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WIRRAL

Pensions Committee

Date:	**Wednesday, 23 February 2022**
Time:	**6.00 p.m.**
Venue:	Floral Pavilion, New Brighton, Marine Promenade

Contact Officer: Vicky Simpson
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Members of the public are encouraged to view the meeting via the webcast (see below), but for anyone who would like to attend in person, seating is limited therefore please contact the Floral Pavilion box office at their website: https://www.floralpavilion.com/en-GB/categories/wirral%20council or by telephone on 0151 666 0000 in advance of the meeting, if you would like to reserve a seat. All those attending will be asked to wear a face covering (unless exempt) and are encouraged to take a Lateral Flow Test before attending. You should not attend if you have tested positive for Coronavirus or if you have any symptoms of Coronavirus.

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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

To approve the accuracy of the minutes of the meeting held on 29 November 2021.

5. PUBLIC QUESTIONS

5.1 Public Questions

Notice of question to be given in writing or by email by 12 noon Friday 18 February 22 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, 18 February 22 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. MERSEYSIDE PENSION FUND'S RESPONSIBLE INVESTMENT POLICY AND HUMAN RIGHTS (Pages 1 - 40)

7. LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE (Pages 41 - 52)

8. MEMBERS' LEARNING AND DEVELOPMENT (Pages 53 - 58)

9. MERSEYSIDE PENSION FUND BUDGET FINANCIAL YEAR 2022/23 (Pages 59 - 66)

10. CATALYST FUND UPDATE (Pages 67 - 72)

11. TREASURY MANAGEMENT POLICY FOR 2022/23 AND ANNUAL REPORT FOR 2020/21 (Pages 73 - 90)

12. COMPLAINTS POLICY FOR MERSEYSIDE PENSION FUND (Pages 91 - 106)

13. NORTHERN LGPS UPDATE (Pages 107 - 116)

14. LOCAL PENSION BOARD MINUTES (Pages 117 - 126)

15. MINUTES OF WORKING PARTY MINUTES (Pages 127 - 140)

16. EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC.

The following items contain exempt information.

RECOMMENDATION: That, under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined by the relevant paragraphs of Part I of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

17. ITEM 6 - APPENDIX 1 (Pages 141 - 148)

18. ITEM 13 - APPENDIX 1 (Pages 149 - 154)

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WIRRAL

PENSIONS COMMITTEE

23 FEBRUARY 2022

REPORT TITLE:	**MERSEYSIDE PENSION FUND'S RESPONSIBLE INVESTMENT POLICY AND HUMAN RIGHTS**
REPORT OF:	**DIRECTOR OF PENSIONS**

REPORT SUMMARY

This report recommends the action that could be taken in response to concerns expressed to the Committee about the Pension Fund's investment in companies that are alleged to be facilitating the construction and continued existence of Israeli settlements in the Occupied Territories of Palestine (OPT).

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

RECOMMENDATION/S

The Pensions Committee is recommended to consider the report and request the Director of Pensions to take the following action;

(1) seek to engage directly with the nine companies in which the Pension Fund has invested and which appear on the United Nations database as carrying on commercial activities which facilitate the construction and maintenance of Israeli settlements in the Occupied Palestinian Territories;

(2) In particular the nine companies should be requested to respond to the allegations that they are supporting the Israeli settlements in the ways alleged in the UN database and given 60 days to respond;

(3) the Director of Pensions should consider notifying the nine companies that the Pension Fund may draw adverse inferences from any failure on their part to respond in a satisfactory fashion to the request for information including discontinuance of its investments in the companies;

(4) the Director of Pensions be requested to report to a future meeting of the Committee the outcome of his attempts to engage with the nine companies including any assurances that

he may have received that they do not, or will not, carry out the business activities alleged against them in the UN database or any reasons advanced by the companies that seek to justify those activities;

(5) the Director of Pensions be requested to continue his attempts to gather reliable evidence from reputable sources of the nature and extent of the nine companies' alleged involvement in economic activities that support the Israeli settlements;

(6) the Director of Pensions be requested to continue working with LAPFF and the Fund's advisers in the engagement with investee companies that may be involved in facilitating breaches of international law or of human rights in parts of the world other than the OPT including supporting the settlement of colonists in occupied territories which have been seized by military force

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 The recommendations are a fair, reasonable and proportionate response to the legitimate concerns expressed to the Committee about the Fund's investment in companies which allegedly facilitate the construction and maintenance of Israeli settlements in Palestine which are generally regarded to be illegal in international law by virtue of the 4th Geneva Convention and the Hague Regulations 1907.

2.0 OTHER OPTIONS CONSIDERED

2.1 The Director of Pensions considered whether it would be reasonable for the Pension Fund to cease to invest in the nine companies on the United Nations (UN) database without first attempting to engage directly with them. He rejected that option for the following reasons:

2 .2 The database was compiled between 1st January 2018 and 1st August 2019 and may therefore be out of date;

2.3 The UN has admitted that the database was not compiled as a result of any judicial process in that the facts alleged against the companies and the evidence in support of its findings have not been disclosed nor have any replies to the allegations made to the UN by the companies on the List been disclosed by the UN;

2.4 The law of England is that justice must not only be done but also manifestly be seen to be done;

2.5 The database should therefore be regarded as a starting point for further enquiries not an end point and the nine companies should be given a reasonable opportunity to engage directly with the Fund and to answer the allegations made against them by the UN in accordance with the rules of natural justice.

3.0 BACKGROUND INFORMATION

3.1 At Pensions Committee in November 2021, a Member question was asked regarding the application of the Responsible Investment (|RI) policies agreed by Merseyside Pension Fund (MPF) and Northern LGPS (NLGPS) to the Fund's investments in companies trading in the Occupied Palestinian Territories (OPT) and it was agreed that a report on the matter would be brought to the next meeting of Pensions Committee.

3.2 The question was as follows:

Regarding investments on companies trading in the Occupied Palestinian Territories

Given that there has been:

1. Questions, motions and protests by members of Merseyside Pension Fund and the wider public, attached
2. Two consecutive and critical engagement reports by Local Authority Pension Fund Forum, attached
3. Advice and reports from the United Nations Special Rapporteur on the situation in the Occupied Palestinian Territories
4. Government advice on high risk of trade with Occupied Palestinian Territories
5. Extensive engagement by the United Nations (UN) resulting in a list of 112 companies linked to illegal settlements
6. Adverse findings against two Britain-based companies by the Department for International Trade and OECD
7. Realising around £2.7m of investment in 7 companies is of a scale and nature unlikely to cause significant financial detriment to Merseyside Pension Fund members

In accordance with policies agreed by Merseyside Pension Fund and Northern Pool, would Pension Committee agree to consider a report at its next meeting – regarding adjusting its own and pooled investments in such companies?
The Pensions Committee resolved that officers bring a report to the next meeting of the Pensions Committee which addresses the points raised and related matters at agenda item 5.3 at the committee meeting of 29 November 2021,thereby allowing the committee to determine what, if any, adjustments in investments might be recommended to officers.

3.3 The Northern LGPS RI policy was the subject of a report to this Committee in September 2021 and was preceded by a workshop where the topics of responsible investment and sustainability were explored in greater detail. Following the approval of the Northern LGPS RI policy, MPF revised its Investment Strategy Statement (ISS) which includes a statement on the Fund's approach to "how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments". The ISS was approved at Committee in November 2021

3.4 Both the NLGPS RI policy and MPF's ISS state that unsatisfactory engagement with companies can escalate to the extent that holdings are reduced or sold in their entirety:

"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 companies 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".

3.5 A workshop was held on 25 January to set out existing practice in relation to the exercise of MPF's Responsible Investment policy specifically in relation to human rights and progress on engagement with companies on the UN list. A summary follows:

- LAPFF engages globally on business and human rights most notably in relation to human rights abuses associated with tailing dams in Brazil, mining operations in the US, Colombia, Australia, Mongolia and Papua New Guinea. It has engaged with Shell in relation to human rights abuses associated with its operations in Nigeria and is starting engagement on companies associated with human rights abuses of the Chinese Uyghur population.

- More than 40 LGPS funds have investments in the OPT and LAPFF is pursuing this issue on their behalf. Risks for company operations in the OPT include reputational risks, operational risks and financial risks. To date, LAPFF has written to 17 companies identified as having potentially problematic operations in or related to the OPT and issued voting alerts for non-responsive companies.

- LAPFF has requested that these companies carry out credible, robust and independent human rights impact assessments in respect of their operations in the OPTs and that these assessments be made public.

- A presentation on the international framework for business and human rights included relevant topics such as international legal standards; UN Guiding Principles on Business and Human Rights; Human Rights due diligence; and Investors' Responsibilities.

- The process of engagement is often slow and that is proving to be the case in this instance. With regards to LAPFF target companies, only a minority have responded to date. In respect of the UN list, we have been unable to obtain a satisfactory account from the UN body (OHCHR) of how the list is administered, including processes for review and 'de-listing' of companies.

- Because LAPFF is acting on behalf of all its member LGPS funds, not all engagement activity can be disclosed as there are concerns it may prejudice further progress.

3.6 On behalf of LGPS funds, the Scheme Advisory Board and LAPFF met recently with the UN Special Rapporteur. The following statement has been issued:

25th January 2022 Meeting with Mr Michael Lynk

The Chair of and representatives from LAPFF, together with the SAB Secretary held a call with Michael Lynk on 11th January to discuss his letter to funds. The discussion was productive and it was agreed to it follow up with another call in a month or so. It was made clear that LGPS funds' primary objective in investment is to ensure pensions are paid but they do take human rights issues seriously in their decisions and through LAPFF are actively engaging with many of the companies listed on the database. In that respect Mr Lynk will provide further information on the database in particular the process for removing companies from it. LGPS Funds who are considering responding to Mr Lynk may wish to reference this ongoing discussion.

3.7 The values of MPF's investments in companies on the UN list are set out in the table below.

Holding	UN activity*	Direct (£)	Indirect (£)	Total (£)
Alstom S.A.	(e), (g)	70,172	198,638	268,810
Bank Hapoalim	(e), (f)	64,445		64,445
Bank Leumi Le-Israel	(e), (f)	71,122	142,885	214,007
Booking Holdings Inc	(e)		1,128,714	1,128,714
Expedia Group Inc	(e)		224,281	224,281
General Mills Inc	(g)	39,707	886,858	926,565
Israel Discount Bank Ltd	(e), (f)	33,685		33,685
Mizrahi Tefahot Bank Ltd	(e), (f)	19,946		19,946
Motorola Solutions Israel	(b)	109,226	902,221	1,011,447
Total				3,891,902

*UN activity – refer addendum

3.8 In the main, these are large, international companies with wide-ranging interests. As set out above, consistent with our policy, engagement with them is ongoing. There are short-term and long-term objectives with this engagement. The short-term objective is to have LAPFF target companies operating in this area engage meaningfully with LAPFF on their human rights practices in the OPT. The long-term objective is to have these companies produce credible, robust, independent human rights impact assessments of their practices in the OPT so that LAPFF members can assess whether the companies' human rights practices meet international human rights and humanitarian law standards. Advice continues to be that we should give the engagement process time whilst giving companies a clear sense of human rights expectations and why they are considered to fall short.

3.9 Divestment in this context would entail selling shares in the secondary markets of the companies in question to any willing buyers. The Fund's risk and responsibility would be transferred with the sale, but it would not be possible to be assured that buyers of the shares have equivalent or superior stewardship capabilities or commitment. Indirectly, the effect might be to send a message (to the companies and to the markets) about the unacceptability of carrying out certain business activities in the OPT as they impact upon human rights. However, such a message may not have

any immediate or tangible remedial effect on harms to human rights and it remains unclear whether divestment is a more effective means of conveying a message than sustained engagement. Collaborative engagement through LAPFF offers the possibility for greater investor influence to be exerted in this matter than has previously been the case.

