



Pensions Committee

Date:	Monday, 29 November 2021
Time:	6.00 p.m.
Venue:	Floral Pavillion, New Brighton

Contact Officer: Victoria Simpson
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AGENDA

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

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

- 4. MINUTES (Pages 1 - 6)**

To approve the accuracy of the minutes of the meeting held on 20 September 21.

5. PUBLIC QUESTIONS

5.1 Public Questions

Notice of question to be given in writing or by email by 12 noon 24 November 21 to the Council's Monitoring Officer (committeeservices@wirral.gov.uk) and to be dealt with in accordance with Standing Order 10.

5.2 STATEMENTS AND PETITIONS

Notice of representations to be given in writing or by email by 12 noon, 24 November to the Council's Monitoring Officer (committeeservices@wirral.gov.uk) and to be dealt with in accordance with Standing Order 11.

Petitions

Petitions may be presented to the Committee. The person presenting the petition will be allowed to address the meeting briefly (not exceeding one minute) to outline the aims of the petition. The Chair will refer the matter to another appropriate body of the Council within whose terms of reference it falls without discussion, unless a relevant item appears elsewhere on the Agenda. Please give notice of petitions to committeeservices@wirral.gov.uk in advance of the meeting

5.3 Questions by Members

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

- 6. LOCAL GOVERNMENT PENSION SCHEME UPDATE (Pages 7 - 12)**
- 7. LOCAL PENSION BOARD MINUTES (Pages 13 - 20)**
- 8. MEMBERS' LEARNING & DEVELOPMENT (Pages 21 - 26)**
- 9. UPDATED INVESTMENT STRATEGY STATEMENT (Pages 27 - 46)**
- 10. NORTHERN LGPS UPDATE (Pages 47 - 56)**
- 11. MINUTES OF WORKING PARTY MEETINGS (Pages 57 - 70)**

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PENSIONS COMMITTEE

Monday, 20 September 2021

<u>Present:</u>	Councillor	P Cleary (Chair)	
	Councillors	C Povall AER Jones J Bird C Carubia	H Collinson T Cox JE Green L Rowlands
<u>Apologies</u>	Councillors	B Kenny Joe Walsh	

15 **WELCOME AND INTRODUCTION**

16 **APOLOGIES**

Apologies had been received from Mrs J Aston, and Councillors P Lappin, I Byrne J Walsh and B Kenny

17 **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.

The following declarations were made:

Councillor Les Rowlands	Pecuniary interest by virtue of his wife being a Member of Merseyside Pension Fund
Councillor C Povall	Pecuniary interest by virtue of her daughter being a Member of Merseyside Pension Fund
Councillor Jo Bird	Pecuniary interest by virtue of her partner being a Member of Merseyside Pension Fund
Councillor Helen Collinson	Pecuniary interest by virtue of her being a deferred Member of Merseyside Pension Fund

18 **MINUTES**

Resolved – That the accuracy of the minutes of the meeting held on 22 June 2021 be agreed.

19 **PUBLIC QUESTIONS**

No public or member questions were received in advance of the meeting.

20 **GRANT THORNTON – THE AUDIT FINDINGS REPORT FOR MERSEYSIDE PENSION FUND**

Mr Stuart Basnett, Audit Manager, Grant Thornton UK attended the meeting and presented the Audit Findings Report for Merseyside Pension Fund. Mr Basnett reported on the key issues contained in the report and responded to Members questions and it was:

Moved by the Chair and formally seconded by Councillor C Povall and:

Resolved – That the report by the external auditor be noted.

21 **MERSEYSIDE PENSION FUND ANNUAL REPORT & ACCOUNTS 2020/21 AND LETTER OF REPRESENTATION**

A report by the Director of Resources that was presented by Mr Peter Wallach, Head of Merseyside Pension Fund summarised Merseyside Pension Funds Annual Report and Accounts 2020/21 and letter of representation.

Members were advised that accounts had been prepared and subjected to internal audit on 1 July 2021 and the external auditors have indicated that there will be an unqualified opinion. Members were informed that the audit work had identified an adjustment to the financial statements' financial position, due to more up to date information being available during the course of the audit.

It was reported that the Audit Option would be issued following final completion of the audit, consideration of the Audit Findings Report and approval of the amended Statement of Accounts at both the Pensions Committee and the Audit and Risk Management Committee and that subject to this, the accounts would form the basis of the Annual Report for the year ended 31 March 2021.

It was moved by the Chair and formally seconded by Councillor C Povall and:

Resolved That:

- 1) **The Pensions Committee approve the audited Statement of Accounts for 2020/21 and consider the amendments to the accounts, the Audit Findings Report and the Letter of Representation;**
- 2) **The Pensions Committee refer the recommendations above to the Audit and Risk Management Committee; and**
- 3) **the Pensions Committee approve the Annual Report of the Merseyside Pension Fund for 2020/21 for publication.**

22 **LOCAL PENSION BOARD REVIEW 2020-21 AND WORKPLAN 2021-22**

A Report by Mr John Raisin, the Independent Chair of the Pension Board provided an overview of the Board's activities during 2020-21 and informed of the work plan for 2021-22

Mr Raisin responded to questions and it was moved by the Chair and formally seconded by Councillor C Povall and:

Resolved - that the report be noted

23 LOCAL GOVERNMENT PENSION SCHEME UPDATE

A Report by the Director of Pensions provided an 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.

Members were advised how The Pensions Dashboard programme is set to revolutionise the way savers interact with the 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.

Members heard how The Pension Scheme Act 2021 had received Royal Assent on 11 February and provided the legal framework to support pension dashboards, including powers to compel schemes to provide member information.

Questions by Members were responded to and it was moved by the Chair and formally seconded by Councillor C Povall and

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

24 NORTHERN LGPS UPDATE AND RESPONSIBLE INVESTMENT POLICY

A report by the Director of Pensions provided Members with an update on pooling arrangements in respect of Merseyside Pension Fund (MPF) and the Northern LGPS (NLGPS). Members were advised that the minutes of the previous Northern LGPS Joint Committee meeting were appended for noting

Members were informed that 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.

Members were then advised that if this policy is approved, MPF's Investment Strategy Statement (ISS) would be revised to reflect the new NLGPS policy and revisions to the MHCLG guidance following the Supreme Court judgement in 2019 and MPF specific requirements.

The Director of Pensions responded to questions by Members

It was moved by the Chair and formally seconded by Councillor C Povall and

Resolved – That

- 1) The Pensions Committee note the minutes of the Northern LGPS Joint Committee meeting; and**
- 2) the Pensions Committee approve the Northern LGPS Responsible Investment Policy.**

25 MINUTES OF WORKING PARTY MEETINGS

A report by the Director of Pensions provided Members with the minutes of Working Parties held since the previous meeting of the Pensions Committee.

It was moved by the Chair and formally seconded by Councillor C Povall and

Resolved – That the Pensions Committee approve the minutes of the working party meetings.

26 PENSIONS BOARD MINUTES

A report by the Director of Pensions provided members with the draft minutes of the previous meeting of the Local Pensions Board.

It was moved by the Chair and formally seconded by Councillor C Povall and

Resolved – That the Pensions Committee note the minutes of the Local Pensions Board.

27 EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC

28 PENSIONS ADMINISTRATION SYSTEM

A Report by the Director of Pensions informed Members of the contract arrangements for an integrated Pensions Administration & Pensioner Payroll System, essential for the delivery of the statutory functions of the Local Government Pension Scheme (LGPS).

Members heard how the current contract is due to expire on 31 December 2021. A new contract is required from 1 January 2022 to ensure the provision of this system and members were recommended to directly award a five year contract to Aquila Heywoods for the provision of a Pensions Administration System for the period 1 January 2022 to 31 December 2026.

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

It was moved by the Chair and formally seconded by Councillor C Povall and:

Resolved – That the Pensions Committee directly award a five year contract to Aquila Heywoods for the provision of a Pension Administration System for the period 1 January 2022 to 31 December 2026

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WIRRAL

PENSIONS COMMITTEE

29 NOVEMBER 2021

REPORT TITLE:	LOCAL GOVERNMENT PENSION SCHEME UPDATE
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

This report updates Members that on 15 October 2021, the Scheme Advisory Board (SAB) published the result of its cost management process for the 2016 Scheme Valuation, following publication of amendments to the HM Treasury (HMT) Directions on 7 October 2021.

It also covers the HMT response to its consultation on the proposed reforms to the cost control mechanism, which emerged due to industry concern that the mechanism was not operating in line with its original objectives; in that it would only be triggered by extraordinary, unpredictable events.

RECOMMENDATION

That the Pensions Committee be recommended to note the results of the employer cost control element of the 2016 Scheme Valuation and the impacts of the impending changes to the cost control mechanism to take effect for the 2020 Scheme Valuation.

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 This is the most appropriate option for informing the Pensions Committee of industry developments.

