Investment Policy would be tabled at the meeting of the joint committee meeting in July 2021. The update aimed to develop a comprehensive policy framework that reflected the evolving responsible investment landscape and supported the three funds in staying abreast of existing and emerging ESG-related issues. Increasing the scope of the current responsible investment policy framework would enable more meaningful research and engagement on a broader set of issues.

The policy framework would be guided by recommendations made by the Principles for Responsible Investment (PRI) as well as a review of best practice among other asset owners, both within the LGPS and beyond.

Detailed discussion ensued in respect of the content of the report and presentation, in particular the methodology of the mapping exercise and comparison with other Funds and the need to consider and reflect the unique aspects of the Northern LGPS within the Policy.

#### **RESOLVED**

**That the content of the report be noted.**

**43. DIRECT INFRASTRUCTURE PLATFORM (GLIL) UPDATE**

The Assistant Director of Pensions, Local Investments and Property, GMPF, updated members on progress with the Northern Pool's direct infrastructure investment platform (GLIL).

A report on key financials to December 2020 and forecasts for portfolio and key macro-economic indicators was attached Appendix A to the report. The Accounts for year to December 2020 had been audited and were attached as Appendix B to the report.

It was explained that there has been a significant initial piece of work on ESG strategy which had thrown up some interesting findings and required further work and consultation with stakeholders before finalisation of a policy.

It was further confirmed that external fund raising was ongoing with more detail to be provided to a future meeting of the Committee.

The priorities for GLIL over the next quarter and 12 months were detailed and discussed.

**RESOLVED**

**That the content of the report be noted.**

**44. PROPERTY FRAMEWORK**

Consideration was given to a report of the Assistant Director of Pensions, Local Investments and Property, GMPF, updating Members on the forthcoming use of Lot 1 and Lot 6 of the Northern LGPS Framework.

**RESOLVED**

**That the content of the report be noted.**

**CHAIR**



NORTHERN LGPS

# Responsible Investment Policy Update (July 2021)

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## NLGPS Responsible Investment Policy Update

- The following paper outlines a draft version of the updated NLGPS responsible investment policy
- The policy has been updated to reflect recent developments in the responsible investment landscape as well as provide a more substantive guidance on responsible investment issues included in the original document.
- The policy framework has been guided by the recommendations of the Principles for Responsible Investment (PRI) as well as a request from funds to provide more detailed policy text on environmental and human rights issues.
- The updated policy also seeks to provide a recognisable link between the Pool's responsible investment activity and the unique cultural heritage of the regions it represents.

## Introduction

The combined assets of the Northern LGPS now stand at over £47bn. These assets are invested to fund the retirements of hundreds of thousands of beneficiaries who live both within the North and beyond. The Northern LGPS will always act in accordance the interests of those beneficiaries and we want our Responsible Investment activities to make a positive contribution to our region.

The Northern LGPS will provide democratic oversight, accountability and transparency whilst also ensuring that costs are kept low. Our structure also ensures that all investment strategy decisions are driven from bottom-up by the funds, rather than top-down by the pool. The Northern LGPS's Responsible Investment activity is controlled by the funds themselves, is focused purely on our own assets, and will always have a regional dimension.

Environmental, social and governance (ESG) issues are important to the Northern LGPS for a number of reasons. ESG factors can be financially material and, as such, should be part of the assessment and monitoring of investments in all asset classes. Achieving sustainable, long-term financial returns underpins the ability to pay pensions. A focus on ESG issues helps reduce risks to the Pool and its beneficiaries. These risks might be financial, such as the underperformance or failure of an investee company, or reputational, resulting from poor corporate behaviour.

In addition, our beneficiaries live in a society that is affected by the behaviour of investee companies. Therefore we expect high standards from those businesses. Consistent with the Northern LGPS's fiduciary duty to our beneficiaries we will ensure that the businesses in which we invest are both financially and environmentally sustainable, have high standards of governance and are responsible employers. As far as possible the Northern LGPS will seek to invest in a way that is financially and socially beneficial for the North.