4.0 FINANCIAL IMPLICATIONS

4.1 The implications of divesting the holdings are not solely the costs of disposal but the potential returns foregone and that constraining an investable universe is sub-optimal from a risk/return perspective.

4.2 Operationally, it is relatively straightforward to divest holdings within segregated mandates (direct holdings). This is because MPF has direct ownership of the underlying assets/holdings and a segregated mandate enables MPF to vary the legal arrangement under which the assets are managed to exclude holdings if necessary. It is not possible to divest specific holdings within unitised mandates (indirect holdings). This is because MPF's economic interest is in units in the fund rather than the fund's underlying assets. Often, there are many investors in units in the fund which, by pooling assets, allows for efficiencies of management and operation. Consequently, the entire unitised holding would need to be sold and reinvested in another fund/benchmark. As well as incurring transaction and transition costs, the economic benefits of collective investing would be foregone.

5.0 LEGAL IMPLICATIONS

5.1 The government's legislative programme, laid out in May 2021, includes a Boycotts, Divestment and Sanctions Bill the purpose of which will be to stop public bodies from taking a different approach to UK Government sanctions and foreign relations and will cover purchasing, procurement and investment decisions. There is very limited information on the scope or timing of the Bill. The current law is stated below.

5.2 The Pension Fund has a fiduciary duties to its Members and Scheme Employers to seek to obtain market rates of return on its investments so that the defined pension benefits can be paid at minimal cost in terms of employers and employees pension contributions.

5.3 The Pension Fund can, however, take into account non-financial considerations such as ethical and human rights concerns in deciding upon its investments provided any action that it takes is likely to command the support of members of the Fund and would not be likely to cause any material financial detriment to the Fund.

5.4 In taking action on ethical and human rights grounds the Fund must act reasonably taking into account only relevant considerations. It must act fairly in accordance with the rules of natural justice. There is a presumption that most members of the Fund would support the impartial promotion of international and human rights law by the Fund other things being equal.

5.5 Section 149 of the Equality Act 2010 requires an equality impact assessment to be carried out which should have regard to any possible encouragement of acts of anti-semitism if the Fund singles out companies dealing with, or supporting Israel's

colonisation of the West Bank, whilst ignoring violations of international law or human rights in other states which are facilitated by companies in which the Pension Fund has invested. This is a point validly made in the letter dated 14 February 2022 from UK Lawyers for Israel in appendix 4.

5.6 It is therefore important that the Pension Fund adopts a fair and reasonable process to determine whether a company has been involved to a material extent in facilitating breaches of international law and of human rights in order to dispel any reasonable suspicion that the Fund is taking action against companies because of political bias against Israel or because of racial animosity against Jews.

5.7 To that end the Pension Fund should be seen to be making its own enquiries of the nine companies on the UN database and not relying wholly on the attempts at engagement made by others e.g. LAPFF. Members should also ensure that that they approach this subject with an open mind and be seen to be doing so .Any Member who considers that their decision will be the same whatever the response from the nine companies to the Pension Fund's attempts at engagement will have pre-determined the matter and should withdraw from the meeting so that a valid decision can be made by Members who do not have closed minds. In this context a pre-disposition towards a certain outcome is not the same as a pre-determination so long as the Member is still receptive to whatever facts may emerge from the Pension Fund's own attempts at engagement. Previously expressed opinions one way or the other would not disqualify a Member provided a reasonable person would conclude that the Member's mind was not already made up whatever the outcome of the attempts at engagement.

5.8 The Pension Fund should also make reasonable enquiries to ascertain whether investee companies are facilitating the construction and maintenance of illegal settlements in territories occupied as a result of military force other than in the OPT e.g. Turkey in Northern Cyprus and Morocco in the Western Sahara. Members of the Fund would expect the Pensions Committee to be even handed in its approach to companies that facilitate such settlements.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 A decision to divest may affect the operational management of portfolios. The implications can be determined once the nature of the decision is known.

7.0 RELEVANT RISKS

7.1 There are reputational risks to MPF if it is perceived not to be giving due consideration to human rights issues. The risk is presently managed through integration of the UN Guiding Principles on Business and Human Rights (UNGP) into the Fund's stewardship practices (via LAPFF and Northern LGPS). Following the UNGP, human rights due diligence is applied to Fund investments on an ongoing basis. The NLGPS RI policy states that: "These principles [UNGPs] underpin expectations the Pool applies to all investee companies….Our objective in encouraging greater corporate transparency is for this to drive real-world improvements in practice."

7.2 There are financial risks to MPF if the value of its investments is affected by reputational risks, operational risks and financial risks arising from investee company operations in the OPT.

7.3 With regard to Israeli settlements, the UK government has a clear position. The West Bank, including East Jerusalem, Gaza and the Golan Heights have been occupied by Israel since 1967. Settlements are illegal under international law and products produced in Israeli settlements located within the OPT are not entitled to benefit from preferential tariffs and should be labelled so as not to mislead the consumer. The UK government warns that citizens and businesses should be aware of the potential reputational implications of getting involved in economic and financial activities in settlements, as well as possible abuses of the rights of individuals.

The UK Government encourages trade with the OPTs and notes that a number of British companies have proven success in the market. Members of the Fund would not expect a mere economic presence in the OPT to raise ethical concerns as that presence could benefit Arabs as well as Israelis. The Palestinian economy and the Palestinian private sector are, however, heavily constrained by the conduct of the Israeli occupation. This includes restrictions on movement and access for goods and people (including between the West Bank, including East Jerusalem, and Gaza), extensive and bureaucratic permit systems, and import/export restrictions (particularly in relation to Gaza).

8.0 ENGAGEMENT/CONSULTATION

8.1 As set out in the report.

9.0 EQUALITY IMPLICATIONS

9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.

9.2 Section 149 of the Equality Act 2010 provides that a public authority must in the exercise of its functions have due regard to the need to eliminate unlawful discrimination and to the need to foster good relations between persons who share a relevant protected characteristic such as ethnic origins and those who do not share it.

9.3 It is therefore important that the Committee weighs in the balance the possible impact any action may have on good relations between the Jewish and non-Jewish communities in the UK. The use of emotive language should be avoided. Opportunities should be given to the companies and bodies supportive of Israel to state their case. A fair process should be adopted. The question should be whether to withhold support for unlawful settlements of colonists in occupied territories world wide of which the actions of the Israeli Government in the OPT is but one, albeit better known, example.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 Not relevant to this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 Not relevant to this report.

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APPENDICES

Appendix 1 EXEMPT LAPFF Israel Palestine engagement
Appendix 2 Letter from UN Special Rapporteur
Appendix 3 Letter from Amnesty
Appendix 4 Letter from UK Lawyers for Israel

BACKGROUND PAPERS

LAPFF Quarterly Engagement Reports

Overseas Business Risk – The Occupied Palestinian Territories
https://www.gov.uk/government/publications/overseas-business-risk-palestinian-territories/overseas-business-risk-the-occupied-palestinian-territories

UN Human Rights Council
https://www.ohchr.org/EN/HRBodies/HRC/RegularSessions/Session43/Pages/ListReports.aspx

KLP – Decision to exclude companies with links to Israeli settlements in the West Bank.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

ADDENDUM OF LISTED PRACTICES FOR UN DATABASE

The request for the production of a database made by the Human Rights Council in paragraph 17 of its resolution 31/36 was in follow-up to the report of the independent international fact-finding mission to investigate the implications of the Israeli settlements on the civil, political, economic, social and cultural rights of the Palestinian people throughout the Occupied Palestinian Territory, including East Jerusalem (A/HRC/22/63). In paragraph 96 of its report, the fact-finding mission set out a list of activities that had raised particular human rights concerns (referred to as “listed activities”). In its resolution 31/36, the Council defined the database by reference to those listed activities, which are the following:

(a) The supply of equipment and materials facilitating the construction and the expansion of settlements and the wall, and associated infrastructure;
(b) The supply of surveillance and identification equipment for settlements, the wall and checkpoints directly linked with settlements;
(c) The supply of equipment for the demolition of housing and property, the destruction of agricultural farms, greenhouses, olive groves and crops;
(d) The supply of security services, equipment and materials to enterprises operating in settlements;
(e) The provision of services and utilities supporting the maintenance and existence of settlements, including transport;
(f) Banking and financial operations helping to develop, expand or maintain settlements and their activities, including loans for housing and the development of businesses;
(g) The use of natural resources, in particular water and land, for business purposes;
(h) Pollution, and the dumping of waste in or its transfer to Palestinian villages;
(i) Captivity of the Palestinian financial and economic markets, as well as practices that disadvantage Palestinian enterprises, including through restrictions on movement, administrative and legal constraints;
(j) The use of benefits and reinvestments of enterprises owned totally or partially by settlers for developing, expanding and maintaining the settlements.

7. The parameters of the database encompass business enterprises, whether domiciled in Israel, the Occupied Palestinian Territory or abroad, carrying out listed activities in relation to the Occupied Palestinian Territory (A/HRC/37/39, para. 5).

8. The database produced in response to the request made by the Human Rights Council in its resolution 31/36 includes only business enterprises involved in the 10 activities listed above. It does not cover all business activities related to settlements, nor does it extend to other business activities in the Occupied Palestinian Territory that may raise human rights concerns. In addition, while there may be other types of enterprises involved in significant business activities related to settlements, only business enterprises are considered; non-business enterprises are excluded from consideration.

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

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Mandates of the Special Rapporteur on the situation of human rights in the Palestinian territory occupied since 1967

Ref.: Letter 19/2011
(Please use this reference in your reply)

To [redacted]

22 November 2021

Re: Responsible Investments – UN Guiding Principles on Business and Human Rights Investments in the Israeli settlement economy

[redacted]

I am writing in my capacity as the United Nations Special Rapporteur on the situation of human rights in the Palestinian Territory occupied since 1967. I was appointed to this position by the United Nations Human Rights Council in March 2016 and was mandated to assess the human rights situation in the Occupied Palestinian Territory, to report publicly about human rights violations, and to work with governments, civil society and others to foster international cooperation. One of my areas of engagement focuses on the responsibility of businesses and investment funds to respect human rights.

Since 1967, when it occupied the Palestinian territory (the West Bank, including East Jerusalem, and Gaza), Israel has created close to 300 settlements, where more than 680,000 Israeli settlers presently live. These settlements are sustained, in significant part, by international and Israeli corporations who are heavily invested in the thriving settlement economy.

The Illegality of the Israeli Settlements

The illegality of the Israeli settlements is one of the most settled issues in modern international law. The United Nations Security Council stated in December 2016 that the settlements are a flagrant violation under international law.[1] This position has been affirmed

[1] UNSC **Resolution** 2334 (23 December 2016).

by the International Court of Justice,[2] the United Nations General Assembly,[3] the UN High Commissioner for Human Rights,[4] the UN Human Rights Council,[5] the European Union,[6] Amnesty International,[7] the International Committee of the Red Cross,[8] the High Contracting Parties to the *Fourth Geneva Convention*,[9] the International Commission of Jurists,[10] Human Rights Watch,[11] Al-Haq[12] and B'Tselem.[13]

Under the 1998 *Rome Statute of the International Criminal Court*, the Israeli settlements are a presumptive war crime.[14] The *Rome Statute* has been enacted in full into UK law through the *International Criminal Court Act 2001*,[15] meaning that they would have the same status under domestic law.