BACKGROUND INFORMATION

3.0 2016 Cost Management and McCloud Costs

- 3.1 Members last considered the Cost Management Process of the reformed Career Average Revalued Earnings (CARE) Local Government Pension Scheme (LGPS) and the impact of the proposed McCloud remedy on the cost of the scheme at its meeting of 22 June 2021, [minute 8 refers](#)
- 3.2 Members may recall that at the implementation of the 2014 scheme, the target scheme cost was set at a rate of 19.5% of pay. Any change to this target scheme cost is to be measured by a national valuation carried out by the Government Actuary's Department every four years.
- The LGPS is subject to two cost management processes; one relating to a process managed by HMT and an additional LGPS specific one managed by SAB.
- 3.3 The change in costs is expected to be shared between members and employers, with employers bearing the costs and risks from external factors such as changes in discount rates and price inflation. Members would bear the costs and risk of wage growth, changes in life expectancy, ill health retirement experience and commutation of pension.
- 3.4 The original result of the 2016 SAB cost management process was a reduction in cost of 0.9% of pay and a package of measures corresponding to 0.9% increase in employer costs were agreed. However, the process was subsequently paused due to the McCloud judgment.
- 3.5 The Written Ministerial Statement made by Luke Hall on 13 May 2021 confirming the key LGPS changes required to remove the unlawful age-restricted underpin protection, provided sufficient certainty regarding cost for HMT to publish the Public Service Pensions (Valuation and Employer Cost Cap) (Amendment) Directions 2021 on 7 October 2021. The Directions confirmed that costs resulting from McCloud will need to be treated as member costs within the cost management process.
- 3.6 As a result, on 15 October, SAB published the result of its cost management process for the 2016 Valuation, in which it agreed to spread McCloud costs over a ten-year period, acknowledging that this timeframe coincides with the point at which 60% of qualifying members are expected to have left the scheme.
- 3.7 The remedy results in an outcome of 19.4 per cent against the target cost of 19.5 per cent of pensionable pay. Despite the slight shortfall in cost, SAB will not recommend any further scheme changes as a result of the 2016 cost management process.

- 3.8 However, as part of a separate process, SAB plan to revisit the Tier Three ill Health provisions and the contribution rates for the lowest paid members - with the objective of bringing forward recommendations in these areas for future scheme changes.
- 3.9 SAB has also highlighted to the Minister that exercising its legislative duty to complete the process does not diminish its concerns that the Government has included McCloud costs as member costs.

HMT Consultation Response on the Cost Control Mechanism

- 3.10 HM Treasury requested the Government Actuary Department (GAD) to review the cost control process following industry concern that the mechanism was not operating in line with its original objectives, that it would only be triggered by extraordinary, unpredictable events.
- 3.11 As a response to GAD's findings, a consultation was issued on 24 June 2021 on the understanding that the outcome of the consultation will not impact on the 2016 cost control valuations.
- 3.12 HM Treasury published its response on 4 October 2021 confirming it will proceed with all three proposed reforms:
- moving to a reformed scheme only design so that the mechanism only considers past and future service in the reformed schemes. Costs related to legacy schemes are excluded
 - the cost corridor will be widened from two per cent to three per cent of pensionable pay
 - introducing an economic check so that a breach of the mechanism will only be implemented if it still would have occurred had the long-term economic assumptions been considered.
- 3.13 The Government is aiming to implement all three proposals in time for the 2020 valuations and will work with the Department for Levelling Up, Housing and Communities (DLUHC) and other LGPS stakeholders to consider:
- the most appropriate way to implement the reformed scheme only design in the LGPS (including how to treat the underpin)
 - how the changes will feed through to SAB's own cost management process within the LGPS

4.0 FINANCIAL IMPLICATIONS

- 4.1 HM Treasury decision to consider only the reformed scheme in the cost control mechanism and the widening of the cost corridor means that, based on GAD's analysis, the mechanism is expected to breach around once every 40 years on average. Cost breaches will therefore be less frequent, but more material when they occur - providing reduced cost control whilst member benefits will be more stable.

5.0 LEGAL IMPLICATIONS

- 5.1 There are none arising from this report. Section 12 of the Public Service Pensions Act 2013 provides the legal framework for a 'cost control mechanism'.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 SAB made the decision not to recommend any scheme changes despite the slight shortfall in the target scheme cost, in recognition that having to backdate any changes to April 2019 would be an additional burden on already overstretched pension administration teams.
- 6.2 SAB has requested that funding is made available to LGPS Funds in respect of the costs of required enhancements to pension administration systems necessary to deliver the McCloud remedy, as these directly result from the actions of Government.

7.0 RELEVANT RISKS

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

- 9.1 DLUHC and 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.

11.0 COMMUNITY WEALTH IMPLICATIONS

- 11.1 None arising from this report.

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(Head of Pensions Administration)
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BACKGROUND PAPERS

Scheme Advisory Board Website – Cost Management Information
<https://www.lgpsboard.org/index.php/projects/cost-management>

Public Service Pensions: The Cost Control Mechanism
<https://researchbriefings.files.parliament.uk/documents/SN06971/SN06971.pdf>

SUBJECT HISTORY (last 3 years)

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

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WIRRAL COUNCIL

PENSIONS COMMITTEE

29 NOVEMBER 2021

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

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 This is the most suitable option for the Local Pension Board to report to the Administering Authority on its activities by sharing the minutes of its meetings with Pensions Committee.

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 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 financial implications arising directly from this report.

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS

- 6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

11.0 COMMUNITY WEALTH IMPLICATIONS

11.0 None arising from this report.

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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)

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

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LOCAL PENSIONS BOARD

Monday, 20 September 2021

Present: J Raisin (Chair)
G Broadhead
R Dawson
S Van Arendsen
Ridland

Apologies L Robinson
R Irvine
P Maloney
P Fieldsend

16 WELCOME AND INTRODUCTION

The Chair welcomed Members of the Local Pension Board and viewing members of the public to the meeting.

17 APOLOGIES

Apologies were received from L Robinson, R Irvine, P Maloney

18 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 the agenda and, if so, to declare them and state what they were.

No such declarations were made.

19 TWO MINUTES SILENCE

Mr J Raisin, the Chair of the Local Pensions Board began the meeting by leading a two-minutes silence for Mr Paul Wiggins who had passed away since the last face to face meeting, after previously serving on the Pensions Committee as a Unison representative for many years.

20 MINUTES

Resolved - That the accuracy of the minutes of the meeting held on 23 June be approved.

22 **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.

23 **NORTHERN LGPS UPDATE**

The Director of Pensions introduced a report that provided 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 were appended for noting along with the draft Responsible Investment (RI) policy that was attached for consideration.

Resolved – That the report be noted

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

25 **MERSEYSIDE PENSION FUND INTERNAL AUDIT ANNUAL REPORT 2020/21**

A report by the Chief Internal Auditor reported on the Internal Audit Service plans. Members of the Local Pensions Board heard how reports, including recommendations produced following audits are presented to Fund managers. Members were then informed that a summary report is produced annually by the Chief Internal Auditor and an overall opinion provided as to the effectiveness of the Fund's control environment.

This report presented the Chief Internal Auditors Annual Report for 2020/21

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.

Resolved – That the Merseyside Pension Fund Internal Audit Report 2020/21 be noted.

26 **PENSION ADMINISTRATION MONITORING REPORT [PERIOD 1 APR - 30 JUNE 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 April 2021 to 30 June 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.

The Head of Pensions Administration responded to questions regarding current and new indicators and how the measures are applied.

Members raised some concerns regarding the apparent impact on the performance of the service from staff continuing to work from home.

Resolved – That

1) the Local Pension Board observed and was concerned at the apparent impact of working from home on performance and requested that a report be brought back to the Local Pensions Board; and

2) having considered the report that the contents be noted.

27 **RISK REGISTER**

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.

28 **LOCAL GOVERNMENT PENSION SCHEME UPDATE**

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

The Head of Pension Administration responded to questions and discussed the impact of the new dashboard system and ongoing work required to ensure that data is ready before 2023.

Resolved – That the report be noted.

WIRRAL COUNCIL

PENSIONS COMMITTEE

29 NOVEMBER 2021

REPORT TITLE:	MEMBERS' LEARNING & DEVELOPMENT
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

The purpose of this report is to inform Members of the provision of a Local Government Pensions Scheme (LGPS) focused online pensions' learning facility for officers, Pensions Committee and Pension Board members.

RECOMMENDATION/S

That the Pensions Committee be recommended to note the report and support the roll-out of the online learning programme provided by Hymans Robertson.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

- 1.1 The administration and the investment-related aspects of the Local Government Pension Scheme (LGPS) are technical and complex areas. Good governance is supported by informed decision-making.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 There is an option not to provide training. However, there is a statutory requirement for Board members to evidence knowledge and understanding and for the Fund to report detailed information on training events offered and attended by elected members.
- 2.2 Retaining the existing face-to-face learning and development arrangements only was considered. Online training has advanced significantly as a consequence of pandemic-related restrictions and provides greater flexibility in terms of scope, accessibility and cost.