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## 1. About the Northern LGPS Responsible Investment policy

This policy set outs the Northern LGPS's approach Responsible Investment activities. It provides an overview of themes that will form part of those activities in addition to information on how this policy is implemented and our commitments to reporting and accountability.

Our approach to responsible investment has been informed by a number of important initiatives. The Northern LGPS fully supports the aims and objectives of the Stewardship Code and member funds are signatories of the Code. Two pool members are also signatories of the Principles for Responsible Investment (PRI) and as such the pool aspires to harmonise [the six responsible investment principles](#) with how it implements its investment beliefs.

We have also considered guidance from the Law Commission, Department of Work and Pensions and Ministry of Housing, Communities and Local Government in developing this policy.

We consider our approach to Responsible Investment to be rooted in financial materiality and risk management. It will also be informed by our understanding of our beneficiaries' views, and by reference to international standards such as the UN Sustainable Development Goals, the UN guiding principles on business and human rights and IIGCC's Net Zero Investment Framework. Therefore, we have expectations of investee businesses that encompass more than financial considerations alone.

The Northern LGPS will seek to apply the RI policy to all asset classes over time. The policy applies to both internally and externally managed assets.

By tilting RI activity toward portfolio companies generating value out of the North of England, the Northern LGPS will be in a position to maximise the positive impact good corporate practice can have on the communities and beneficiaries residing in the region. Our shared industrial heritage underpins our activity on many of the issues facing the North in the 21<sup>st</sup> Century. A transition to a net-zero economy that does not come at the expense

of the region's workforce is a priority, and the pool will continue to leverage its assets under management to this end.

The Northern LGPS has appointed PIRC as its Responsible Investment adviser, to assist in the development and implementation of the RI policy.

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## 2. ESG themes

Over time the Northern LGPS will publish policy positions on specific ESG issues in order to provide greater clarity about our expectations to both investee businesses and other stakeholders. Below we set out ESG themes that will be important areas of focus for our Responsible Investment activities, and our core positions in each area.

### Climate change

The Northern LGPS considers climate change risk as financially material to the long-term performance of investments. Pool members are integrating climate change considerations in their overall investment strategy, with the aim of minimising adverse financial impacts and maximising opportunities for long-term economic returns in all asset classes.

The Northern LGPS's long-term goal is for 100% of assets to be compatible with the net zero-emissions ambition by c.2050 in line with the Paris agreement. This decarbonisation goal will be regularly evaluated in line with our objective of maintaining long-term financial performance. [As part of its Net Zero Asset Owner commitment, the Northern LGPS is developing interim decarbonisation objectives and targets.](#)

In implementing our approach, the Northern LGPS:

- takes financially material climate change considerations into account as an integral part of its investment strategy and asset allocation;
- reviews a variety of research and analytical materials to encourage the use of scenario analysis to provide estimations of relative performances of asset classes and sectors under different scenarios which will be used where possible in asset allocation decisions;
- monitors and provides feedback to external investment managers in relation to incorporation of climate risk in the investment process;
- engages with companies in order to align their business practices and policies with

a low carbon economy;

- liaises with company boards in improving the governance, management and disclosure on climate risk;
- takes company approaches to climate risk and responsiveness to engagement into account in proxy voting;
- supports the filing of relevant climate related shareholder resolutions;
- interacts with policy makers and regulators on investment implications of climate change;
- collaborates with other investors and participates in investor initiatives to leverage outcomes of company and policy engagement;
- and will report on policy objectives and activities regularly.

Pool members will also align reporting with the recommendations of the Task Force on Climate- Related Financial Disclosures within their annual reports.

The Northern LGPS actively supports the objectives of a Just Transition to a low-carbon economy, and will actively engage with the social aspects of responding to climate change. We consider this fits well with our objective of seeking to ensure a regional dimension to our RI activities.