The Israeli Settlements, Businesses and Human Rights

Recent reports by the UN Office of the High Commissioner for Human Rights have concluded that the Israeli settlements are a significant source of human rights violations against the protected Palestinian population in the occupied territory. These violations include land confiscation and alienation, settler violence, discriminatory planning laws, the appropriation of natural resources, home demolitions, forcible population transfer, labour exploitation, forced evictions and displacement, discriminatory law enforcement and the imposition of a two-tiered system of unequal political, social and economic rights based on ethnicity. Above all, the settlements are an integral part of the Israeli policy to deny the right to self-determination to the Palestinians under occupation.[16]

Over the past five years, a number of leading human rights leaders and organizations have conducted comprehensive reviews of the human rights impact of the Israeli settlements and the role that corporations and businesses play in furthering the adverse human rights consequences of the settlements [See Appendix 1]. The conclusion from all of these comprehensive reports and statements is that it is impossible to engage either directly with the Israeli settlement economy or indirectly through investments with corporations that are engaged in the settlement economy without violating well-recognized international human rights standards and the UN Guiding Principles on Business and Human Rights.

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[2] *Wall Advisory Opinion*, (2004), 43 ILM 1009, at para. 120.
[3] A/Res/71/97 (23 December 2016).
[4] A/HRC/40/42 (30 January 2019).
[5] A/HRC/43.L37 (22 June 2020).
[6] https://www.consilium.europa.eu/en/press/press-releases/2016/01/18/fac-conclusions-mepp/
[7] https://www.amnesty.org/en/latest/campaigns/2019/01/chapter-3-israeli-settlements-and-international-law/.
[8] Peter Maurer, "Challenges to International Humanitarian Law: Israel's Occupation Policy," (2012), 888 *International Review of the Red Cross* 94, 1507.
[9] Declaration of Conference of High Contracting Parties to Fourth Geneva Convention - Swiss FDFA document/Non-UN document (17 December 2014)
[10] https://www.icj.org/wp-content/uploads/2019/11/Israel-Road-to-Annexion-Advocacy-Analysis-brief-2019-ENG.pdf.
[11] https://www.hrw.org/world-report/2019/country-chapters/israel/Palestine.
[12] https://www.alhaq.org/advocacy/7266.html.
[13] https://www.btselem.org/topic/settlements.
[14] *Rome Statute of the International Criminal Court (last amended 2010)*, 17 July 1998, Article 8(2)(b)(viii).
[15] 2001, c. 17.
[16] Report of the United Nations High Commissioner for Human Rights, "Israeli settlements in the Occupied Palestinian Territory, including East Jerusalem, and in the occupied Syrian Golan", A/HRC/43/67 (30 January 2020); A/HRC/46/65 (15 February 2021).

The United Nations Database

In February 2020, the Office of the United Nations High Commissioner for Human Rights (OHCHR), pursuant to a resolution of the United Nations Human Rights Council in March 2016, published a report on a database of "business enterprises involved in certain specified activities related to the Israeli settlements in the Occupied Palestinian Territory."[17] This database was developed and released within the broader context of the United Nations' efforts to promote stronger business practices with respect to human rights. The UN Guiding Principles on Business and Human Rights, adopted by the United Nations Human Rights Council in 2011,[18] are clear that enterprises need to respect the standards of international humanitarian law and that conflict-affected areas, such as the Occupied Palestinian Territory, involve a heightened risk to human rights, and subsequently require enhanced human rights due diligence.

The specified activities in the Israeli settlement that are captured by the UN Database include the provision of equipment, materials and services for the construction, expansion or maintenance of the settlements; the supply of equipment for the demolition of property and infrastructure; banking and financial operations to develop and expand the settlements; and the use of natural resources for business purposes.

In developing the Database and the accompanying report, the OHCHR conducted advanced engagement with all of the companies listed through all of the stages of its work before its publication. After this extended engagement, the companies were only listed if they still met a required standard of reasonable grounds constituting one or more of the listed activities. Thus, the listed companies have already been subject to rigorous and extensive engagement already.

The Database identified 112 business enterprises involved in one or more activities in the Israeli settlements that were found by an earlier United Nations fact-finding mission in 2013 to raise grave human rights concerns.[19] Recent research has revealed that 85% of LGPS funds whose investments could be ascertained have holdings in enterprises included in this UN Database.[20]

It should be noted that OHCHR is also explicit on the fact that "the database does not cover all business activity related to settlements, and does not extend to wider business activity in the Occupied Palestinian Territory that may raise human rights concerns". In other words, LGPS funds may have other enterprises in its portfolio that require enhanced human rights due diligence respecting the Israeli settlement economy.

Pension Funds and Disinvestment from the Israeli Settlement Economy

In the aftermath of the publication of the Database, a number of corporations have decided to disengage from corporations engaged in the Israeli settlement economy. KLP, the largest Norwegian pension fund, announced in July 2021 that it would no longer invest in 16 companies because of their corporate links to the Israeli settlement economy.

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[17] OHCHR (2020), A/HRC/43/71, Report to Human Rights Council on database of business enterprises
[18] guidingprinciplesbusinesshr_en.pdf (ohchr.org)
[19] OHCHR | Session19 International Fact-Finding Mission
20 Information from Palestinian Solidarity Campaign

Relying upon the 2020 UN Database, KLP stated, in its assessment that:

> "…there is an unacceptable risk that the excluded companies are contributing to the abuse of human rights in situations of war and conflict through their links with the Israeli settlements in the occupied West Bank."[21]

This followed an earlier announcement in May 2021 by Norway's Sovereign Wealth Fund – the largest pension fund in the world – that it was excluding a series of corporations involved in the Israeli settlement economy from its portfolio, "due to unacceptable risk that the companies contribute to systematic violations of individual's rights in situations or wear or conflict." The Council of Ethics, which had guided the decision, stated at the same time that:

> "…the Israeli settlements in the West Bank have been built in violation of international law and that their existence and constant expansion causes significant harm and disadvantage to the area's Palestinian population."[22]

Clearly, a wide range of larger and smaller institutional investors, including sovereign wealth funds, pension funds, asset management companies, and commercial and savings banks, need to react and recalibrate their portfolios in line with the OHCHR database. Public sector pension and investment funds around the world have been at the forefront of the global discourse on responsible investment. They have led by example on a number of important social and economic issues, including climate change, deforestation and human rights. This engagement displays the kind of investment leadership that is necessary to successfully tackle the looming social and economic challenges facing all of us.

The Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is one of the largest defined benefit pension plans in the world. I understand that it is the largest such scheme in England and Wales, managing the contributions of over 6.2 million members and 16,300 employers. With this role comes a responsibility to maintain and raise ethical investment standards, as well as break new ground when appropriate or necessary.

The LGPS, by virtue of its size and reputation, can play a transformational role in demonstrating the ethical validity of a more robust approach to investments in conflict-affected areas, as well as fulfilling its own role, as one of the world's leading pension funds, in respecting international humanitarian and human rights law.

Israel continues to expand its settlements in occupied East Jerusalem and the West Bank. This relentless growth, in defiance of international law, makes it imperative that investors accept their international responsibilities and extricate themselves from any direct and indirect involvement with the settlement economy.

[21] Nordic fund KLP excludes 16 companies over links to Israeli settlements in West Bank | Reuters
[22] Norway Wealth Fund Drops Firms Linked to West Bank Settlements - Bloomberg

Request for Action

Accordingly, I am writing to ask you:

1. **To conduct enhanced human rights due diligence for all companies** that are listed in the OHCHR Database, as well as others beyond the scope of the database that may be involved in the illegal Israeli settlement economy. This should include using leverage to influence investee companies to desist from involvement in the settlement economy, as well as accounting for steps taken by LGPS in this regard.

2. **To divest LGPS of its holdings in any of the companies that are listed in the database**, if the company cannot give clear assurance that it itself has removed itself entirely from the settlement economy.

3. **To ensure that holdings in companies in high-risk, conflict-affected areas** (wherever they may be in the world) **are a priority for LGPS's ESG strategy, and** provisions should be made with the LGPS's Investment Strategy Statement.

All of the above would be in line with international law, with UN resolutions, with the UN Guiding Principles, with the OECD guidelines, as well as OHCHR advisories.

I would look forward to speaking with you with regards to the issues raised in this letter. My very best wishes

Michael Lynk
Special Rapporteur on the situation of human rights in the Palestinian territory occupied since 1967

Cc: Local Authority Pension Fund Forum info@lapfforum.org

Mr. Jeff Houston, Head of Pensions, Scheme Advisory Board
jeff.houston@local.gov.uk

Appendix

Human Rights Watch

In a major report in 2016, which examined how businesses contribute to Israel's violations of Palestinian rights, Human Rights Watch[23] stated that:

> "…any adequate due diligence would show that business activities taking place in or contract with Israeli settlements or settlement businesses contribute to rights abuses, and that businesses cannot mitigate or avoid contributing to these abuses so long as they engage in such activities. "In Human Rights Watch's view, the context of human rights abuses to which settlement activity contributes is so pervasive and severe that businesses should cease carrying out activities inside or on behalf of settlements, such as building housing units or infrastructure, or providing waste removal and landfill services. They should also stop financing, administrating, trading with or otherwise supporting settlements or settlement-related activities and infrastructure." [Emphasis added]

UN OHCHR

In 2018, the Office of the High Commissioner for Human Rights (OHCHR) released an interim report regarding its progress towards creating a database of businesses involved in the Israeli settlements.[24] The interim report offered a damning analysis of the human rights impact of the settlements on Palestinian life:

> "The violations of Palestinian human rights associated with the settlements are pervasive and devastating, reaching every facet of Palestinian life. Owing to settlement development and infrastructure, Palestinians suffer from restrictions on freedom of religion, movement and education; their rights to land and water; access to livelihoods and their right to an adequate standard of living; their rights to family life; and many other fundamental human rights. "[EA]

OHCHR then expressed profound doubt as to whether a company could engage with the Israeli settlements and, at the same time, comply with its human rights responsibilities:

> "Considering the weight of the international legal consensus concerning the illegal nature of the settlements themselves, and the systemic and pervasive nature of the negative human rights impact caused by them, it is difficult to imagine a scenario in which a company could engage in listed activities in a way that is consistent with the Guiding Principles and international law." [EA]

[23] *Occupation, Inc*.
[24] A/HRC/37/39

Amnesty International

In 2019, Amnesty International published a substantive study on the human rights and legal implications of companies doing business with the Israeli settlements.[25] It concluded that, given the grave human rights consequences of the settlements, only a complete red light abstinence would suffice:

> "A company cannot meet its responsibility to respect human rights and the standards of international humanitarian law while doing business with the settlements. This is because the settlements have been established and developed in breach of the international law rules governing what states can and cannot do in a situation of military occupation. As such, they constitute war crimes and give rise to systematic, widespread and serious human rights violations." [EA]

UN Special Rapporteur OPT

In October 2020, my annual report to the United Nations General Assembly focused in part on corporations, human rights and the Israeli settlements.[26] I took the view that:

> "any form of corporate involvement – whether Israeli or international, whether direct or indirect, whether intentional or incidental – with the Israeli settlements is wholly incompatible with human rights obligations, with the Guiding Principles and with any purposive definition of enhanced due diligence. Three reasons inform this view. [EA]
>
> First, the Israeli settlements are a flagrant violation and a grave breach of the *Fourth Geneva Convention* and a presumptive war crime under the *Rome Statute*. These are among the most serious of contraventions under international human rights, humanitarian and criminal law. [EA]
>
> Second, corporations and businesses operating in, or benefiting from, the settlements provide the indispensable economic oxygen for their growth. Whatever positive benefits are cited by companies in defending their engagement with the settlements – often, the employment of Palestinian labour, or the payment of local taxes – are far outweighed on the human rights ledger by the scale of gross violations inherent in the settlement enterprise. [EA]
>
> Third, the settlements are the primary political instrument – the pervasive "facts on the ground" – employed by the Government of Israel to advance its *de facto* and *de jure* annexation claims and to deny Palestinian self-determination. Annexation is a crime of aggression,[27] and self-determination is the *primus inter pares* of human rights.[28] [EA]

[25] *Think Twice*.
[26] A/75/532.
[27] Rome Statute of the International Criminal Court (last amended 2010), 17 July 1998, article 8 bis, para. 2 (a).
[28] Self-determination is the very first human right cited in both the *International Covenant on Economic, Social and Cultural Rights* and the *International Covenant on Civil and Political Rights*.