3.0 BACKGROUND INFORMATION

- 3.1 In June, the report to this Committee on Member development set out the burgeoning expectations that all involved in the governance of public sector funds should evidence they have the knowledge, skills and commitment to carry out their role effectively and advised that officers were exploring opportunities for bespoke in person and online learning to assist members of Committee, Board and officers in fulfilling their responsibilities.
- 3.2 The introduction of Markets In Financial Instruments Directive II (MIFID II) in January 2018 required Committee members to evidence their knowledge in order to be treated as professional investors. In late 2019, the Scheme Advisory Board for England and Wales began a review of governance arrangements for LGPS funds. This project – termed ‘Good Governance’ – addressed stakeholder knowledge and skills. A clear recommendation of the Good Governance project is that the knowledge levels already statutorily required of Board members should also be required of Committee members.
- 3.3 Furthermore, the Pensions Regulator has a clear expectation documented within its Code of Practice for the administration and governance of Public Sector Schemes, that schemes must regularly assess training opportunities to ensure that decision-making and oversight groups have an adequate level of knowledge to carry out their roles effectively.

There is also an expectation that the Scheme Advisory Board and the Pension Regulator will introduce requirements for schemes to undertake independent Governance Reviews and risk assessments to demonstrate the continuous education of Committee/Board underpinning the management of the Fund.

- 3.4 These recent events have reaffirmed that LGPS funds should evidence the training provided and current knowledge and understanding levels retained within their Committee and Board.
- 3.5 While fund officers may deal with the day-to-day running of the funds, members of the Committee play a vital role in the scheme, and to exercise their roles effectively must be able to address all relevant topics including investment matters, issues concerning funding, pension administration and governance.
- 3.6 The Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel has developed a technical knowledge and skills framework for the Local Government Pension Scheme. The framework was adopted by Pensions Committee in 2010 as demonstrating best practice and enables the Fund to determine that it has the appropriate mix of knowledge and skills necessary to discharge its governance requirements. It also assists officers and Members in planning their training and development needs.
- 3.7 It is a statutory requirement that the Fund's annual report includes detailed information on training events offered and attended by elected members. A register of Members' attendance at training and development events is kept and reviewed annually by the Governance & Risk Working Party.
- 3.8 There is no intention of changing the existing provision of in person learning and development opportunities, but it is recognised that this does not necessarily cater for the needs of all Members nor cover all relevant topics.

The LGPS Online Learning Academy (LOLA) has been developed by Hymans Robertson as an online training platform providing 'bitesize' learning modules. The varied subject matter provides the ability for individuals to absorb information at their own pace with access to further information on each module for a more in-depth understanding of a particular area.

The course includes six training modules and covers all the key areas to successfully manage the running of the Fund, including:

- Introduction to the LGPS and role of Elected Members
- Governance & Regulators and Business Planning
- LGPS administration, including policies and procedures, accounting, and audit.
- LGPS valuations, funding strategy and LGPS employ
- Investment Strategy, pooling, responsible investment, and performance monitoring
- Current issues in the LGPS

- 3.9 As well as delivering training support, the training platform tracks the progress of training plans and provides a record of activity. The platform allows participants to 'dip in and out' as and when time allows but it is recommended that completion of the course should be accomplished within the calendar year.

3.10 The Fund has procured a two-year contract for the period 1 January 2022 to 31 December 2024. If each Member completes all the modules at least twice over the contract period, then the importance of training at the Fund would be demonstrated to the Pensions Regulator.

3.11 To facilitate access to the online training platform, the Fund is required to provide Hymans Robertson with the email address of each Committee and Board member.

4.0 FINANCIAL IMPLICATIONS

4.1 The overall cost of the System is £5,010 p.a. which covers the provision of licences for Pensions Committee, Pension Board and relevant officers. Provision for Member learning and development is included in the Fund's annual operating budget.

5.0 LEGAL IMPLICATIONS

5.1 There is a statutory requirement for Pension Boards to evidence current levels of knowledge and understanding and for the Fund to include detailed information on training events offered and attended by elected members in its annual report.

6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS

6.1 It is expected that LOLA will assist officers in the provision and evidencing of learning by Pension Committee and Pension Board.

7.0 RELEVANT RISKS

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

8.0 ENGAGEMENT/CONSULTATION

8.1 The Chair of Pension Committee and Chair of the Pension Board have considered the scope of the Hymans Robertson Online Training Platform and are satisfied that the subject matter provides the necessary mix of knowledge to demonstrate to the Pension Regulator and Scheme Advisory Board that Merseyside Pension Fund Committee and Board members have an adequate level of knowledge to carry out their roles effectively

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from the report. The additional flexibility provided by online learning enhances the training offer to elected members.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are none arising from this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 None arising from this report.

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APPENDICES

None

BACKGROUND PAPERS

The Public Service Pensions Act 2013

CIPFA Knowledge and Skills Policy and Framework

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	February 2020
Pensions Committee	January 2019
Pensions Committee	January 2018

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WIRRAL COUNCIL

PENSIONS COMMITTEE

29 NOVEMBER 2021

REPORT TITLE:	UPDATED INVESTMENT STRATEGY STATEMENT
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

This report provides Members with an updated Investment Strategy Statement (ISS) which has been revised following legislative and policy developments, changes to guidance and the approval, in September, of the Northern Local Government Pension Scheme (LGPS) Responsible Investment (RI) policy.

RECOMMENDATION/S

That the Pensions Committee approve the Investment Strategy Statement.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

- 1.1 Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require a pension fund to publish an investment strategy statement (ISS).

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other suitable options. There is a statutory requirement for an ISS to be formulated, published and maintained by administering authorities.

3.0 BACKGROUND INFORMATION

- 3.1 In September's report to this Committee regarding the Northern LGPS Responsible Investment policy, officers undertook to revise Merseyside Pension Fund's (MPF) Investment Strategy Statement and bring a report on it to a future Committee.
- 3.2 Regulation 7(1) requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.

The Investment Strategy Statement required by Regulation 7 must include:-

- a) A requirement to invest money in a wide variety of investments;
 - b) The authority's assessment of the suitability of particular investments and types of investments;
 - c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
 - d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
 - e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
 - f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.
- 3.3 The Investment Strategy Statement must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.
- 3.4 Under Regulation 7(6) and (7), the statements must be published by 1st April 2017 and then kept under review and revised from time to time and at least every three years.
- 3.5 The ISS is intended to provide a prudential framework within which administering authorities can set their policy on asset allocation, risk and diversification, amongst other things. It is formulated in conjunction with the

Funding Strategy Statement which identifies how each Fund employer's present and future pension liabilities are to be met.

- 3.6 Since the Fund's ISS was first issued, there have been changes in several areas and the strategy has been updated to reflect these matters.
- Change to guidance: guidance amended 12 July 2017: guidance to regulation 7(2)(e) on page 9 to comply with the order of the High Court judgment on 22 June 2017: subsequently clarified by ruling of the Supreme Court on 20 April 2020.
 - Development and approval of MPF's Responsible Investment beliefs in 2019 and incorporation of beliefs into investment strategy review process.
 - Legislative and policy developments in respect of Stewardship and Climate risk, in particular.
 - Approval of the revised Northern LGPS Responsible Investment (NLGPS RI) policy in 2021.
- 3.7 The ISS is intended to set out the high-level principles that govern the Fund's investment strategy. Those principles influence or are developed in some of the Fund's policies and procedures such as the Funding Strategy Statement, NLGPS RI policy and internal Compliance Manual where officers in conjunction with the Fund's advisors put them into effect. In the area of climate risk, for example, officers are currently working with advisors to develop short and medium term milestones in the alignment of the Fund's investment strategy with the Net Zero Paris goals.
- 3.8 The implementation, monitoring and reporting of outcomes is to the quarterly Investment Monitoring Working Parties. It is proposed that this is enhanced in respect of the RI policy so that the NLGPS RI reports are included in addition to the LAPFF updates and details of engagements specific to MPF's investments. Information on communications from stakeholders and scheme members will also be appended.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The Fund's investment strategy is fundamental to the management of its liabilities and its investment performance. In particular it provides a prudential framework within which administering authorities can set their policy on asset allocation, risk and diversification, amongst other things. It is formulated in conjunction with its Funding Strategy Statement.
- 4.2 The development, implementation and monitoring of policies in support of the ISS will have costs which can be estimated and advised as policies develop. Additionally, 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 Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require a pension fund to publish an investment strategy statement (ISS).

6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS

6.1 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 will be 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 A failure to formulate, publish and maintain an ISS would be a breach of the administering authority's statutory obligations.

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

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

8.0 ENGAGEMENT/CONSULTATION

8.1 The strategy was discussed with elected members on 9 November, shared with the Pension Board and the major employers. Additionally, in relation to regulation 7(2)(e) the Northern LGPS RI policy was presented to the Investment Monitoring Working Party on 15 September and to the Pension Board ahead of this Committee meeting.