## **Environmental issues**

The Northern NLGPS considers multiple other environmental factors as financially material to long-term performance of investments. These include but not limited to; deforestation, water scarcity, loss of biodiversity, sustainable agriculture, pollution and plastics. Whilst recognising significant overlap between these issues, and the correlation with climate change, NLGPS considers each independently as part of its stewardship activities.

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## **Deforestation, loss of biodiversity and sustainable agriculture**

The conversion from arboreal and tree-clad areas to land used for agriculture and pasture are primary drivers of deforestation globally. Key commodities such as soy and beef in south America and palm oil in southeast Asia continue to drive deforestation and with it the loss of biodiversity. Land cleared in this way also significantly reduces the capacity to store carbon and can contribute, in a material way, to climate change. The IPCC Special Report on Climate Change and Land (2019) identifies that 23% of GHG emissions globally stem from the use of land, with commodity-driven tropical deforestation alone accounting for 5% of total emissions.

NLGPS recognises the transition risks connected with companies failing to address supply chainwide deforestation, including changes in regulation, consumer trends and damage to brand equity as the shift to a low carbon economy takes pace. The pool also recognises the potential physical risks to companies that fail to eliminate deforestation from the supply chain. These include crop and livestock productivity, and ultimately, profitability.

Sustainable Development Goal 15 focuses on protecting, restoring and promoting sustainable use of ecosystems, managing forests in a sustainable way, and reversing land degradation and biodiversity loss. Through its stewardship activity, NLGPS is committed to supporting the SDGs, including goal 15, and will work towards the removal of unsustainable deforestation from the companies in which it invests.

NLGPS actively encourages investee companies to adopt effective deforestation policies and practices. NLGPS expects portfolio companies to be able to maintain robust procurement processes that enable good visibility and traceability of the relevant supply chains. Companies should also set science-based GHG reduction targets which include segregated disclosure of emissions arising from land use change across the value chain. These targets should comply with the requirements of industry standards and align with the recommendations of the Taskforce on Climate-Related Financial Disclosure. The Pool also expects companies to be able to demonstrate expertise on land use change issues at the board level.

## **Water Stewardship**

The supply and availability of fresh water underpins virtually every transaction on earth, financial or otherwise. As the global demand for fresh and dependable sources of water increases, driven largely by population growth, preserving the supply of reliable freshwater becomes ever more challenging.

There are significant physical and transitional risks facing companies in future scenarios of high water stress. The World Economic Forum has consistently identified water crises as one of the top risks to economic prosperity. For water-dependent sectors, including agribusiness and mining, water stress, pollution and flooding significantly undermine continuity and productivity. With water currently priced significantly below its innate value, and potential requirements to internalise the associated costs, the risks facing companies failing to be proactive on water stewardship are material.

NLGPS actively encourages investee companies to adopt effective water stewardship practices. NLGPS expects portfolio companies to be able to demonstrate expertise on water issues at the board level, mitigate water risks through the adoption of effective internal water-management processes and disclose water-related business risks and impacts via disclosure platforms such as CDP Water, GRI, and SASB. For investee companies that are highly dependent or derive significant value from natural water sources, regular mapping of the operational impact on ground and surface-water resources should be undertaken. NLGPS also encourages companies to align the businesses' values with internationally recognised water standards and norms such as Sustainable Development Goal 6, 'clean water and sanitation for all'

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## People

NLGPS puts significant emphasis on respect for human and labour rights within in its RI policy and stewardship activity. Ensuring that investee companies treat employees and other stakeholders with fairness and respect and adhere to and go beyond legal requirements is one of the most positive impacts we can have as investors.

We are also mindful of our history and our membership. The assets of the Northern LGPS represent the combined savings of generations of public sector workers, without whom the pension funds would not exist. Therefore, we have a responsibility to act in the best interests of those workers, and we actively promote decent work.

### **Employment standards and human capital management**

We consider effective management of people is a source of both value creation and competitive advantage. We actively support initiatives to improve corporate reporting and investor understanding in relation to employment practices and human capital management.