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AMNESTY INTERNATIONAL

Councillor Jo Bird
Pensions Committee Member
Merseyside Pension Fund

1 February 2022

Dear Councillor Bird,

I write to you in your capacity as Committee Member of Merseyside Pension Fund. I understand that your fund may be considering the future of its investments in companies that do business with Israeli settlements in the Occupied Palestinian Territories (OPT), which are illegal under international law.

Amnesty International has produced a briefing that is intended to help companies, investors and firms advising them, weigh up whether they can do business in or with Israeli settlements in the OPT while respecting human rights. It draws on international law and on the UN Guiding Principles on Business and Human Rights. It sets out the case for companies to regard this as a compliance issue.

Our conclusion is that no due diligence process, however enhanced, can overcome the reality that all companies that do business with Israeli settlements are contributing in some way to the maintenance, development and expansion of the settlements, and therefore reinforcing an illegal situation.

Companies operating or investing in settlements in the OPT, supplying goods or services to settlements or sourcing from them, benefit from Israel's unlawful confiscation of Palestinian land and other resources. They also benefit from Israel's discriminatory policies for planning and zoning, in addition to financial incentives and preferential access to utilities and infrastructure, all of which disadvantage Palestinian businesses.

Encouraging companies within your portfolios to conduct enhanced due diligence on their business dealings with Israeli settlements is not a substitute for divesting from those companies. Had these companies conducted such human rights due diligence properly, they would no longer be undertaking any form of business with these settlements.

I would urge Merseyside Pension Fund to take steps to divest from companies that do business with Israeli settlements in the OPT and avoid any such investments in future. This would send clear signals to other companies, fund managers and pension funds that are linked to Israeli settlements via their business relationships that such connections are increasingly regarded as unethical and unacceptable.

By all means let me know if you would like any further information on this issue.

Yours sincerely,

Peter Frankental
Programme Director Economic Affairs
Email: peter.frankental@amnesty.org.uk

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14 February 2022

Dear Mr Cleary

Pensions Committee Meeting on 23 February 2022

UK Lawyers for Israel (UKLFI) is an association of lawyers who seek to ensure the correct understanding and observance of laws in matters relating to Israel.

Our attention has recently been drawn to the matters relating to Israel referenced at items 33 and 38 of the Minutes of the Pension Committee of 29 November 2021 and item 5 of the Minutes of 22 June 2021. We note from item 38 of the Minutes of 29 November 2021 that a report will be brought before the next meeting of the Committee, which has been scheduled for 23 February 2022.

We have a number of observations on these matters which we hope will assist the Committee and Officers to make decisions that comply with applicable laws.

General

Before addressing the specific points raised, we think it is helpful to recall the basic legal obligations of those responsible for investing pension funds.

The primary obligation is to generate financial returns in accordance with the applicable legislation. Non-financial factors may only be taken into account where (a) this would not involve a risk of significant financial detriment to the scheme and (b) there is good reason to think that beneficiaries as a whole would support the decision."[1] With regard to the second point, we note that strong feelings are held on both sides of the Israeli-Palestinian conflict. We do not believe that it can be said that there is a consensus in favour of divestment targeting Israel or areas under Israeli administration.

In addition, as a public authority, Wirral Council is bound by the Public Sector Equality Duty ("PSED") in section 149 of the Equality Act 2010, which requires it in the exercise of its functions to have due regard to the need to eliminate discrimination and to foster good relations between people of different nationalities, ethnicities and religions.

In this connection, it should be noted that extensive research at US universities has shown a substantial linkage between the promotion of boycott, divestment and sanctions ("BDS") targeting Israel and antisemitic attacks.[2] For example, it was found that *"The best statistical predictor of anti-Jewish hostility, as measured by actions that directly target Jewish students for harm, is the amount of BDS activity."*[3] Record levels of antisemitic incidents were reported in the UK in 2021.[4] Adoption of a discriminatory policy in relation to Israel by comparison with other countries would be liable to exacerbate the already high level of tension between Jewish and other communities.

We further note that the Members' Code of Conduct requires Members to

- "*act … impartially, fairly and on merit, using the best evidence and without discrimination or bias*" and
- "*consider all matters with an open mind and make decisions based upon weighing the best evidence*".[5]

In our view this requires Councillors to avoid discrimination against Israel and to make decisions on investment with an open mind, weighing all the evidence.

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[1] Law Commission, *Fiduciary Duties of Investment Intermediaries* (2014) (Law Com No 350) https://www.lawcom.gov.uk/app/uploads/2015/03/lc350_fiduciary_duties.pdf at para 6.34.

[2] Amcha Initiative reports https://amchainitiative.org/reports/

[3] Amcha Initiative, *Report on Antisemitic Activity in 2015 at US Colleges and Universities with the Largest Jewish Undergraduate Populations* https://amchainitiative.org/wp-content/uploads/2016/03/Antisemitic-Activity-at-U.S.-Colleges-and-Universities-with-Jewish-Populations-2015-Full-Report.pdf p19

[4] Community Security Trust, *Antisemitic Incidents Report 2021* https://cst.org.uk/data/file/f/f/Incidents%20Report%202021.1644318940.pdf

[5] https://democracy.wirral.gov.uk/documents/s50070223/Part%205%201%20Members%20Code%20of%20Conduct.pdf

Misinformation regarding Israel

There is widespread misinformation about Israel and its administration of the West Bank. It is convenient to make some general remarks about this before addressing various specific points raised in the Minutes.

It should first be noted that it is not inherently unlawful for a business to operate in an occupied territory, as the UK Supreme Court observed in *Richardson v DPP*.[6] Indeed, many major companies operate in occupied territories around the world[7] and States have accepted and endorsed this practice.[8] A policy that targets companies operating in territories administered by Israel without targeting companies operating in territories occupied by other countries or in countries where more serious violations of human rights are taking place would be discriminatory. Such discrimination is not justified by the fact that politicised UN bodies themselves grossly discriminate against Israel. The 57 members of the Organisation of Islamic Cooperation and their developing country allies command a large majority of the votes in these bodies and pass an absurd disproportion of measures targeting Israel while not addressing massive violations of human rights in many other countries.

It should next be noted that around 30,000 Palestinians are employed by businesses in or in the vicinity of Israeli communities in the West Bank and East Jerusalem, at average salaries that are more than three times average salaries at Palestinian businesses, and with benefits such as health insurance and pension contributions that are not usually provided by Palestinian employers.[9] Taking into account the families of these workers as well as other Palestinians who provide goods and services to them, this employment provides the livelihoods of hundreds of thousands of Palestinians. Palestinians also benefit from goods and services provided by these businesses.[10] In addition, productive employment of Palestinians working together with Israelis contributes to reducing conflict and promoting peace and reconciliation.[11]

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[6] [2014] UKSC 8 https://www.supremecourt.uk/cases/docs/uksc-2012-0198-judgment.pdf, para 17. Similarly the decision of the Cour d'Appel de Versailles in *AFPS and PLO v Alstom and Veolia* RG No 11/05331, 22/3/2013.

[7] Kohelet Policy Forum, *Who Else Profits* (2017) https://euiha41fnsb2lyeld3vkc37i-wpengine.netdna-ssl.com/wp-content/uploads/2017/06/WhoElseProfits_most-final-19.6.pdf and *Who Else Profits, Second Report* (2018) https://euiha41fnsb2lyeld3vkc37i-wpengine.netdna-ssl.com/wp-content/uploads/2018/11/WhoElseProfits-e-version.pdf

[8] Kontorovich, *Economic Dealings with Occupied Territories*, 53 Columbia Journal of Transnational Law 584 (2015) https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2494964; *Unsettled: A Global Study of Settlements in Occupied Territories*, The Journal of Legal Analysis 2017 https://academic.oup.com/jla/article/9/2/285/4716923; *State practice regarding trade with occupied territories* in Duval and Kassoti (eds), *The Legality of Economic Activities in Occupied Territories* (Taylor & Francis, 2020) https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3545928

[9] Diker (ed), *Defeating Denormalization: Shared Palestinian and Israeli Perspectives on a New Path to Peace*, Jerusalem Center for Public Affairs (2018) https://jcpa.org/pdf/Defeating_Denormalization_Final_22_january.pdf pp35-36 (note that Area C does not include East Jerusalem) and pp96-98

[10] Ib, particularly cap 8

[11] Ib, particularly caps 6-9; *Islands of Peace* https://www.youtube.com/watch?v=PwJ9JX95u5Q&t=8s

More generally, Israeli administration in the West Bank has achieved an enormous improvement in the standard of living, health, education and welfare of Palestinians in this area. Conditions in the West Bank were dire prior to 1967. The improvement was particularly marked in the period prior to the Oslo Accords in the mid-1990s,[12] when Israel administered the whole of the West Bank. However, it continued subsequently[13] until the recent disruption caused by Covid, despite the incompetence and corruption of the Palestinian Authority which governs the vast majority of Palestinians in the West Bank.

A business may violate human rights in the West Bank or anywhere else in the world. However, there is no evidence that the risk of violation is greater in the West Bank than in many other territories, and indeed it is probably lower than in many other territories. As explained further below, the list of companies operating in the West Bank published by the UN Human Rights Council (UNHRC) is not based on any legal characterisation of the listed activities and has been discredited. It does not provide a reliable basis for a divestment decision.

Similarly, commercial and financial risks exist for companies operating anywhere in the world. Again there is no evidence that they are particularly serious for companies operating in territory administered by Israel and they are probably less serious than in many other territories around the world.

We will now address specific points raised in the Minutes of the Pension Committee meetings on 22 June and 29 November 2021.

Minutes of 22 June 2021, Item 5

The question presented to the Committee contains a series of misconceptions which we would wish to correct:

(1) The question stated: *"The people of Palestine have been living under occupation and denied their human rights for more than 50 years."* Israeli administration of the West Bank and Gaza Strip ensued from Israel's response to threats by Egypt to destroy it and armed attacks by Jordan in 1967. As mentioned above, Israeli rule in fact brought major improvements for Palestinians in these areas. The majority of Palestinians in the West Bank are now under the administration of the Palestinian Authority, which is obligated by the Oslo II Accord to *"exercise their powers and responsibilities pursuant to this agreement with due regard to internationally-*

[12] Karsh, *What Occupation?*, Commentary Magazine, July/August 2002 https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3187122

[13] See eg https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?locations=PS (GDP per capita); https://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=PS (life expectancy); https://data.worldbank.org/indicator/SE.ADT.LITR.ZS?locations=PS (adult literacy)

accepted norms and principles of human rights and the rule of law."[14] Palestinians in the Gaza Strip are currently ruled by the terrorist organisation, Hamas. Businesses operating in the parts of the West Bank that remain under Israeli administration are unlikely to be responsible for human rights by the Palestinian Authority or Hamas.

(2) The question continued: "*1.9 million Palestinians are cut off from the outside world by a blockade of Gaza and 4 million live under an Israeli government occupation that continues to build illegal settlements that segregates them behind a wall*." Border controls are required between the Gaza Strip and both Israel and Egypt to obstruct terrorist attacks. However, it is a misconception to describe this as a blockade. According to the website of the United Nations Office for the Coordination of Humanitarian Affairs, in 2021 alone there were 358,366 exits from and entries into Gaza**.** This figure refers only to the movement of people and is additional to transfers of goods and fuel which occur on a large scale.[15]

The Palestinian population of the West Bank is about 3 million, not 4 million. The security barrier in the West Bank was also constructed to obstruct terrorist attacks. It consists mainly of a fence; only a small proportion of its length is a wall, where required to prevent sniper fire. Over 100,000 Palestinians cross the border daily from the West Bank to work inside Israel.[16]

In the Oslo II Accord, it was agreed that Israeli settlements would be dealt with in permanent status negotiations. It is inappropriate for a councillor to pre-judge the resolution of this issue.[17]

(3) The question alleged "*There are many companies that are profiting from this illegal breach of human rights*." It is not clear what the questioner was referring to by the phrase *"this illegal breach of human rights"*. As stated above, it is not inherently unlawful for a business to operate in or in the vicinity of an Israeli settlement in the West Bank. As also mentioned above, there are many companies operating in other occupied territories around the world. It would be wrong to operate a different policy in relation to Israel than in relation to other countries.