9.0 EQUALITY IMPLICATIONS

9.1 DLUHC guidance is the subject of an EIA. The strategy includes reference to the NLGPS RI policy which draws on 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 This strategy makes explicit reference to environment and climate implications as financially material to long-term performance of investments.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising directly from this report. The ISS includes scope for investment in the Liverpool City Region.

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APPENDICES

MPF's Investment Strategy Statement

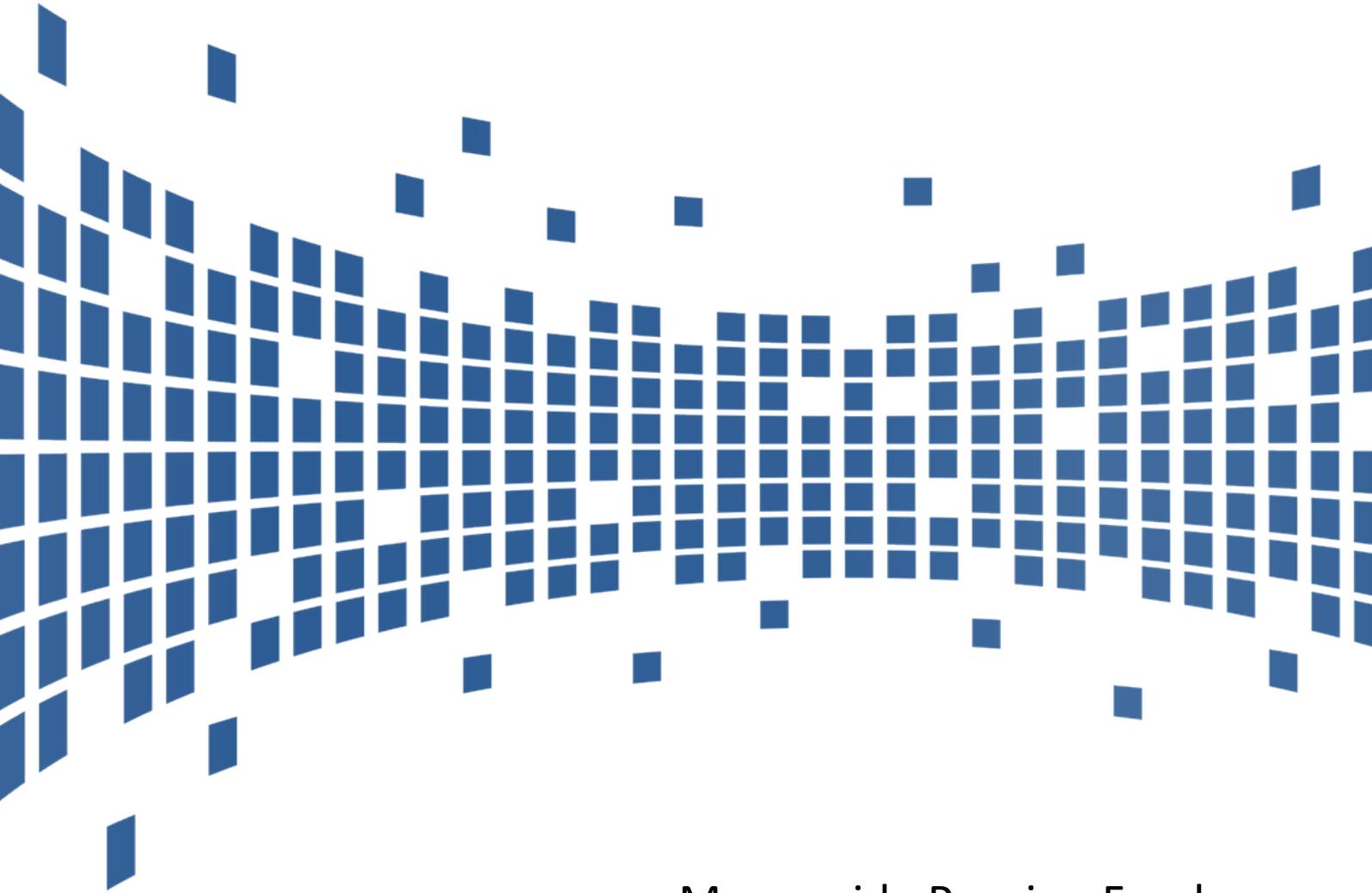
BACKGROUND PAPERS

Local Government Pension Scheme: Guidance on preparing and maintaining an Investment Strategy Statement. [Local government pension scheme: guidance on preparing and maintaining an investment strategy statement - GOV.UK \(www.gov.uk\)](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/384222/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement.pdf)

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	January 2019

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Merseyside Pension Fund

Investment Strategy Statement

Wirral Metropolitan Borough Council
As approved by Pensions Committee on

Introduction

This Investment Strategy Statement has been prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and with regard to relevant guidance. It is reviewed regularly and not less than every three years.

Investment of money in a wide variety of Investments

The Fund invests in a highly diversified portfolio of assets across multiple asset classes on a global basis. Moreover, the Fund seeks to invest in a broad range of uncorrelated asset classes in order to further reduce overall portfolio risk and limit the potential “downside” effects of financial market volatility.

Investment Strategies

The Fund has implemented a choice of investment strategies (“investment buckets”) for employers. These are:

- Higher risk
- Medium risk
- Lower risk

The main Fund investment strategy applies to the “higher risk bucket”. The “medium risk bucket” and “lower risk bucket” provide the option to reduce the level of investment risk that employers take, particularly for those employers that are considering leaving the Fund. In addition, any orphaned liabilities once an employer exits the Fund will generally be moved into the lower risk bucket.

The medium risk bucket’s initial investment strategy is 65% allocation to growth assets and a 35% allocation to defensive assets. The growth and defensive assets in this bucket are the same as the main Fund investment strategy but in the different proportions.

The lower risk bucket is made up of an investment strategy linked to income generating assets which targets a minimum yield above CPI inflation allowing for default, re-investment risk and any other reasonable margins of prudence deemed appropriate.

The maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investments is set out in the Fund’s strategic asset allocation in the table below.

Strategic Asset Structure

Asset Class	Strategic Benchmark %	Detail % ¹	Control Range
Equities	43		33.0-58.0
UK Equities		15.2	
Overseas Equities		27.8	
US		4.3	
European (ex UK)		6.5	
Japan		3.2	
Asia Pacific		3.2	
Emerging Markets		4.9	
Global		5.7	
Fixed Income	17		13.0-23.0
UK Gilts		4	
UK Indexed Linked Gilts		9	
Corporate Bonds		4	
Property	11		8.0-14.0
Alternatives	28		23.0-33.0
Private Equity		6	
Hedge Funds		4	
Private Credit		7	
Infrastructure		11	
Cash	1		0.0-6.0
Total	100		

The Fund's portfolio asset diversification policy is reviewed triennially with its Actuarial advisor and on a quarterly basis with its Strategic Advisor and Independent Advisors under the auspices of its Medium-Term Asset Allocation Strategy (MTAA).

The Fund's strategic asset allocation is reviewed and authorised at least every three years by the Administering Authority's Pensions Committee.

The Fund's investment strategy is underpinned by certain core beliefs pertaining to individual asset classes *inter alia*:

- The existence of an equity or volatility *risk premium*, namely that investors are rewarded over the longer term for making investments in equities or other assets that have a return profile that is more volatile than liability matching assets
- There is a liquidity risk premium i.e. investors are rewarded over the longer term for making illiquid investments

¹ The % weights shown reflect the current target implementation in equities and fixed income. The Fund's implementation approach to these asset classes is the subject of ongoing review of the investment strategy and these weights may subsequently be revised.

- Active management of asset allocation can enhance returns by taking active positions against the strategic benchmark within tolerance parameters to control risk
- Active management within asset classes is possible by internal and external managers in order to outperform specific benchmark indices. There are persistent anomalies within asset pricing that can be exploited
- Active management requires the taking of calibrated risk i.e. volatility from the specific benchmark index returns in the short and medium term
- That environmental, social and corporate governance (ESG) factors will materially affect investment performance over the long term (the Fund's Responsible Investment Beliefs are expanded in the Fund's RI policy)
- Integration of ESG factors improves investment decisions in the long-term
- The risks arising from climate change are significant and must be managed proactively

Under the triennial review, the Fund's Scheme Actuary provides a dynamic analysis of assets and liabilities within the context of the overall objectives of the Fund *inter alia* to:

- Achieve a 100% solvency level in a reasonable timeframe;
- Maintain sufficient assets to pay all benefits as they arise;
- Implement a sufficiently prudent funding plan to protect against any potential "downside" outcomes reflecting the demographic characteristics of the Fund;
- Provide a linkage to the Fund's investment strategy and economic outlook based on its actuarial assumptions.