We expect all businesses in which the Pool invests to treat their workforce with respect and to employ and reward them fairly. Companies should offer secure, direct employment where possible, and should not interfere with the right of their workforce to seek representation through a trade union. We will consider whether the actions of investee businesses are in accordance with ILO Core Conventions both in relation to their directly employed workforce and in their supply chain.

We expect companies to work with employees and their representatives to adopt stringent occupational health and safety preventative measures and reporting processes. Disclosures should include frequency, severity and lost-time due to injuries, as well as fatalities and reporting should encompass both directly and indirectly employed members of the workforce.

The Northern LGPS looks favourably on opportunities to invest in ways that aid the creation of good jobs, and have other social benefits, particularly within the North. We will also consider the potential impact of our investments on public service provision and public

sector employment practices.

## **Human Rights**

Societal expectations of companies with regard to human rights are increasing, as are legal and regulatory obligations. As investors we consider that we have a responsibility to actively contribute to improving company practices, and that this is an area where we can have a positive impact.

Embedded within the pool's approach to investment lies its responsibility to respect human rights as outlined in the UN Guiding Principles on Business and Human Rights (UNGPs). These principles underpin expectations the Pool applies to all investee companies. Our assessment of company practice in relation to human rights is also informed by sources such as the Corporate Human Rights Benchmark and OECD Watch.

Stewardship activity around human rights is pursued both through our membership of LAPFF and our own direct engagement. We also seek to participate in collaborative investor initiatives relating to human rights.

Specifically, the pool expects portfolio companies to have effective due diligence, grievance and access to remedy policies and processes in place. We encourage companies to increase the granularity of their reporting in these areas. Our objective in encouraging greater corporate transparency is for this to drive real-world improvements in practice.

## **Public Health**

We are mindful of the socio-economic divide in relation to health outcomes in the UK and around the world. Therefore we also seek to support initiatives for improving nutrition, ensuring healthy lives and promoting well-being in line with SDGs 2 and 3. As the North looks to drive economic development building out of the pandemic, a focus on developing and maintaining a healthy population is essential.

There is a clear link between public health and nutrition. The food and drink companies in which we invest bear the risks associated with failing to adequately address these concerns within their business activities. NLGPS recognises that in order to protect value, companies

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involved in the development, production and sale of food and drink should work to mitigate risks posed by government regulation and the modelled shifts in consumer demand for healthier food. We will engage with portfolio companies on the issues of health and nutrition as we consider that this has the potential to achieve both financially and socially beneficial outcomes.

## **Corporate governance and financial reporting**

The Northern LGPS considers good corporate governance practices continue to provide protection to shareholders and to our beneficiaries. A full list of positions that the pool takes is provided in the shareholder voting guidelines that we have adopted.

Division of responsibilities and board independence are fundamental principles of good governance. We seek separation of chair and chief executive positions and independent representation on boards in all markets. We fully support board diversity in its widest sense. Diversity is desirable not only in its own right, but also because there is evidence that diverse boards make better decisions. In addition to supporting the 30% Club and recommendations of the Parker and Hampton-Alexander Reviews <sup>1</sup>, we actively encourage employee representation at board level. We also consider that diversity and equal pay is important throughout organisations, not simply at board level.

In relation to remuneration it is our view that executives must be appropriately rewarded for their contribution to the success of the businesses that they steward. Where performance-related reward is used this should be focused on long-term performance and take account of ESG factors. The reputational risk of overly generous pay including the comparison to average employee pay should be taken into consideration in remuneration packages. As a Pool, we also consider that excessive executive reward contributes to wealth and income inequality.

Beneficiaries' interests are well served by ensuring the highest standards in financial reporting and related issues. We take a robust position on audit quality and auditor independence as we view this as the first line of defence for shareholder interests. We encourage auditors not to undertake non-audit work for the same company, and support mandatory rotation of the audit firm. We also advocate reform of accounting standards.

## Tax

We consider certain corporate tax arrangements, whilst potentially beneficial to shareholders in the short term, can be a source of regulatory, financial and reputational risk to companies and their investors. Aggressive corporate tax avoidance may have a negative effect on public finances and by extension on public service provision. Therefore we seek to monitor the behaviour of investee companies in respect of tax planning and challenge where necessary.