The Committee's response to the question noted that LAPFF has met with the "UN Special Rapporteur". We assume this referred to Michael Lynk, the Special Rapporteur appointed by the UNHRC to report on the human rights situation in the Occupied Palestinian Territory. A Special Rapporteur is not a member of the UN staff and Mr Lynk's politicised appointment to this advisory role resulted from the automatic majority enjoyed by the members of the Organisation of Islamic Cooperation and their

[14] Israeli-Palestinian Interim Agreement on the West Bank and the Gaza Strip, 28 September 1995, Article XIX
[15] Maurice Hirsch, *The lie of the "Gaza blockade"*, 23 January 2022 https://palwatch.org/page/29966
[16] https://www.bbc.co.uk/news/world-middle-east-52470718
[17] Note 14, Article XXXI.5

developing country allies. He is heavily biased against Israel. The organisation NGO Monitor points out that he *"is unfit to fulfil his mandate due to:*

- *Partnerships with organizations that have alleged ties to terror groups and that promote BDS (boycott, divestment, and sanctions) campaigns against Israel.*
- *Self-admitted lack of expertise in international law.*
- *Moral failures, as shown in labeling a virulent antisemite as a "human rights defender" in his March 2017 report to the UN Human Rights Council."*[18]

Further critical comments about Mr Lynk and the mandate given to him by the UNHRC have been made by the organisation UNWatch.[19] No reliance should be placed by the LAPFF or the Pensions Committee on input provided by Mr Lynk.

Minutes of 29 November 2021, Item 33

We now address a number of statements in the question submitted by Cllr Bird at the November meeting, using the numbering in the Minutes:

1. Cllr Bird referred to: "*Questions, motions and protests by members of Merseyside Pension Fund and the wider public*." This is vague and non-specific, and its weight must be discounted. It does not satisfy the second limb of the legal test which allows administering authorities to take non-financial considerations into account provided that doing so would not involve a risk of significant financial detriment to the scheme and where they have good reason to think that scheme members would support their decision.[20]

   There is no evidence before the Pensions Committee that there is widespread support amongst beneficiaries of the scheme for "adjustment" or divestment. In fact, the Israeli-Palestinian dispute does not lend itself to a consensus in the way that pollution or pay-day lending might. The divisive nature of the Israeli-Palestinian dispute is an unconvincing candidate for any consensus between beneficiaries. Where the issue is whether to support a highly political and partisan policy, the possibility of a consensus is surely further reduced. When it involves a person's nest egg, that consensus is even more remote.[21]

   Even if a consensus of beneficiaries is detected, the fiduciary must still consider whether the pursuit of BDS is in the best interests of the fund. As the Principles for Responsible Investment has said, *"Trustees and relevant parties should not take beneficiary preferences as instruction, but rather as key input ….*"[22]

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[18] https://www.ngo-monitor.org/reports/special-rapporteur-human-rights-palestinian-territory/.
[19] https://unwatch.org/lynk/
[20] Note 1 above
[21] For authoritative academic legal discussion see Daniel Harris, *English Law and BDS: Taking Stock*, *Justice* No. 67 (Fall 2021) 11 https://www.ijl.org/justicem/no67/10/ pages 12-13
[22] Principles For Responsible Investment, *Understanding and Aligning with Beneficiaries' Sustainability Preferences*, 21 April 2021 https://www.unpri.org/download?ac=13321 page 17

2. Cllr Bird next referred to "*Two consecutive and critical engagement reports by Local Authority Pension Fund Forum"*. LAPFF's quarterly engagement reports for the second and third quarters of 2021 describe continuing engagement with companies operating in the West Bank as listed by the UNHRC, but the epithet "critical" does not appear to be apposite. It appears from the reports that progress is being made and should be continued.

   Furthermore, LAPFF should adopt a non-discriminatory approach, even though the UNHRC has not produced similar lists of companies operating in other disputed territories or in countries where serious human rights violations are occurring. This requires LAPFF to carry out additional research into other occupied territories and other countries. The Kohelet Policy Forum reports identified in note 7 above provide a convenient starting point in relation to other occupied territories.

   Reliance on LAPFF processes that have not avoided discrimination against Israel would be liable to conflict with the PSED and with the Members Code of Conduct.

3. Cllr Bird mentioned "*Reports and advice from the United Nations Special Rapporteur on the situation in the Occupied Palestinian Territories*. We assume that this referred again to Michael Lynk. It is not clear to us which reports and advice of Mr Lynk she had in mind. However, we repeat the observations above regarding his bias and unfitness, as well as the limitations of his mandate. No reliance should be placed on his input.

4. Cllr Bird suggested that there is "*Government advice on high risk of trade with Occupied Palestinian Territories*." The UK Government's advice does not characterise the risk of trading with the Palestinian territories as "high".[23] As noted above, there are commercial risks of operating in many countries around the world, and there is no evidence that the risks are particularly high in the West Bank. Moreover, by investing in shares of multinational companies that carry on some trade with the West Bank, the pension fund is not itself doing business with or in the "Occupied Palestinian Territories."

5. Cllr Bird then referred to "*Extensive engagement by the United Nations resulting in a list of 112 companies linked to illegal settlements*." This is no doubt a reference to the list published by the UNHRC on 28 February 2020.[24] This list has been discredited.

[23] https://www.gov.uk/government/publications/overseas-business-risk-palestinian-territories/overseas-business-risk-the-occupied-palestinian-territories

[24] A/HRC/43/71 https://www.un.org/unispal/document/un-high-commissioner-for-human-rights-report-on-business-activities-related-to-settlements-in-the-opt-advance-unedited-version-a-hrc-43-71/

In the first place, it sidesteps the legal and factual analysis required by making a seamless leap from the acts of a State to the acts of non-State enterprises. The decisions of the UK Supreme Court in *DPP v. Richardson* and the Cour d'Appel de Versailles in *AFPS v Alstom*[25] illustrate the fact that a company cannot be assumed to be responsible for alleged violations of international law by a State in the territory where it operates.

With regard to legal analysis, the UNHRC report admits that it *"is not, and does not purport to constitute, a judicial or quasi-judicial process of any kind or legal characterization of the listed activities or business enterprises' involvement therein."*[26]

As regards factual examination, where the companies contacted did not provide additional information, *"OHCHR relied on desk research to assess the information received from Member States and* ***stakeholders****"*[27] (emphasis added). Examination of the list suggests heavy reliance on pro-BDS publications from partisan NGOs such as Who Profits and Human Rights Watch.[28] Moreover, the database uses the nebulous criterion "human rights concerns" rather than "human rights breaches." Inclusion on the list does not therefore imply any finding of violation.

Finally, it should also be noted that the list does not take into account benefits to Palestinians from the activities of the listed enterprises, which in many cases are very considerable, as discussed above.

6. Cllr Bird mentions "*Adverse findings against two Britain-based companies by the Department for International Trade and OECD*." We understand this to refer to decisions of the UK National Contact Point ("NCP") for the OECD Guidelines for Multinational Enterprises, which is now part of the Department for International Trade. So far as we are aware the only cases where adverse findings have been made against British-based companies relating to the West Bank were G4S[29] and JCB.[30] Neither of these companies is included in the list of holdings of the Merseyside Pension Fund at item 5 of the Minutes of the meeting on 22 June 2021. G4S is not included in the list published by the UNHRC. JCB is included in that list, but it should be noted that the NCP decision relating to JCB was published on

[25] Note 6 above
[26] Note 24, para 19
[27] Ib, para 30.
[28] NGO Monitor, *Analysis of the UN's Discriminatory BDS Blacklist*, 13 February 2020 https://www.ngo-monitor.org/reports/un-blacklist-analysis/
[29] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/846880/bis-15-306-lawyers-for-palestinian-human-rights-final-statement-after-examination-of-complaint-uk-national-contact-point.pdf
[30] https://www.gov.uk/government/publications/lawyers-for-palestinian-human-rights-complaint-to-uk-ncp-about-jcb/final-statement-lawyers-for-palestinian-human-rights-complaint-to-uk-ncp-about-jcb

12 November 2021 and there is at present no evidence that JCB will not comply with its recommendations.

7. Finally, Cllr Bird asserts that "*Realising around £2m of investment in 7 companies is of a scale and nature unlikely to cause significant financial detriment to Merseyside Pension Fund members*." The value of the investments identified at item 5 of the Minutes of the meeting on 22 June 2021 amounted to £2.74 million at that date. However, the financial detriment to the fund from disposing of these investments would not be limited to the loss of return on these shares alone.

In the first place, it appears that at least some of these investments are in externally managed funds. In order to dispose of these holdings, it would probably be necessary to dispose of the entire holdings in the relevant funds, which would no doubt be much greater than £2.74 million.

Secondly, if a policy of not investing in stocks such as these is adopted, this would preclude the Fund investing in a larger range of companies in a similar position, thereby limiting the Fund's options for investment. The opportunity cost could well be significant, especially if other investment options are narrowed, as can happen at any time. For example, at the time of writing, there is a real possibility that conflict in the Ukraine will result in wide-ranging sanctions being imposed by the UK and other countries on businesses trading in Russia. In this eventuality, other investments that are not sanctioned may also become commercially unattractive. And even if no escalation of armed conflict in the Ukraine materialises, inflationary pressures are producing instability in financial markets, which may make various companies operating in Israel and territory under its administration relatively attractive, and holding cash unattractive.

Thirdly, if the Fund divests from companies operating in the West Bank, it should also divest from companies operating in other occupied territories. As the reports of the Kohelet Policy Forum show,[31] these include a large number of major international companies. If discrimination is to be avoided, the divestment required is likely to be very substantial. On the other hand, if discrimination is not avoided, the divestment decision could be legally challenged and there is likely to be external pressure to apply a similar policy in relation to other territories.

Fourthly, there are likely to be significant costs of management and administration arising from a policy of divesting from and not investing in companies operating in occupied territories.

[31] Note 7 above

The Law Commission test is not a simple "tick-box" exercise. It is much more complex than simply calculating realisable value of the holdings to be divested and requires expert analysis.[32]

Conclusion

The implications of a decision to divest from holdings in companies because they operate in the West Bank has implications that go far beyond the value of these individual holdings. It would be acutely divisive, promote antisemitism and exacerbate tensions between different communities. Even if limited to companies operating in the Werst Bank, the detriment to the Fund could well be significant. Moreover, targeting companies that operate in the West Bank without following a similar approach to companies operating in other occupied territories would be discriminatory. On the other hand, applying a similar approach to other occupied territories and countries where serious violations of human rights take place would be likely to result in very substantial detriment to the Fund.

Due to these factors, it is likely that a decision to divest these holdings on this ground would breach fiduciary duties, the PSED and/or the Members Code of Conduct.

We hope that these observations are of assistance. If you have any questions, please do not hesitate to contact me.

Yours sincerely

Jonathan Turner
Chief Executive

[32] See Daniel Harris, op cit (note 21) at pages 12-13.