The Fund's Strategic Advisor provides professional advice on the global strategic asset allocation of portfolio investments with the greatest probability of meeting its overall objectives.

In addition to providing a review of the Fund's investment strategy, the Strategic Advisor also provides ongoing monitoring and reporting of both the Fund's assets and liabilities and the resulting progression of the Fund's funding level over time.

Within the shorter-term strategic time horizon, the Strategic Advisor also advises on medium term tactical asset allocation adjustments in order to exploit opportunities arising from a dynamic financial market environment within the tolerance bands set within the triennial strategic asset allocation.

This is undertaken within the Fund's Medium-Term Tactical Asset Allocation framework in which the Strategic Advisor advises and makes recommendations on the magnitude of medium-term tactical positions to be taken around the strategic benchmark in conjunction with officers of the Fund and its Independent Investment Advisors.

The suitability of particular investments and types of investments

The suitability of particular investments and types of investments to reside within the Fund's investment portfolio are analysed within the context of the overall strategic asset allocation. The Fund may also make use of derivatives, either directly or in pooled investments, for the purposes

of efficient portfolio management or to hedge specific risks, in order to protect the value of the Fund's assets.

Explicit investment mandates have been established for external and internal investment managers across all asset classes with clear instructions as to how these mandates are to be managed within a range of defined investment parameters and performance targets.

All investment mandates are reviewed regularly by the Fund's Investment Management Working Party (IMWP) and its Independent Advisors to ensure that returns, risk and volatility are all appropriately managed and remain consistent with the overall strategy of the Fund and the individual portfolio strategies of the Fund's investment managers.

In order to determine that the Fund's policy on asset allocation is compatible with achieving its locally determined solvency target the Strategic Advisor undertakes ongoing monitoring of both the Fund's assets and liabilities in order to ascertain the Fund's direction of travel towards meeting its funding and solvency targets.

A report is produced by the Strategic Advisor and presented to the IMWP on a quarterly basis for discussion.

The approach to risk, including the ways in which risks are to be measured and managed

The Fund recognises that there are various investment and operational risks to which any pension scheme is subject and gives qualitative and quantitative consideration to such risks through the Pensions Committee, Local Pension Board and the Governance & Risk Working Party.

The Fund has a clearly determined approach to its risk tolerance with the objective of optimising the returns from its global investment activities within reasonable risk parameters.

Accordingly, as documented in the Fund's Funding Strategy Statement, the Actuary has identified key risks in the following areas:

- Financial
- Demographic
- Regulatory
- Governance
- Climate change

With regard to its global investment portfolio activities, the principal risks undertaken by the Fund are related to strategic asset allocation, tactical asset allocation and the active management of investment portfolios.

In order to mitigate these risks, the Fund works closely with its appointed Strategic Advisor to establish a highly diversified portfolio of investments across different asset classes and geographies with the greatest probability of meeting its funding and solvency targets. In addition to its core investments in global equities and bonds, the Fund invests in other alternative assets

such as property, private equity, private credit, venture capital and infrastructure where it is possible to identify assets with lower correlations to the mainstream.

Through its Medium Term Asset Allocation framework, the fund seeks to actively control risk by reducing unintended variances from benchmark by periodically correcting positions created by market movements in accordance with the advice of its Strategic Advisor and consultation with its Independent Advisors.

The Fund's approach to pooling investments including the use of collective investment vehicles and shared services

The Council has signed a memorandum of understanding with the administering authorities of the Greater Manchester Pension Fund and the West Yorkshire Pension Fund to create the Northern LGPS ('the Pool') in order to meet the criteria for pooling investments released by Government on 25 November 2015.

The three funds submitted their pooling proposal to Government in July 2016 and the Department for Communities and Local Government (now DLUHC) provided confirmation in January 2017 that it is content for the funds to proceed with the formation of the Pool as set out in the July 2016 proposal. The proposal is available on MPF's website.

The principal benefits of pooling for the funds in the Northern LGPS are in respect of alternative assets where there is greatest scope to generate further economies of scale and to combine resources to make increasingly direct investments. Following detailed discussions and consideration of professional advice, it was agreed in March 2017 by each of the participating funds that in order to meet the Reduced Costs and Excellent Value for Money criterion set by Government most effectively, the Northern LGPS should focus on collective investment in private market assets such as private equity and direct infrastructure. Subject to value for money requirements being fulfilled, private equity and direct infrastructure investments are made via joint ventures and partnerships to enable material cost savings from an early stage. Such structures are in all cases compliant with relevant financial services law. Legacy private market assets (i.e. those entered into prior to the formation of the Pool) are being run-off on a segregated basis.

The Scale and Strong Governance and Decision-Making criteria are met by:

- i) a Joint Committee providing monitoring and oversight of the operations of the Northern LGPS with the Joint Committee constituted so as to separate elected members from any manager selection decisions and;
- ii) appointing an FCA regulated common custodian for the Pool, which has custody of all the pool's actively managed listed assets (i.e. internally and externally managed equities and bonds) and acts as master record-keeper for all pool assets.

Strategic asset allocation continues to be set by each fund's pension committee with the selection of individual investments and investment managers for external mandates carried out on a pooled

basis by appropriately qualified and experienced officers, operating under the legal framework of specialist investment vehicles where appropriate.

All public-market assets and new commitments to private equity and direct infrastructure are monitored and overseen by the Northern LGPS Joint Committee with all assets other than day-to-day cash used for scheme administration purposes being held under the common custody agreement. Day-to-day cash is assumed to be 1% of total assets for each fund.

The Pool will procure the following services, as required, on behalf of the participating funds

- External fund management for public-market mandates
- Common custodian for Pool
- Investment management systems
- Performance analytics
- Responsible Investment advisory services
- Other professional advice

The Northern LGPS Joint Committee is created via the approval of an inter-authority agreement between the administering authorities to the participating funds. The role of the Joint Committee is to:

- i) provide monitoring and oversight of the Northern LGPS to ensure that the pool is effectively implementing the participating authorities' strategic asset allocation decisions;
- ii) oversee reporting to the participating authorities' pension committees.
- iii) act as a forum for the participating authorities to express the views of their pension committees;
- iv) ensure segregation of duties in investment decision-making between elected members and officers;
- v) monitor performance of portfolios;
- vi) monitor the appointment of investment managers

Reporting processes of the Northern LGPS include regular written reports on the performance of Northern LGPS investments to the Joint Committee, which are discussed at formal meetings. The Joint Committee will not be undertaking any regulated activities.

The Northern LGPS' governing documentation grants the Joint Committee and each administering authority certain powers regarding the operation of the Northern LGPS, which can be used to ensure the effective performance of Northern LGPS. MPF's approach to pooling, set out above, will be reviewed periodically to ensure this continues to demonstrate value for money, particularly following any changes to funds' strategic asset allocations, pool management arrangements or taxation policy in the UK or internationally. The reviews will take place no less than every 3 years.

A report on the progress of asset transfers will be made to the Scheme Advisory Board on at least an annual basis.

How social environmental or corporate governance considerations are taken into account in the selection non-selection retention and realisation of investments

The Fund's Statement of Beliefs on Responsible Investment is available at:
<https://mpfmembers.org.uk/content/Investment-Strategy-Statement>

Merseyside Pension Fund pursues a policy of Responsible Investment (RI), arising from the belief that environmental, social and corporate governance (ESG) factors will materially affect investment performance over the long term. MPF considers that a holistic approach to investing must consider ESG factors from the outset and at all stages of the decision-making process: from investment beliefs and strategy, across all asset classes and in the strategies selected.

Such an approach is consistent with MPF's view of its fiduciary duty to seek optimal investment outcomes that are in the best interests of all its scheme participants, having regard to a prevailing public service ethos and to the long-term stability of the wider financial system. In setting its high-level strategic framework, MPF will take a forward-looking view of the strategy's sustainable characteristics (for example, by using techniques such as climate scenario analysis).

MPF believes that it can select optimal investment strategies across asset classes that integrate ESG information into quantitative and qualitative analysis, which drives the construction and adjustment of investment portfolios. This allows for the flexibility to consider diverse investment approaches and methodologies as appropriate to the objectives and set parameters of particular mandates.

Under the auspices of the Northern LGPS Investment Pool, MPF evaluates and monitors the RI capability of all its investment managers, with reference to industry standards of best practice. MPF is a signatory of the **Principles for Responsible Investment** and is committed to reporting on its implementation of these Principles and promoting them across the investment industry. The Fund intends to become a signatory to the revised FRC UK Stewardship Code.

MPF makes use of a variety of ESG incorporation² methodologies, within particular mandates (including those managed by the in-house team) where the investment objective includes the optimisation of ESG-related risk and opportunity, alongside an increasing focus on shaping

² The PRI's definition and guidance on ESG incorporation informs this statement: <https://www.unpri.org/investment-tools>

sustainable outcomes. These methodologies include primarily (but not exclusively) ESG fundamental integration and active ownership, with ESG tilts and some norms-based screening applied in index-tracking strategies. For investments in private markets, MPF takes steps to ensure that the investment selection and management process is governed by consideration of material ESG factors over the lifecycle of each portfolio investment.