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<sup>1</sup> <https://www.gov.uk/government/publications/ethnic-diversity-of-uk-boards-the-parker-review>

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## 3. Application of the policy

### Investment decisions

Pool members employ a mixture of in-house and external asset managers. Where management is undertaken in-house, ESG factors will be considered as part of the assessment process both before and after investment decisions are made. This integration applies to both equity and other asset classes.

We seek to use our influence as investors actively to address issues of concern. We recognise that our ability to act as effective stewards, and our responsibility to do so, is greater where our holdings are greater or more concentrated. Therefore we monitor sizeable investments closely and engagewhere necessary. In addition, pool members are involved in impact investing. Whilst this is not synonymous with 'Responsible Investment' this is an area where the policy may have significant practical application.

Where external managers are appointed, we envisage analysis of their competence in relation to Responsible Investment to form part of the appointment process. Expectations in relation to incorporation of ESG factors are part of the manager agreement, and managers are monitored in relation to performance on these factors. Appointed managers are also expected to report back to the Northern LGPS on their activities.

### Voting and engagement

Voting and engagement is a cornerstone of our RI activities. We take the legal right to vote seriously and exercise it in a way consistent with our publicly disclosed objectives and policy positions. How we vote is one way of providing investee companies with an indication of our views as shareholders, as well as to the wider market.

Therefore, in line with our commitment to transparency and democratic accountability, we ensure that our voting aligns with our engagement. For example, if we have informed a company we do not support a certain director, or consider the remuneration policy is inappropriate, we will not vote in favour.

The Northern LGPS retains the maximum possible authority to direct voting, rather than delegating authority to asset managers. We have dedicated voting guidelines that inform

how our votes are cast. This combination of retained authority and a clear framework ensures both a consistent approach is taken across equity holdings and provides clarity to the businesses in which we invest about our expectations.

All three members of the Northern LGPS are long-standing and active participants within the Local Authority Pension Fund Forum (LAPFF). Most engagement activity is undertaken through the Forum and representatives of the pool's members frequently take part in company engagements.

The Northern LGPS and its members also undertake their own engagement, either on specific companies or sectors, and we envisage that this will increase particularly in relation to major and unique investments, such as in infrastructure assets.

Where boards of investee businesses are resistant to dialogue or change, the Northern LGPS will escalate issues by, for example, voting against the re-election of the Chair of the board.

## **Shareholder resolutions**

The Northern LGPS also considers shareholder resolutions a useful tool to proactively raise issues of concern either where boards of investee businesses are resistant to dialogue or change, or to amplify the shareholder voice where engagement with boards has been positive. All three members of the Pool have co-filed resolutions at different companies in recent years on issues ranging from climate change to employment practices.

Members of the Northern LGPS will consider filing or co-filing resolutions in cases where engagement has not resulted in the achievement of change or as part of systemic engagement. Since the formation of the pool member funds have sought to file resolutions focused on issues such as climate change, employment standards and corporate political spending.

## **Collaboration and partnerships**

The Northern LGPS often has a significant ownership of particular businesses or other assets and therefore can be an influential voice. There are also many instances where it is advantageous to work in collaboration with other investors and investor initiatives. In

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addition to participating in existing investor groups, the Northern LGPS seeks to initiate collaboration where it believes it can play a useful role.

As well as all members of the Pool being LAPFF members the three fund members participate in, or are members or signatories of, the following initiatives:

- The Stewardship Code
- The Principles for Responsible Investment
- The Institutional Investor Group on Climate Change
- Paris Aligned Investment Initiative: Net Zero Asset Owner Commitment
- The Carbon Disclosure Project
- The Transition Pathway Initiative
- the 20~~21~~18 Global Investor Statement to Governments on Climate Change
- Climate Action 100+
- Say on Climate
- Pensions For Purpose
- The Workforce Disclosure Initiative
- The Human Capital Management Coalition
- Make My Money Matter

Other collaborations will be reviewed in due course, following consideration of the Pool's interests in participation.