WIRRAL

PENSIONS COMMITTEE

23 FEBRUARY 2022

REPORT TITLE:	**LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE**
REPORT OF:	**DIRECTOR OF PENSIONS**

REPORT SUMMARY

This report informs Members that on 16th December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) published the Government Actuary Department's (GAD) report on the 2019 LGPS valuations for England and Wales, as required, under Section 13 of the Public Service Pension Schemes Act 2013. The report was expected to be published in the summer but was delayed due to ministerial time constraints and discussions between various stakeholders.

RECOMMENDATION/S

That the Pensions Committee notes the outcomes of the Section 13 report and the specific information relating to Merseyside Pension Fund.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION/S

1.0 There is a requirement for Members of the Pension Committee to be kept up to date with these developments as part of their decision-making role and overall governance of the Fund.

2.0 OTHER OPTIONS CONSIDERED

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

3.0 BACKGROUND INFORMATION

Section 13 Report on 2019 LGPS valuations

3.1 This is the second formal Section 13 report on MPF. Section 13 was previously applied, for the first time, to the 2016 LGPS triennial valuation. The Key Performance Indicators (KPIs) for the Merseyside Pension Fund are attached as an appendix along with explanatory notes relating to each measure applied by the GAD in their assessment.

3.2 The Fund's 2019 valuation funding strategy was given a clean bill of health and was rated "green" for all of the KPIs, with the exception of 'asset shock' which reflects the potential impact of a sharp fall in asset values on future contribution requirements, relative to the core spending power of the major Councils (i.e. the level of affordability of increases). The asset shock measure is a consequence of Merseyside's surplus funding position, and highlights that the local employers have constrained budgets relative to the overall potential additional contribution requirements.

3.3 The remit of the Section 13 valuation is to test the premise of achieving solvency and long-term cost efficiency to ensure that appropriate funding plans are put in place for all LGPS Funds in England and Wales. Section 13 requires the GAD to report on whether the following aims are achieved:

- **Compliance** – the report noted that this objective has been met
- **Consistency** – the report noted that in general whilst there appears to have been an improvement in consistency in the key assumptions there is still progress needed and there has been little progress in relation to academy conversions
- **Solvency** - the report makes the comment that liabilities are growing much faster than size of employers backing them which therefore presents greater risk going forward, despite an improvement in funding levels more generally. However, the asset liability modelling that has been included in this section, allows for the downturn due to the onset of the national lockdown at the start of the pandemic but not the rebound (due to lack of availability of data), which

presents a more downbeat picture than is expected to be the case, although the ongoing outlook is very uncertain.

- **Long term cost efficiency** - GAD reiterates the message of the need to consider the balance of cost between current and future generations of taxpayers and that deficit recovery plans can be demonstrated to be a continuation of the existing plan with appropriate adjustment for experience since previous valuations. In addition, there is commentary in the GAD report regarding the use of contingent assets and the additional cost and risk associated with such arrangements with a recommendation for the Scheme Advisory Board (SAB) to consider the governance of such arrangements.

2022 Valuation Implications

3.4 The report also notes several key areas for consideration for the 2022 valuations, including on McCloud, the impacts of Covid-19 and on climate change reporting.

3.5 **McCloud costs** - Given that there is now greater certainty around the McCloud remedy, GAD notes it would expect a consistent and explicit calculation approach to be adopted at the next valuation.

For the Fund, an explicit calculation approach was undertaken for the 2019 valuations, which for active members is consistent with the expected final remedy (subject to receipt of draft regulations, which are expected in 2022).

3.6 **Covid-19 impact** - In relation to Covid-19, the report simply comments that a dialogue between the actuarial firms and GAD to ensure consistency of approach, is encouraged.

3.7 **Climate change** - The report notes that DLUHC will be consulting on proposals for new requirements for assessing and reporting on climate risks in 2021 in line with the recommendations of the Taskforce on Climate-related Financial Risks (TCFD), and new regulations and guidance are expected to follow. It further notes that climate risk will be a focus in future section 13 reports. GAD will facilitate dialogue and engagement with DLUHC, actuarial advisors and the SAB prior to publication of the 2022 valuations to ensure a consistent approach is adopted. This is something that Mercer as the Fund Actuary will be considering in conjunction with officers.

Other Considerations

3.8 **Academies** - The report comments in some detail about consistency of funding treatment for academies and the lack of progress in achieving consistency in funding approach for conversion to academy status. In the absence of a mandated approach, Funds will continue to apply their own policies for academy conversions. The Fund is satisfied that its funding approach for academy conversions is fair to all parties.

3.9 **Standardised Assumptions** - The remit of the Section 13 valuation is to test the premise of achieving solvency and long-term cost efficiency to ensure that appropriate funding plans are put in place. The Fund actuary's view is that assumptions used across Funds do not need to be standardised and that any alignment of approach should be principles based. This is true of funded pension arrangements which have different risk appetites, breadth of employers, affordability constraints and differential investment strategies. It is welcomed that the finalised report acknowledges that variation of discount rate and demographic assumptions between Funds is to be expected. GAD also notes the need for more transparency in the reporting of the local considerations that have been taken account of for assumption setting, to help justify the variance in assumptions between Funds going forwards.

3.10 **Planning for 2022** - The report provides context as LGPS funds progress the planning for the 2022 valuations, in particular the messaging around climate change reporting will be welcomed and the Actuary will work with GAD and the other actuarial firms together with Fund officers as to how this will be delivered in practice.

4.0 FINANCIAL IMPLICATIONS

4.1 There are none directly arising from this report.

5.0 LEGAL IMPLICATIONS

5.1 The Department for Levelling Up, Housing and Communities (DLUHC) instructed the Government Actuary Department's (GAD) to report on the 2019 LGPS valuations for England and Wales, as required under Section 13 of the Public Service Pension Schemes Act 2013.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none directly arising from this report.

7.0 RELEVANT RISKS

7.1 A failure to provide Pensions Committee with reports commissioned by the government in regard the LGPS could hinder Committee in fulfilling its statutory requirements.

8.0 ENGAGEMENT/CONSULTATION

8.1 As the Section 13 report is commissioned by the DLUHC there was no requirement for the Fund to consult with stakeholders.

9.0 EQUALITY IMPLICATIONS

9.1 DLUHC and the Scheme Advisory Board undertake equality impact assessments regarding the provisions of the LGPS Regulations and the long-term cost efficiency of Scheme funding arrangements.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are none directly arising from this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none directly arising from this report.

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APPENDICES

Appendix 1 - MPF Section 13 Summary of KPIs

The PDF file may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact mpfadmin@wirral.gov.uk if you would like this document in an accessible format.

BACKGROUND PAPERS

Section 13 Report

Local Government Pension Scheme: review of the actuarial valuations of funds as at 31 March 2019 - GOV.UK (www.gov.uk)

SUBJECT HISTORY (last 3 years)

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

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Mercer

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Section 13 Report 2019 Valuation

Merseyside Pension Fund KPIs

A business of Marsh McLennan

Extract of MPF Specifics

Funding Levels:

2019 LOCAL BASIS	SAB STANDARD BASIS
101%	115%

Long Term Cost Efficiency Measures:

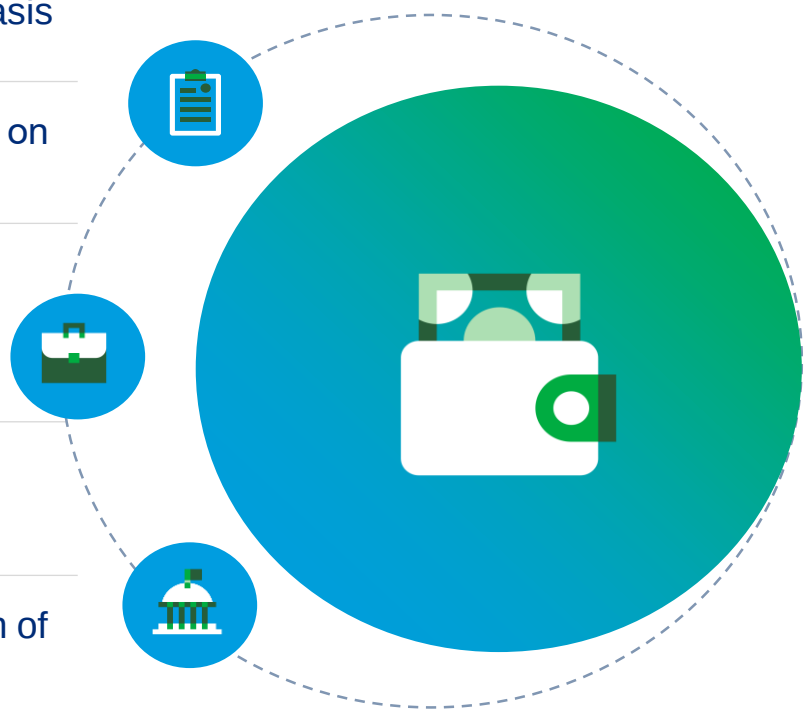
MATURITY (RANK)	LONG TERM COST EFFICIENCY MEASURES				
	Relative considerations		Absolute considerations		
	Deficit Period	Required Return (Rank)	Repayment Shortfall	Return Scope	Deficit Recovery Plan
9.2 (6)	Surplus	3.3% (47)	Surplus	1.2% (36)	Green

Solvency Measures:

MATURITY (RANK)	SOLVENCY MEASURES				
	Risks already present			Emerging risks	
	SAB Funding Level	Open Fund	Non - Statutory Employees	Asset Shock	Employer Default
9.2 (6)	115%	Yes	11.6%	3.6%	Surplus

Explanatory Terms
Long Term Cost Efficiency Measures

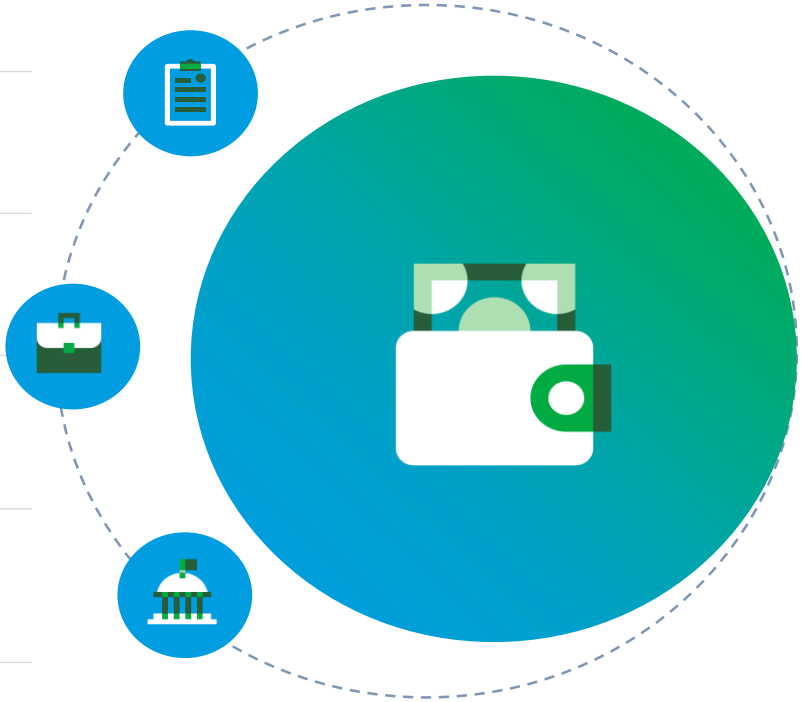
Deficit Period	Implied deficit recovery period calculated on a standardised best estimate basis
Required Return	The required investment return rates to achieve full funding in 20 years' time on a standardised best estimate basis
Repayment Shortfall	The difference between the actual contribution rate net of GAD's best estimate future service cost and the annual deficit recovery contributions (on a standardised best estimate basis and assuming deficit is paid off in 20 years), as a percentage of payroll
Return Scope	The required investment return rates as calculated in required return, compared with the fund's expected best estimate future returns assuming current asset mix maintained
Deficit Recovery Plan	Confirmation that the deficit period can be demonstrated to be a continuation of the previous deficit recovery plan, after allowing for actual fund experience



Section 13 Report:
https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2019

Explanatory Terms
Solvency Measures

SAB Funding Level	A fund's funding level using the SAB standard basis
Open Fund	Whether the fund is open to new members
Non-Statutory Members	The proportion of members within the fund who are employed by an employer without tax raising powers or statutory backing
Asset Shock	The change in average employer contribution rates as a percentage of Core Spending Power or financing data after a 15% fall in value of return-seeking assets
Employer Default	The change in average employer contribution rates as a percentage of payroll if all employers without tax raising powers or statutory backing default on their existing deficits



Section 13 Report:
https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2019

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WIRRAL

PENSIONS COMMITTEE

23 FEBRUARY 2022

REPORT TITLE:	**MEMBERS' LEARNING AND DEVELOPMENT**
REPORT OF:	**DIRECTOR OF PENSIONS**

REPORT SUMMARY

The purpose of this report is to provide Members with an outline of the anticipated opportunities for learning and development in 2022.