The values and expectations that determine this policy are imparted through MPF's governance arrangements, which incorporate representation of all Scheme members and employers alongside the Administering Authority. Responsible Investment matters are considered throughout the governance processes that set and monitor the Fund's investment strategy and are regularly reviewed by the Fund's Investment Monitoring Working Party.

MPF regards social impact investing as entirely compatible with investing responsibly and considers such opportunities on a prudent basis (or as a **'finance-first' investor**). Social impact or thematic investing may provide access to diverse opportunities, with lower correlations to other assets, and can deliver acceptable risk-adjusted returns. It is recognized that the positive impacts targeted will, in many cases, closely align to the wider objectives (including financial) of many of MPF's participating employers and scheme members.

MPF seeks to implement its RI policy by collaborating with other investors to benefit from the sharing of resources and leveraging of influence. To a considerable extent, this is through its pool partnership with Greater Manchester Pension Fund and West Yorkshire Pension Fund, the two other member funds of the Northern LGPS Pool. The Responsible Investment Policy for the [Northern LGPS](#) sets out how any environmental, social and governance policies are handled by the pool and how stewardship responsibilities are determined and enacted. It also encapsulates voting policies as detailed below.

The exercise of rights (including voting rights) attaching to investments

MPF considers that practising responsible ownership of its assets is fundamental to investing responsibly over the long-term; and that, in the case of equity investments, the exercise of voting rights is an intrinsic part of the value of share ownership.

MPF's policy with regard to the voting rights attached to its equity investments is to retain control and to exercise those rights to the fullest reasonable extent. Voting activity is not delegated to investment managers, except in circumstances where the structure of a particular investment vehicle necessitates this (but where MPF is able to determine that the manager has sufficient stewardship capability and that this activity can be monitored by the Fund).

The Fund implements its voting policy in partnership with a specialist advisor (currently **PIRC Ltd**) who provides appropriate research and vote execution services for the pool and the fund that cover the major markets in which shares with voting rights are held.

MPF votes in line with the recommendations of its advisor, having judged that the advisor's voting guidelines promote high standards of corporate governance and responsibility and enable MPF to exert a positive influence as shareholders concerned with value and values.

A quarterly report on voting activity is made to the Investment Monitoring Working Party and to the Joint Committee of the Northern LGPS. A summary of voting activity forms part of the Fund's Annual Report. Detailed voting activity information, including where the voting decision has been contrary to a company's recommendation, is made publicly available through the **Fund's website**.

Alongside its voting policy, MPF considers engagement on ESG matters to be integral to stewardship. The focus of its engagement activity (principally, but not exclusively) is the companies in which it invests across its public equity portfolio with the intention for this to be widened to include fixed income holdings.

As such, MPF carries out engagement on a collaborative basis with suitably aligned investors through several organisations (chief among them, the **Local Authority Pension Fund Forum**, of which MPF is a founder member), to ensure that its engagement benefits from scale and clarity of voice. Where boards of investee companies are resistant to dialogue or change, MPF will escalate issues by, for example, voting against the re-election of the Chair of the board. Ultimately, where asset owners refuse to engage or change, MPF will consider adjusting its investments as appropriate to the risks, in accordance with its Responsible Investment policy and its fiduciary responsibilities.

MPF strongly encourages its investment managers to carry out appropriate stewardship as part of the professional practice of asset management across asset classes and to report on that activity to an appropriate standard. It recognises that stewardship in private markets may be less well developed than for public markets and the Fund seeks to promote best practice with its incumbent and potential asset managers. The Fund is actively pursuing ways in which it can participate in proxy voting decisions in respect of its listed holdings in pooled structures.

In addition to disclosing stewardship activities, MPF also recognises that effective stewardship should focus on achieving 'real world' outcomes and undertakes to report annually on the outcomes of its stewardship activities.

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ADMINISTERING AUTHORITY



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WIRRAL COUNCIL

PENSIONS COMMITTEE

29 NOVEMBER 2021

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

REPORT SUMMARY

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

RECOMMENDATION/S

That the Pensions Committee be recommended to note the minutes of the Joint Committee meetings.

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 Members are informed of all developments affecting the Fund.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not relevant for this report. It is an audit recommendation that NLGPS minutes are reported to Committee.

3.0 BACKGROUND INFORMATION

- 3.1 Minutes of the previous Northern LGPS Joint Committee meeting are attached at appendix 1.

4.0 FINANCIAL IMPLICATIONS

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

5.0 LEGAL IMPLICATIONS

- 5.1 There are none arising from this report. It is an audit recommendation that Pool minutes are reported to those charged with governance.

6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS

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

7.0 RELEVANT RISKS

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

8.0 ENGAGEMENT/CONSULTATION

- 8.1 Not relevant to this report.

9.0 EQUALITY IMPLICATIONS

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

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are no environment and climate implications, nor any other relevant issues arising from this report. The NLGPS has a Responsible Investment policy explicitly addressing environment and climate implications as financially material to long-term performance of investments.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 None arising from this report.

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APPENDICES

Minutes of Joint Committee meeting.

BACKGROUND PAPERS

Local Government Pension Scheme: Investment Reform, Criteria & Guidance

SUBJECT HISTORY (last 3 years)

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

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NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

8 July 2021

(Meeting held remotely via Zoom Pro platform)

Commenced: 11.00am **Terminated: 12.15pm**

Present:

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

In attendance:

Rodney Barton	Director of Pensions, WYPF
Sandra Stewart	Director of Pensions, GMPF
Euan Miller	Assistant Director of Pensions, Funding and Business Development, GMPF
Tom Harrington	Assistant Director of Pensions, Investments, GMPF
Paddy Dowdall	Assistant Director of Pensions, Local Investments and Property, GMPF
Steven Taylor	Assistant Director of Pensions, Special Projects, GMPF
Neil Cooper	Head of Pension Investment
Dan Hobson	Head of Real Assets
Greg Campbell	Merseyside Pension Fund
Owen Thorne	Merseyside Pension Fund
Colin Standish	West Yorkshire Pension Fund
Alan McDougall	PIRC
Janice Hayward	PIRC
Tom Powdrill	PIRC
Conor Constable	PIRC

1. DECLARATIONS OF INTEREST

There were no declarations of interest declared by Members.

2. MINUTES

The Minutes of the meeting of the Northern LGPS Joint Committee held on 15 April 2021 were agreed as a correct record.

3. 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.

Government had yet to publish a response to the consultation and the 2015 guidance therefore, remained in force. MHCLG civil servants continued to indicate that a new consultation on pooling guidance and potentially, changes to the LGPS Investment Regulations were expected sometime later in the year. In the short-term there may be a ministerial statement on the Government's commitment to pooling.

MHCLG had issued its annual request for a further progress update from each of the Pools, setting out the assets transferred to the pool as at 31 March 2021 and an estimate of costs savings achieved and those expected in future.

MHCLG was keen for all pools to be reporting cost savings on a consistent basis and representatives of Northern LGPS, ACCESS and the Wales Pensions Partnership had been invited to attend the meetings which take place between the Chief Operating Officers of the five pools, which operated their own FCA regulated fund manager in order to discuss how this could be achieved going forwards.

Based on the information shared at the meetings, Northern LGPS has used similar methodology to most of the other pools when calculating cost savings in previous years and whilst a consistent LGPS-wide methodology is yet to be agreed, it was expected that no significant changes would need to be made by Northern LGPS when calculating both achieved and projected future savings for this year's MHCLG progress report.

Northern LGPS' cost savings for 2020/21 were expected to be between £25m and £30m (increasing from approximately £21m in 2019/20), giving total savings since inception of between £65m and £70m. These figures were consistent with the future projections made last year. The increase in costs savings achieved was as a result of the continued increase in commitments and assets under management of the GLIL and NPEP vehicles.

Members were advised that each of the partner funds in the Northern LGPS Pool was currently in the process of producing 31 March 2021 year end accounts and an annual report. At the Joint Committee meeting in July 2020 it was agreed that a 2020 Pool Annual Report be produced, which funds would have the option of including within their respective annual reports. It was proposed that a 2021 Pool Annual Report be produced following confirmation of the basis for calculating cost

savings as previously detailed and that the fund Directors liaise with their respective Committee members to finalise the report in conjunction with their fund annual reporting process.

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.

It was reported that all pools other than Northern LGPS had agreed to work with a financial services consultant with the aim of developing new reporting metrics for Pools to show the on-going and future success of pooling. Further details of the proposed project were set out in the **Appendix A** to the report (workstream 2)

Discussion ensued in particular in respect of developing criteria for measuring pooling success.