## **Securities litigation**

Given the focus on cost reduction, the Pool will be an active participant in securities litigation. Where there has been corporate wrongdoing that has resulted in a financial loss to the Pool as shareholders, we seek to recoup these losses where practical

## **Securities Lending**

Instances in which the underlying funds have securities on loan, rights are retained to recall shares to exercise voting rights. We monitor lending activity and maintain guidance on the recall of shares.

## **Public policy advocacy**

We recognise that regulatory intervention is sometimes necessary to address issues such as corporate disclosure requirements and shareholder rights. Where appropriate the Northern LGPS will participate in public policy consultations and engagement. This may be through LAPFF and other collaborative investor initiatives or by the Pool on its own.

## **Costs and charges**

We recognise the growing interest in costs and charges incurred as part of local authorities' investment activities. The Northern LGPS supports the Transparency Code and expects all external managers to become signatories. We consider reducing unnecessary costs is part of our fiduciary duty, and is one of the core objectives of the Northern LGPS. We will closely monitor all investment costs to ensure that greatest possible benefits from our investment activities are returned to pool members.

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## 4. Reporting and accountability

The importance of accountability to beneficiaries is a central element of our approach. Therefore, the Northern LGPS will make its voting record, and those of asset managers that have delegated voting authority, publicly available. In the case of the Northern LGPS's own voting decisions, we will pre-disclose votes on all companies. The Pool will also produce a regular stewardship report on its broader activity.

In addition we intend to hold a regular stewardship event to provide an update on activities and for there to be open discussion of current or emerging ESG themes. This will form part of the Northern LGPS's process for taking beneficiaries' views into account.

Pool members meet quarterly to discuss the implementation of the RI policy, and will undertake an annual review of activities. The RI policy will be reviewed and updated as required.

For further information on the Northern LGPS Responsible Investment policy please contact: [info@northernlgps.org](mailto:info@northernlgps.org)





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## LOCAL PENSIONS BOARD

20 SEPTEMBER 2021

<b>REPORT TITLE:</b>	<b>LOCAL GOVERNMENT PENSION SCHEME UPDATE</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF PENSIONS</b>

### REPORT SUMMARY

This report provides Board Members with a copy of a report on developments in the Local Government Pension Scheme (LGPS) taken to Pensions Committee since the previous Board meeting.

### RECOMMENDATION

That the Pension Board be recommended to note the report.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION**

- 1.1 There is a requirement for Members of the Board to be kept up to date with legislative developments as part of their role in supporting the Scheme Manager.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 Not relevant for this report.

### **3.0 BACKGROUND INFORMATION**

- 3.1 The accompanying report provides an overview of the introduction of a national Pensions Dashboard, emanating from a Government led project requiring the pension industry to design and own the dashboard whilst harnessing the best of industry innovation.

The Pensions Dashboard programme is set to revolutionise the way savers interact with their retirement savings, enabling them to see a comprehensive picture of all their different pension entitlements, including the State Pension, online and in a single place.

### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 There are none arising directly from this report. The accompanying report sets out the financial implications of changes in the LGPS.

### **5.0 LEGAL IMPLICATIONS**

- 5.1 There are none arising from this report. Any indirect implications for the Fund are set out in the accompanying report.

### **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

- 6.1 There are none arising directly from this report. The Pension Board assists the administering authority in its role as Scheme Manager in the scrutiny of the performance of Fund's administration function.

### **7.0 RELEVANT RISKS**

- 7.1 A failure to provide the Board with information on legislative and statutory changes in the LGPS could hinder the Board in the discharge of its activities.

### **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 The relevant consultations are set out in the report.

### **9.0 EQUALITY IMPLICATIONS**

9.1 The relevant implications are set out in the report.

## 10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are none arising directly from this report.

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## APPENDICES

LGPS update report

## BACKGROUND PAPERS

The Public Service Pensions Act 2013  
LGPS Guidance on the creation and operation of Local pension Boards  
in England and Wales

## SUBJECT HISTORY (last 3 years)

Council Meeting	Date
The LGPS Update is a standing agenda item on Pension Board.	