RECOMMENDATION/S

The Pensions Committee is recommended to note the report and approve the outline learning and development plan for 2022.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

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, 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.

3.0 BACKGROUND INFORMATION

3.1 In recent years there has been a marked increase in the scrutiny of public service pension schemes, including within the LGPS across the UK. The Public Service Pensions Act 2013 introduced new governance legislation, including the requirement for Local Pension Boards to be set up and extended the remit of the Pensions Regulator to public service schemes as set out in its Code of Practice 14. Additionally, the Department of Levelling Up, Housing and Communities (DLUHC) and the Scheme Advisory Board (SAB) have emphasised the need for the highest standards of governance in the LGPS. This includes ensuring that all involved in the governance of public sector funds can evidence they have the knowledge, skills and commitment to carry out their role effectively.

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. Also, the Scheme Advisory Board for England and Wales has reviewed 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. 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.

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

3.4 It is a 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.

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

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

3.7 Additionally, Members will be provided with access to 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. 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.

3.8 An outline training programme is attached as an appendix to this report. There will be a mix of virtual and in person events.

4.0 FINANCIAL IMPLICATIONS

4.1 The Fund makes a budgetary provision for training. Members will be advised of the costs of events on a case-by-case basis. The LOLA online training system will assist in providing a record of training activity.

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 There are no implications arising directly from the report.

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 Training needs assessments are undertaken periodically to assist in the development of learning opportunities.

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. Members can request reasonable adjustments to make the information as accessible as possible and this will be considered upon request and on an individual basis.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are none arising from this report. The increased availability of virtual learning will help to reduce travel.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising from this report.

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APPENDICES

Appendix 1 Summary of known training opportunities.

BACKGROUND PAPERS

CIPFA Pensions Knowledge and Skills Framework Pensions Knowledge and Skills Framework | CIPFA

The Good Governance project LGPS Scheme Advisory Board - Good Governance (lgpsboard.org)

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
This is an annual report to Pensions Committee	2 February 2021 3 February 2020 21 January 2019

APPENDIX 1

MONTH (2022	**EVENT**
20-21 January	LGPS Governance Conference
25 January	Workshop on Human Rights
26 January	LGA - LGPS Update event. Online
9-10 March	PLSA ESG conference. Online
2 March	Investment Monitoring Working Party. Online
24-25 March	LGC Conference, Chester
25-26 May	PLSA Investment Conference, Edinburgh
8 June	Investment Monitoring Working Party. Online
13-15 June	PLSA Local Authority Conference, Gloucester
September	LGC Investment & Pensions Summit, Leeds
13 September	Investment Monitoring Working Party. Online
12-13 October	PLSA Annual Conference, Liverpool
15 November	Investment Monitoring Working Party. Online
November	Annual Employers Conference, tbc
October – December	LGA – LGPS Fundamentals training days; multiple dates & locations tbc
December	LAPFF Annual Conference, Bournemouth

WIRRAL

PENSIONS COMMITTEE

23 FEBRUARY 2022

REPORT TITLE:	**MERSEYSIDE PENSION FUND BUDGET FINANCIAL YEAR 2022/23**
REPORT OF:	**DIRECTOR OF PENSIONS**

REPORT SUMMARY

The purpose of this report is to request that Members approve the budget for Merseyside Pension Fund (MPF) for the financial year 2022/23.

RECOMMENDATION/S

The Pensions Committee is recommended to:

(1) Approve the budget for 2022/23. (Subject to review of charges from the administering authority for support services).

(2) Receive a further report on the outturn for 2021/22 with finalised estimates, in particular for departmental & central support charges and any known changes in supplies and services for 2022/23 at a future meeting.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

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

2.0 OTHER OPTIONS CONSIDERED

2.1 The majority of the Pension Fund budget is taken up by investment management costs and staffing. The investment management arrangements are subject to ongoing review with additional scrutiny from the Northern Local Government Pension Scheme (NLGPS) Joint Committee. For all other expenditure there has been a careful review process with senior management culminating in a planning meeting at which the Director of Pensions approved the proposals for discretionary expenditure in this report.

3.0 BACKGROUND INFORMATION

3.1 The headline figures are that, during the financial year 2022/23, we are estimating that MPF will pay £382m in pension benefits and receive £164m in contributions from employers and employees. The Fund has a value of £10.9bn at 31 December 2021. The proposed administration costs of £24.8m including £16.5m of investment management charges to external managers represent a cost of £177.55 per member of the scheme or 0.23% of assets under management. Taken separately the external investment management costs are approximately £117.60 per member or 0.15% of assets under management.

3.2 The budget for 2022/23 is lower at £24.8m than £25.5 in 2021/22 primarily due to lower investment management fees being forecast.

3.3 The method used to compile estimates of expenditure for 2022/23 is as follows:

Staffing	Current structure to be fully staffed throughout year at the top of the grade.
Investment management Fees	Estimate based on normal market conditions.
Premises	Agreed as a notional charge based on market rates (MPF owns building).
Transport, Conferences and Subsistence	Estimated requirements for current year, assuming lockdown restrictions ease, however, virtual meetings and conferences continue.
Services and Supplies	Contracts where usage and cost is fixed, plus estimate for variable elements.
Inflation adjustments	CPI 3.1% as at September 2021.
Investment Performance	1.9% + 2.3% bonds; 6.5% equities; 50% of performance targets met for active management.

3.4 This report includes a predicted out-turn for 2021/22. Due to the volatility in financial markets and delays in billing from certain third-party suppliers it is not possible to predict the outturn with complete accuracy. Therefore, some estimates have been used, and it is proposed to report on the actual outturn at a future meeting of Pensions Committee. At present, the outturn is lower than predicted largely due to lower investment management fees, budgeted projects and areas of work being deferred to 2022/23 and assumptions used for staffing.

3.5 The Fund's major expenditure is on investment management fees. For 2022/23 it is assumed that the assets under management remain as 2020/21. Investment management fees are mostly charged on an ad-valorem basis with, on some occasions, a performance fee. This means that when the Fund's investments rise in value and/or outperform benchmarks, the fees can rise substantially. Accordingly, when this expenditure rises there is a benefit to the Fund in terms of capital appreciation that far exceeds the increase in fees paid. For 2021/22, the outturn is expected to be lower than the estimate made last year.

3.6 The second highest expenditure is on staffing; employee costs overall increase in 2022/23 to reflect a budgeted pay increase of 3%. The outturn for 2021/22 will be underspent due to assumptions used. With the continued growth in the Fund's assets and membership, an increasing regulatory burden, the implementation of various risk management strategies and the progress of pooling, a further review of staffing requirements is being undertaken and any material changes will be reported to a future meeting of this Committee.

3.7 The predicted 2021/22 outturn for supplies is lower than estimated largely due to an underspend on costs associated with investment selection services and pooling; these budgets have been reviewed, updated and carried forward to 2022/23.

3.8 For departmental & central support charges, at present, the estimates have been left the same as last year; the figure reported to Committee last year was £359,641. Officers at the Fund will continue to negotiate service level agreements with Wirral support service functions.

4.0 FINANCIAL IMPLICATIONS

4.1 This report includes probable outturn for 2021/22 and the budget proposed for 2022/23 and therefore the financial implications are included within this report.

4.2 The costs of the Pension Fund are charged directly to the Pension Fund and are then ultimately covered by investment income and employee and employer contributions, the full costs are estimated to be £177.55 per member (including active contributors, deferred and pensioners). The costs per member at Merseyside Pension Fund are competitive with other pension funds of similar size in both the public and private sector particularly when analysed net of investment performance.

4.3 The Fund is undertaking a number of initiatives to increase efficiencies and deliver savings, particularly from pooling and increasing the proportion of internally managed assets, over the medium term.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are no additional resource implications arising from this report.

7.0 RELEVANT RISKS

7.1 The Chair of the CIPFA Pensions Panel has previously written to all administering authorities reminding them of their responsibilities regarding the resourcing requirement of LGPS funds. The Fund regularly reviews its requirements and updates its Risk Register to reflect identified key risks and mitigating controls for these risks. A key feature of the controls is having appropriate resources available to administer the fund adequately and to manage investments. This budget provides adequate resources for these two core functions.

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 The content and/or recommendation contained within this report have no direct implications for equality.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The content and/or recommendation contained within this report have no direct implications for community wealth.

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APPENDICES

The budget for 2022/23 including the probable out-turn for 2021/22 is attached as appendix 1 to this report.

BACKGROUND PAPERS

CIPFA – Service Reporting Code of Practice for Local Authorities

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	22 June 2021 29 March 2021 3 February 2020 16 July 2019

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Appendix 1

Value of the Fund	£10.9bn	*31/12/2021*
Investment income Received	£214m	*Projected 2022/23*
Pensions Paid	£382m	*Projected 2022/23*
Contributions Received (see note 1)	£164m	*Projected 2021/22*
Active Contributing members	47,193	*31 March 2021*
Deferred members	39,295	*31 March 2021*
Pensioners	53,535	*31 March 2021*
Total Members	140,023	*31 March 2021*

		Budget 2021/22 (£)	Probable Out-Turn 2021/22	Budget 2022/23 (£)
Employees				
	Pay, NI and Pension	3,771,707	3,400,334	4,026,968
	Training	20,000	17,967	20,000
	Other Staffing Costs	51,196	56,161	52,150
		3,842,903	**3,474,462**	**4,099,118**
Premises				
	Rents	206,433	206,433	206,794
		206,433	**206,433**	**206,794**
Transport				
	Public Transport Expenses	16,600	2,120	33,370
	Car Allowances	3,000	725	3,000
		19,600	**2,845**	**36,370**
Supplies				

Furniture and Office Equipment	10,000	2,185	10,000
Printing and Stationery	13,000	8,350	13,000
Computer Development and Hardware	688,000	647,767	668,500
Postages and Telephones	64,700	62,417	70,700
External Audit	45,000	51,249	51,249
Services and Consultants Fees	1,534,840	892,085	1,559,624
Conferences and Subsistence	37,480	8,203	28,713
Subscriptions	180,430	159,570	177,004
Other	51,250	13,412	61,572
	2,624,700	**1,845,238**	**2,640,362**
Third Party			
Medical Fees	3,500	1,587	2,000
Bank Charges	10,000	10,049	12,000
Investment Management Fees	17,356,133	16,528,536	16,466,314
Custodian Fees	300,000	199,672	225,000
Actuarial Fees	500,000	746,725	500,000
Other Hired and Contracted Services	310,981	333,778	313,912
	18,480,614	**17,820,347**	**17,519,226**
Departmental & Central Support Charges	359,641	359,641	359,641
	359,641	**359,641**	**359,641**
Total Expenditure	**25,533,891**	**23,708,966**	**24,861,511**

Note 1 The estimated contributions for 2022/23 are lower, due to several of our employers paying additional upfront contributions in 2020/21 for a 3-year period. This will result in lower contributions being received in 2021/22 and 2022/23 to account for the upfront payments.