RESOLVED

- (i) That the content of the report be noted;**
- (ii) That the production of a concise Northern LGPS Annual Report for 2020/21 be approved, which can be included within the annual reports of the participating funds; and**
- (iii) That NLGPS expresses its view in respect of developing a criteria for measuring pooling success.**

4. UPDATE ON THE ACTIVITIES OF THE SCHEME ADVISORY BOARD'S INVESTMENT, GOVERNANCE & ENGAGEMENT (IG&E) SUB-COMMITTEE

The Director of Pensions, MPF, submitted a report explaining that the Investment, Governance and Engagement Sub-Committee was established by the Scheme Advisory Board and the Directors of the West Yorkshire and Merseyside Pension Funds were members of the sub-committee.

An update of the content of the sub-committee meeting held on 19 April 2021 was provided.

Sandra Stewart, Director of Pensions, GMPF and Chair of the Responsible Investment Advisory Group (RIAG), gave details of discussions and areas of focus at recent meetings, including:

- LGPS proposals in respect of MHCLG's consultation on TCFD reporting
- The content of Responsible Investment A-Z website
- A response to the APPG "Just Transition".

RESOLVED

That the content of the report be noted.

5. 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, attached as an appendix to the report.

It was explained that the Policy had been updated to reflect recent developments in the responsible investment landscape as well as provided a more substantive guidance on responsible investment issues.

The policy framework had 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 sought to provide a recognisable link between the Pool's responsible investment activity and the unique cultural heritage of the regions it represented.

Copies of the Q1 2021 Northern LGPS Stewardship Report; and Q1 2021 "Voice" Quarterly Report were also appended to the report.

Detailed discussion ensued in respect of the content of the Policy and concerns were raised in respect of Northern LGPS's long-term goal for 100% of assets to be compatible with the net zero-emissions ambition by c.2050 in line with the Paris agreement and the need to strengthen this commitment in the policy in accordance with NLGPS's agreement to explore the feasibility of a 2030

target in line with the IPCC's 1.5-degree pathway.

Further concerns were also raised with regard to human rights issues and how any reluctance of companies to engage positively or responsibly on this matter, would be addressed.

RESOLVED

That the content of the report be noted and the draft updated Northern LGPS Responsible Investment Policy, as appended to the report, be endorsed, subject to the strengthening of the wording in the Policy in respect of:

- **NLGPS's commitment to exploring the feasibility of a 2030 target for net zero-emissions; and**
- **Escalation of interactions in respect of any company's reluctance to engage positively or responsibly with human rights issues.**

6. NORTHERN PRIVATE EQUITY POOL – ANNUAL REVIEW OF STRATEGY AND IMPLEMENTATION

A report was submitted and a presentation delivered, by the Assistant Director of Pensions Investments, GMPF, which gave a review of activity, strategy and implementation approach regarding Northern Private Equity Pool.

It was explained that the NPEP portfolio consisted of commitments to private funds targeting investments, made nationally or internationally, in the private equity or related private securities of companies. Commencing from 1 January 2020, the portfolio also included direct co-investment in such securities.

The report and presentation outlined:

- Current approach to investing in Private Equity;
- Implementation during calendar year 2020;
- Current position against current strategy;
- Review of Strategy; and
- Review of Implementation.

A problem-free year from an administrative perspective was reported. All statements and reports were circulated consistent with legal agreements and the day-today functioning of Northern Trust as fund administrator had worked well.

Mazars was re-appointed as external auditor, on a three-year contract following a market tender. Tax, legal and investment advice was procured on an ad hoc basis, as required.

The year end audit of both the GP company and the Limited Partnership entities was completed in a timely fashion, with both entities receiving a clean audit opinion. The requisite Partnership and Corporate tax filings were made, in time, by KPMG.

RESOLVED

That the content of the report and presentation be noted.

7. 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.

8. 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).

The quarterly report for GLIL to the end of March was attached to the report at Appendix 1. The highlight during the quarter was the completion of the investment in Agility Trains East. Post quarter, GLIL had completed a purchase in partnership with Arcus Infrastructure of Smart Meter Assets, a leading meter asset provider in the UK.

The ESG policy approved by GLIL following consultation with stakeholders and with input from the specialist consultants based in Stockport, was appended to the report at Appendix 2. As set out in the policy, there was more work to be done on implementing the ESG policy into all aspects of GLIL's activities.

Appendix 3 to the report set out a summary of press coverage resulting from the announcement of the partnership with Nest Corporation, who were formally admitted at the end of the quarter.

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

RESOLVED

That the content of the report be noted.

9. PERFORMANCE MEASUREMENT

The Assistant Director of Pensions Investments, GMPF, submitted a report providing Members 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 March 2021 was attached as an appendix to the report. It was explained that data for Merseyside Pension Fund was interim and subject to revision. It was further explained that reporting assisted 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.

It was noted that universe collation, analysis and research services were provided to the Northern LGPS Funds by PIRC. The PIRC 2020/21 Local Authority Fund Statistics were shown in tabular format in appendices to the report, for information. The PIRC LGPS Universe comprised of 64 funds with total assets valued at £230 billion as at 31 March 2021.

RESOLVED

That the content of the report be noted.

10. 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 March 2021 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.

CHAIR

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PENSIONS COMMITTEE

29 NOVEMBER 2021

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

REPORT SUMMARY

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

RECOMMENDATION/S

That the Pensions Committee be recommended to approve the minutes.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The approval of working party minutes by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund. These arrangements were approved by Pensions Committee as part of the Fund's Governance Statement at its meeting on 27th June 2011.

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 Not relevant for this report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

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

7.0 RELEVANT RISKS

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

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

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 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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email: peterwallach@wirral.gov.uk

APPENDICES

Appendix 1 Working Party minutes

Appendix 2 Working Party minutes

BACKGROUND PAPERS

CIPFA: Managing Risk in the Local Government Pension Scheme

SUBJECT HISTORY (last 3 years)

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

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IMWP15th September 2021

10.30am

MS Teams

Attendees

Councillor Pat Cleary (Chair)	PC	WBC
Councillor Jo Bird	JB	WBC
Councillor Martin Bond (Co-Optee)	MB	St Helens Council
Councillor Chris Carubia (Spokesperson)	CCar	WBC
Councillor Jeff Green	JG	WBC
Councillor Adrian Jones	AJ	WBC
Councillor Cherry Povall (Vice-Chair)	CP	WBC
Councillor Les Rowlands	LR	WBC
Roger Bannister (Co-Optee)	RB	UNISON
Adil Manzoor	AM	MPF
Peter Wallach	PW	MPF
Rohan Worrall	RW	Independent Advisor
Paul Watson	PWat	Independent Advisor
Lucinda Downing	LDo	Aon Hewitt
Louis-Paul Hill	LPH	Aon Hewitt
Tim Manuel	TM	Aon Hewitt
Janice Hayward	JH	PIRC
Lara Bletcher	LB	PIRC
Conor Constable	CC	PIRC

Tom Powdrill	TP	PIRC
Alan MacDougall	AM	PIRC
Jennie Baruxakis	JB	LSEG
Aled Jones	AJ	LSEG
Colin Hughes	CH	WBC
Christine German	CG	WBC
Greg Campbell	GC	MPF
Neil Gill	NG	MPF
Daniel Proudfoot	DP	MPF
Donna Smith	DS	MPF
Elizabeth Barlow	EB	MPF
Owen Thorne	OT	MPF
Susannah Friar	SF	MPF
Farbod Abarghouei Nejad	FN	MPF
Alex Abela-Stevenson	AA	MPF
Dragos Serbanica	DS	MPF
Christopher Crawford	CC	MPF
Emma Jones	EJ	MPF

Apologies

Councillor Helen Collinson	HC	WBC
Councillor Brian Kenny	BC	WBC
Councillor Paulette Lappin	PL	WBC
Councillor Joe Walsh	JW	WBC

Declarations of Interest

Councillor Jo Bird: pecuniary interest by virtue of her partner being a member of Merseyside Pension Fund.

Councillor Les Rowlands: pecuniary interest by virtue of his wife being a member of Merseyside Pension Fund.

This meeting was purely devoted to Responsible Investment and Northern LGPS RI policy. The IMWP pack was distributed for noting purpose only.

1. Minutes of IMWP held on 29th June 2021

Noted- no amendments.

2. Responsible Investment (RI) at Merseyside: governance & strategy (Owen Thorne; Aon)

Owen Thorne (OT) outlined the Fund's RI policy with a particular focus on the governance framework at MPF. OT stated that the Fund 's intention is to become a signatory of the UK Stewardship Code.

Tim Manuel (TM), head of RI at Aon, summarised the Fund's beliefs within its investment policy. He highlighted the importance of incorporating Environmental, Social and Governance (ESG) overlays into the investment process, and also the ability of fund managers to mitigate ESG risks on behalf of the Fund.

3. ESG toolkit: data, benchmarks & external standards (Aled Jones – FTSE Russell)

Aled Jones (AJ) provided an overview of new standards in relation to climate change and use of Sustainable Investment (SI) and ESG data to meet those evolving standards. AJ noted that the recent physical climate events have amplified the urgency of the climate change issues, increasing focus on regulatory standards, particularly in Europe.