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**PENSIONS COMMITTEE****20 SEPTEMBER 2021**

<b>REPORT TITLE:</b>	<b>LOCAL GOVERNMENT PENSION SCHEME UPDATE</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF PENSIONS</b>

**REPORT SUMMARY**

This report provides an overview of the introduction of a national Pensions Dashboard, emanating from a Government led project requiring the pension industry to design and own the dashboard whilst harnessing the best of industry innovation.

The Pensions Dashboard programme is set to revolutionise the way savers interact with their retirement savings, enabling them to see a comprehensive picture of all their different pension entitlements, including the State Pension, online and in a single place.

The Pension Scheme Act 2021, received Royal Assent on 11 February and provides the legal framework to support pension dashboards, including powers to compel schemes to provide member information. Further regulations are expected to be issued this year to specify the details in regard content, timeliness, and delivery mode of the information to feed into the dashboard.

The Money and Pensions Service (MaPS), an arm's-length body sponsored by the Department for Work and Pensions, has established the Pensions Dashboards Programme (PDP) team to work closely with its chosen suppliers to design the digital infrastructure to safeguard data and protect consumers.

**RECOMMENDATION**

That the Pension Committee note the requirement to improve the reliability of data in accordance with the Pensions Dashboards Programme data standards guide in order to supply the correct information to the dashboards and ensure compliance with the statutory staging timeline to onboard schemes.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION**

- 1.1 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.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 Not relevant for this report.

## **BACKGROUND INFORMATION**

### **3.0 Pensions Dashboard Landscape**

- 3.1 The pensions industry is fragmented and complex and since the introduction of the Automatic Enrolment programme there are around 52m adults in the UK who could use a pensions dashboard service to search for their pensions, connecting with up to around 43,000 providers and schemes.
- 3.2 The Financial Conduct Authority recommended in its Financial Advice Market Review in 2016 that industry should make pensions dashboards available to individuals to make it easier for them to engage with their pensions, a view which the Government echoed in the 2016 Budget.
- 3.3 In December 2018, Government launched a consultation, engaging widely with stakeholders across the pensions industry to identify issues and options for delivery of the service. The Government's response set out there should be multiple dashboards and one secure digital architecture that connects the information from the pension providers and schemes.
- 3.4 The response also set out the fundamental policy framework requiring:
- Government to legislate and compel pension schemes to provide their data.
  - The Money and Pensions Service (MaPS) to take responsibility for enabling delivery of the dashboard service working with the pensions industry.
- 3.5 It also set some overarching design principles setting out that a dashboard should:
- Put the individual at the heart of the process by giving individuals access to clear information online, securely, and all in one place, thereby supporting better planning for retirement.

- Ensure individuals' data is accurate and simple to understand - minimising the risks to the individual and the potential for confusion.
- Ensure that the individual is always in control over who has access to their data.

### **Policy Insight**

- 3.6 The Pensions Dashboards programme (PDP) is set to revolutionise the way savers interact with their retirement savings, enabling them to see a comprehensive picture of all their different pension entitlements, including the State Pension and dependent pensions, online and in a single place.
- 3.7 The Pension Scheme Act 2021, received Royal Assent on 11 February and provides the legal framework to support pension dashboards, including powers to compel schemes to provide member information. Further regulations are expected to be issued this year to specify the details in regard content, timeliness, and delivery mode of the information to feed into the dashboard.
- 3.8 The Money and Pension Service (MaPS) an arm's-length body sponsored by the Department for Work and Pensions is to deliver a non-commercial dashboard, but it is anticipated that other organisations will also provide dashboards on a commercial basis.
- 3.9 Dashboards will be used for presentation purposes only as no data is held on the dashboard as it is not a database but viewed as a switchboard connecting members to schemes.

### **The Pension Dashboards Ecosystem**

- 3.10 The PDP is responsible for delivering the digital architecture, comprising of the Pension Finder Service, Identity Service and governance framework underpinned by the principles of the Data Protection Act 2018.

#### **Pension Finder Service**

- 3.11 The Pension Finder Service (PFS) sends out an instruction to all data providers to search for a user's pension to be returned to the user's chosen dashboard. The PFS initiates user authentication and managers user consents and permissions.

#### **Identity Service**

- 3.12 The identity service allows users to authenticate themselves so that they can access other elements of the ecosystem. It provides verification that providers are returning data to the correct user.

## **Governance Framework**

- 3.13 An ecosystem governance framework will set out how the technical components will work together with dashboards and data providers.

The framework will include data, technical, security and performance standards as well as design and accessibility, and user experience standards that dashboards must meet to be connected to the digital architecture.

## **Initial Dashboard Testing Phase**

- 3.14 Over the next few months the PDP will be working with its chosen suppliers to begin building, integration and testing the digital architecture of dashboards.

## **Mandatory Timeline for Schemes to Connect to Pension Dashboard**

- 3.15 The PDP is working with the government to define the staging timelines for pension providers to connect into the pension dashboard ecosystem; with the principle that the largest schemes with over 1,000 memberships will connect from April 2023.

## **Preparation For Staging Date**

- 3.16 Officers are preparing the logistics to ensure the Fund's data is 'dashboard ready' for 2023 and are assessing the quality of member data against the PDP data standards guide, in order to identify any gaps and improve the success of data matches to feed into the pension dashboard ecosystem at the relevant staging date.

## **4.0 FINANCIAL IMPLICATIONS**

- 4.1 There are none arising from this report.

## **5.0 LEGAL IMPLICATIONS**

There are none arising directly from this report. The Pension Scheme Act 2021 provides the legal framework to support pension dashboards, including powers to compel schemes to provide member information.

## **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

- 6.1 The Fund will need to ensure that its member data is consistent with the key data standards published by the Pensions Dashboard Programme.
- 6.2 The Fund system supplier will be engaged in developing a means to 'upload' member data securely to the Pensions Dashboard. The method of secure transfer and associated supplier costs will become clearer at a later date; as the onboarding process approaches in 2023 and the

development of the technical infrastructure progresses.

## 7.0 RELEVANT RISKS

7.1 There is a risk of censure from the Pensions Regulator (tPR) for failing to comply with the statutory staging date to connect to the dashboard's ecosystem.

7.2 There is also the potential for increased appeals from members who rely on inaccurate data feeds into the pension dashboard system to inform retirement planning.

7.3 Members may become confused by the presentation of Local Government Pension Scheme (LGPS) data on the national dashboards.

Particularly this may be around differing language to that already provided to members via Annual Benefit Statements, scheme literature and Funds' secure online portals. This assessment of language and presentation is expected to be led nationally by the Local Government Association on behalf of all LGPS Funds.

7.4 There is also the risk that if the government mandate that transfer out details should be uploaded to the dashboard it may be seen as encouraging members to transfer-out their benefit entitlements to riskier pension provisions, and also may encourage an increase in pension scams.

## 8.0 ENGAGEMENT/CONSULTATION

8.1 The relevant consultations are set out in this report.

## 9.0 EQUALITY IMPLICATIONS

9.1 The Ministry of Housing, Communities and Local Government (MHCLG) and HM Treasury (HMT) undertake equality impact assessments with regard to the statutory reform of the public sector pension schemes and the LGPS.

## 10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are none arising from this report.

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## APPENDICES

### BACKGROUND PAPERS

**Pensions Dashboards Programme Progress Update Report: April 2020**

<https://www.pensionsdashboardsprogramme.org.uk/2020/04/08/pdp-progress-update-report-april-2020/>

### SUBJECT HISTORY (last 3 years)

Council Meeting	Date
<b>The LGPS Update is a standing agenda item on Pensions Committee</b>	