JG asked whether we are operating under the EU or the UK framework. AJ stated the majority of the EU legislation is translated into the UK framework. OT added, historically the UK has contributed significantly to the EU Sustainable Finance Policy, and going forward, it would continue to be aligned with the EU framework, albeit while seeking to develop its own version.

AJ added climate-related investment strategies have evolved from managing risks towards “Paris aligned portfolios”, in which progressive decarbonisation will over time achieve “Net Zero” emission exposure.

4. Implementing ‘forceful’ stewardship: engagement & escalation, targeting ‘outcomes’, NLGPS policy update (PIRC)

Tom Powdrill (TP) provided an overview of Northern LGPS’ RI Policy, which has been updated to reflect the recent developments.

TP provided an update of the Fund’s engagement with fossil fuel companies, such as BP, Shell and Chevron, in relation to climate stewardship.

Regarding water stewardship, CC noted, in 2020 the Fund became a founding member of the Valuing Water Finance Task Force through its active membership of LAPFF. This body addresses water stewardship and associated water risks.

In regard to human rights, TP highlighted MPF’s engagement with a wide range of companies such as Rio Tinto and Barrick Gold. TP mentioned LAPFF has engaged with a great number of companies over allegations of forced labour, and engaged with labour activists and social auditors to address labour rights’ issues.

PC stated his concern about climate risk, and companies that are reluctant to engage regarding such issues.

PC opened up for questions.

JG asked whether polluting companies are credited for their positive contributions. AJ stated MPF’s Climate Factor Portfolio is merely capturing direct operational carbon emissions and fossil fuel reserves exposure, although, offsetting activities are captured in broader ESG scores.

JG asked whether exclusion of controversial countries is addressed in the NLGPS RI policy. PW stated the existing RI policy does not explicitly mention divestment from specific countries, however, an amendment is proposed, in relation to companies, which states *“Ultimately, in such cases, Northern LGPS will consider adjusting its investments as appropriate to the risks, in accordance with its Responsible Investment policy and its fiduciary responsibilities”* which would allow for divestment from a company where an escalation policy had been exhausted. TP added the Fund and the Pool retain the rights to review their investments in case of an unsatisfactory engagement.

RW asked about the science-based targets initiative (SBTi) approach as opposed to “Net Zero”. AJ stated SBTi’s guidance on companies’ decarbonisation commitment is captured by the Transition Pathway Initiative (TPI) analysis, which assesses companies, “climate governance”. OT added the attraction of SBTi lies within its open-source dataset methodologies, in which investors are seeking to set a level of common expectation for sectorial decarbonisation.

RW asked about PIRC’s managers’ voting report regarding ESG issues and whether PIRC is still producing the reports. TP stated that PIRC is providing the analysis on a regular basis, to assess how managers are acting in relation to various ESG issues. TP noted, over the last couple of years, managers engagements have improved significantly, and cited Shell’s climate transition plan as a positive test case.

JB asked whether exclusions/divestments in companies that are inconsistent with MPF’s values are included in the RI policy and noted the climate and social impact of the armament industry. TM stated MPF’s RI policy emphasises engagement with companies for positive change. However, divestment, as an ultimate sanction is pursued if engagement is not successful.

PC added the proposed RI policy will be reviewed at the next Pension Committee meeting.

PC asked about sustainable issues beyond climate change, such as human rights. TM stated achieving the “Paris Net Zero Target” requires a wide range of commitments beyond carbon emissions reduction. LB highlighted the development of policies and regulations regarding human rights issues, which has started to align climate and human rights.

4. AOB

None

PC closed the meeting at 12:30pm

Date of next meeting: Tue 16th November 2021, 10:30am MS Teams.

5. Presentation decks

Responsible Investment (RI) at Merseyside: governance & strategy (Owen Thorne; Aon)



RI
governance_OT_Sept



Aon_MPF RI actions
& analysis intro - Sep

ESG toolkit: data, benchmarks & external standards (Aled Jones – FTSE Russell)



2021.09.15_FTSE
Russell_SI data, Bmks

Implementing 'forceful' stewardship: engagement & escalation, targeting 'outcomes',
NLGPS policy update (PIRC)



PIRC_MPF Sept
2021.pdf

Minutes of the Governance and Risk Working Party, 10.00, Thursday 23 September 2021

Microsoft Teams meeting.

Present:

Name	Initials	Organisation
Councillor Pat Cleary (Chair)	PC	WBC
Councillor Jeff Green	JG	WBC
Councillor Adrian Jones	AJ	WBC
Councillor Les Rowlands	LR	WBC
Councillor Jo Bird	JB	WBC
Peter Wallach	PW	Director of MPF
Yvonne Murphy	YM	Head of Pensions Administration
Donna Smith	DS	Head of Finance & Risk
Guy Hayton	GH	Operations Manager
Paula Heaton	PH	Employer Compliance & membership Manager
Mark Niblock	MN	Chief Internal Auditor

Apologies were received from:

Name	Initials	Organisation
Councillor Helen Collinson	HC	WBC
Councillor Paulette Lappin	PL	Sefton Council
Councillor Brian Kenny	BK	WBC
Councillor Chris Carubia	CC	WBC
Councillor Martin Bond	MB	St Helen's Council

In attendance: Emma Jones.

1. Approval of Minutes

Minutes of GRWP dated Wednesday 14 April 2021 were noted.

2. Declarations of Interest

Councillor Jo Bird: pecuniary interest by virtue of her partner being a member of Merseyside Pension Fund.

Councillor Les Rowlands: pecuniary interest by virtue of his wife being a member of Merseyside Pension Fund.

Noting/Action points

Noted.

3. Internal audit annual report

The Chief Internal Auditor presented the Internal Audit's Annual Report. MN reported that to ensure compliance with the best professional practice the Internal Audit Service is required to prepare and present an Annual Report. This summarises the work that is undertaken by the Internal Audit Service and determines an overall opinion of the effectiveness of the assurances being provided by the control environment and the operation of the Fund.

The opinion identified in the report reflects work conducted by the Internal Service Audit during 2000/21 and is delivered in compliance with a Service Level Agreement with the Fund and where that work is targeted. There is a Risk Plan in operation which sits behind this.

MN briefed Members on the work the Internal Audit have undertaken with regard to Pooling arrangements working corroboratively with the internal audit teams from Manchester and West Yorkshire to develop work programmes.

The risk of the Fund managing more of its own assets 'in house' was discussed and whether capacity can be increased. MN advised that he works very closely with the Fund to look at any future developments and the audit work undertaken in these specific risk areas remains relevant and appropriate. PW drew attention to the Investments-related audit work that is planned for the next three years confirming that it is an area of particular focus.

Guidance documents and best practice notes were discussed which are specific to the LGPS.

Noting/Action Points

PC asked for the GRWP Pack to be sent to members in a more timely manner in the future.

4. Pensions Administration KPI report

YM reported on the key performance indicators on the operations of the administration team during the period 1 April 2021 to 30 June 2021. YM advised that the report gives an overview of active, deferred and pensioner membership and work in conjunction with constituent employers. There are three distinct service areas, and the functions of each team are measured against performance standards documented within the Pension Administration Strategy.

The potential effects of staff working from home on KPI statistics and the arrangements for Covid-secure office working was discussed.

Noting/Action Points

The report was duly noted.

5. NLGPS Custodian update

PW presented a report which provided key performance indicators and key milestones and deliverables for the quarter to 31 March 2021 in relation to Northern Trust in their capacity as the common custodian to the Northern LGPS pool.

Noting/Action Points

The report was duly noted.

6. MPF Contract exceptions report

Consideration was given to a report of the Head of Finance & Risk. DS advised that the purpose of the report was to inform members of the fund's contracts which have been awarded and registered on the Corporate Procurement Unit's Register as being subject to Waiving the Rules (Rule 12) and breaches to the Contract Procedure Rules (CPRs). It is also to report any breaches of CPR's which have been logged from September 2020 to date. DS provided an overview of the report and the salient points contained therein.

A query was raised regarding a cladding issues affecting one of the fund's properties. PW briefed Members on the situation and undertook to follow up on progress in resolving the matter.

Noting/Action Points

PW will follow up on progress regarding the cladding issue and report back to Members.

The report was duly noted.

7. Risk Register review

PW reported the purpose of this report is to provide the Working Party with a copy of the Fund's Risk Register and for members to consider the changes to the risk register and note the report and to assure members that a review of risks is undertaken regularly.

Noting/Action Points

JG asked whether this item could be reported earlier on in the agenda so the Risk Register is given due attention. It was agreed that this would be considered.

It was agreed that the effectiveness of mitigations and their effect over the long term should be assessed..

8. AOB

The Chair thanked Members for their attendance and the Officers for the work involved to compile the reports.

Noting/Action Points

Date of Next Meeting - TBC