WIRRAL

PENSIONS COMMITTEE

23 FEBRUARY 2022

REPORT TITLE:	**CATALYST FUND UPDATE**
REPORT OF:	**DIRECTOR OF PENSIONS**

REPORT SUMMARY

This report provides Members with an update on the progress of the Fund's local investment activities.

RECOMMENDATION/S

The Pensions Committee be recommended to note the report.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 The Catalyst Fund aims to support development and refurbishment projects in the Merseyside area that are additive to the regeneration of the Liverpool City Region, align with the economic plans for the area whilst producing a commercial return for the Fund.

2.0 OTHER OPTIONS CONSIDERED

2.1 Not relevant for this report as elected members have requested regular updates on the Fund's local investments.

3.0 BACKGROUND INFORMATION

3.1 The Catalyst Fund was established in 2016 with the strategy of supporting development and refurbishment projects in the Merseyside area with the aim to create jobs, promote Building Research Establishment Environmental Assess Method (BREEAM) excellent space, brownfield regeneration and carbon savings, contributing to the improvement of the region whilst delivering a commercial return in line with Fund's target return.

3.2 The Fund is able to accept a modestly reduced return in comparison to the broader strategy. The Fund can invest both via equity and debt; however, at inception it was assessed that market conditions were such that lending was preferred due to better risk adjusted returns and opportunities to recycle capital.

3.3 The Catalyst Fund currently has two committed loans, totalling £21.7m, across two sectors in and around the Liverpool City Region. Catalyst debt investments are typically for shorter term, from 18 months to 36 months with an individual investment range of £5 million to £30 million to ensure greater support for local projects.

Summary of Committed Loans

Loan Name	Sector	Expected Repayment	Loan Facility	Principal Drawn
Mersey Heat	Infrastructure	Q2 2022	£13.2m	£10.3m
Wirral Waters	Office/Industrial	Q3 2023	£8.5m	£2.6m
		Total	£21.3m	£12.9m

Mersey Heat Network (District Heating)

Catalyst Fund provided an unsecured corporate debt of £13.17 million to a district heating project. The project is being developed by Mersey Heat Ltd (a subsidiary of Peel Group). This investment will accelerate the delivery of an important regeneration project in the Liverpool City Region as well as facilitate low carbon heat and energy in keeping with UK Government's clean growth strategy. This project will

be able to provide district heating facility to around 10000 residential units and some commercial units.

District heating is the supply to multiple buildings with heating and hot water from a centralised generation source, typically Combined Heat & Power plant via insulated underground pipes. Buildings collectively served by the same central heating plant is widely developed and mostly implemented in Europe (specifically in the Nordics), although not largely implemented in the UK. Mersey Heat Ltd initially aim to serve residential and commercial units with Liverpool Waters area but this project has the potential to expand to serve adjoining developments.

Wirral Waters

In September 2020 MPF committed a £8.53 million unsecured corporate facility to Wirral Waters Finance Ltd which is a wholly owned subsidiary of Peel Holdings Land and Property (UK) Limited. This investment will accelerate the delivery of an important regeneration project in the City Region, facilitating creation of new employment space outside of Liverpool City Centre. Continues to build on the good working relationship with the Peel Group.

This commitment from the Catalyst Fund is being used to fund a Grade A 30,000 sq ft office (Tower Road South) and a 70,000 sq ft light industrial Unit (MEA Park). The Development is part of the Mersey Waters Enterprise Zone, meaning Wirral Borough Council can retain 100% of the business rates generated by tenants at MEA Park and Tower Road South. There is also a £4.50 million Grant Funding in place for this project which will be invested alongside the Fund's Loan. This funding is provided for by the Liverpool City Region Combined Authority (£3.00 million in support of Tower Road South) and the Wirral Waters Investment Fund (£1.50 million in support of MEA Park).

3.4 **Ropewalks (The Eight Building - Iliad) – Development Loan**

Ropewalks is the first successful exit from the Catalyst Portfolio. The Fund had committed £10.25 million of senior debt to provide for the construction costs to deliver a 120-unit residential development at this 0.70-acre site in the Rope Walks area of Liverpool. This project was delivered by Iliad Group. The development is a 10-minute walk from Liverpool City Centre, Liverpool One and Liverpool Central Station.

The Project is now complete with 120 residential units (a mix of 1-, 2- and 3-bedroom apartments), 2,519 Sq. ft of commercial space (the long leasehold already pre-sold for £250k to Liverpool City Council) and 19 car parking spaces.

The Fund benefited from a first charge over the property and a full senior debt security package. The development was refinanced in November 2021 with the Fund receiving repayment of £11.45m, a strong return for this debt investment.

3.5 **Foresight NW Regional Fund:**

Since inception of the local investment strategy and considering the inherently risky nature of small-scale local investments, the Fund invested in debt instruments favouring property backed investments. However, the Fund has been looking at ways of investing in regional Small and Medium Enterprises (SMEs), providing equity capital in order to help these viable local businesses grow with positive impact on the local economy and job creation.

In May 2021, MPF committed £10m to the Foresight Northwest Regional Investment Fund enabling it to take equity stakes in local SMEs. The Foresight Regional Fund held a first closing on 21 May 2021 with £66.33m of capital commitments. The Fund is focused on making investments in established, profitable, small cap companies with operations in the Northwest region of the UK.

4.0 FINANCIAL IMPLICATIONS

4.1 As set out in the report.

5.0 LEGAL IMPLICATIONS

5.1 There are no implications arising directly from this report. The guidance to LGPS Investment Regulations states that the pursuit of financial return should be the predominant concern but investment may be made into projects that deliver a social impact where administering authorities have good reason to think scheme members share the concern for social impact and there is no risk of significant financial detriment to the fund.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 Local investments are often more resource intensive in the sourcing, structuring and ongoing monitoring of opportunities. Conducting very detailed due diligence and effective monitoring of the investments requires adequate staffing resources in place for a successful and effective roll out of the strategy.

7.0 RELEVANT RISKS

7.1 Local investments are inherently risky due to their direct nature, a more limited opportunity set and exposure to sometimes less financially credible, smaller-scale counterparties. Under or non-performance of one investment may have a significant influence on the overall performance of the portfolio.

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 The Fund has regard to the environmental, social and governance implications of the local investments which are made.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The Catalyst Portfolio directly supports economic growth of the region and its objectives cover local employment creation, regeneration, floor space and carbon savings all of which contribute towards collective community wealth enhancement.

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APPENDICES

BACKGROUND PAPERS

Impact Investing Institute: Building Strong Places

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee.	**29 March 2021**

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WIRRAL

PENSIONS COMMITTEE

23 FEBRUARY 2022

REPORT TITLE:	**TREASURY MANAGEMENT POLICY FOR 2022/23 AND ANNUAL REPORT FOR 2020/21**
REPORT OF:	**DIRECTOR OF PENSIONS**

REPORT SUMMARY

The purpose of this report is to request that Members approve the treasury management policy statement and the treasury management practices for Merseyside Pension Fund (MPF) for the year 2022/23.

RECOMMENDATION/S

The Pensions Committee is recommended to approve the treasury management policy statement and the treasury management practices for Merseyside Pension Fund for the financial year 2022/23.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

1.1 The approval of the treasury management policy statement and the treasury management practices for Merseyside Pension Fund by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

2.0 OTHER OPTIONS CONSIDERED

2.1 Not relevant for this report. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services requires Pensions Committee to receive an annual report on the strategy and plan to be pursued in the coming year.

3.0 BACKGROUND INFORMATION

3.1 Treasury management activities are defined as: the management of the Fund's cash flows, its banking, money market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

3.2 The Treasury Management Policy relates to money managed in-house. It excludes cash balances held by investment managers in respect of the external mandates and the internal equity investment managers.

3.3 The Fund does not borrow and therefore the policy is concerned with cash deposits only.

3.4 The main aims when managing liquid resources are the security of capital; the liquidity of investments; matching inflows from lending to predicted outflows; an optimal return on investments commensurate with proper levels of security and liquidity.

3.5 Effective management and the control of risk are prime objectives of the treasury management policy and practices.

3.6 The Fund will run minimal cash balances to pay pensions and meet other obligations. The core position is 1% of Fund assets as agreed within the strategic asset allocation approved on 3 February 2020.

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

3.8 Counterparties are reviewed on a regular basis using a range of information sources, including credit rating agencies, internal research (both from the treasury team and internal investment managers), information from brokers, advice given by the treasury management consultants, information on Government support for banks and the credit ratings of that Government support. The Fund is in a position to use a wide range of research from its investment activities to support this and achieve the

aim set on the CIPFA guidance to place a greater emphasis on acceptable credit quality rather than purely credit ratings for counterparts.

3.9 The Fund's cash flows for dealings with members have moved negative with outflows to pensioners exceeding income from contributions. With the 2019 triennial valuation's improved results reducing deficit payments, this has reduced contribution income further. The impact of COVID on the Fund's cashflows has been and will continue to be closely monitored throughout 2022/23. In an environment where a significant proportion of investment income is directly re-invested, the levels of liquid resources held need to be adequate and needs effective management with daily cashflows and regular reporting being essential.

3.10 The rate at which MPF can invest money continues to be low; the Bank of England base rate was increased from 0.10% to 0.25% in December 2021. Although further increases are expected short-term money market rates and bank deposit rates are likely to remain at low levels for an extended period which will have an impact on investment income.

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

3.12 The policy statement for 2022/23 is attached as Appendix 1 to this report. There are no changes to the policy approved by Pensions Committee for 2021/22.

Annual Report 2020/21

3.13 In accordance with the Treasury Management Policy for 2020/21, the following items provide a report on treasury management activities for that year:

- Managing counterparty risk continued to be the overarching investment priority.
- Managing liquidity risk was heightened during the period due to the pandemic. To manage this risk and as part of the Fund's continuity planning arrangements, additional cash balances were held over the period and the limit for holding monies with our present bank and the Custodian was increased, in order to minimise potential liquidity issues.
- Investments during the year included call (instant access) accounts and deposits with UK banks, and investments in AAA rated money market funds with a constant Net Asset Value.
- Over the twelve-month period, Northern Trust calculated the cash performance to be -1.59% against a benchmark performance (7-day LIBID) of -0.07%.
- The Fund was compliant with the Treasury Management Policy throughout 2020/21. However, the Treasury Team did seek permission, in accordance with the policy, to exceed the deposit limit with the Fund's current bankers, Lloyds, above the business continuity plan limit. Permission was sought, as the Fund was anticipating receipt of significant funds for onward investment.

4.0 FINANCIAL IMPLICATIONS

4.1 As set out in the report.

5.0 LEGAL IMPLICATIONS

5.1 There are no implications arising directly from this report. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services requires Pensions Committee to receive an annual report on the strategy and plan to be pursued in the coming year.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

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

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 The content and/or recommendation contained within this report have no direct implications for equality.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The content and/or recommendation contained within this report have no direct implications for community wealth.

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APPENDICES

The Treasury Management Policy Statement 2022/23 is attached as appendix 1 to this report

BACKGROUND PAPERS

CIPFA Treasury Management Code of Practice and Guidance Notes.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	2 February 2021 3 February 2020 16 July 2019 21 January 2019

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Appendix 1

MERSEYSIDE PENSION FUND
TREASURY MANAGEMENT POLICY STATEMENT

1 INTRODUCTION

1.1 Merseyside Pension Fund adopts the key principles of 'CIPFA's Treasury Management in the Public Services: Code of Practice' (the Code), as described in Section 4 of that Code.

1.2 Accordingly, the Fund will create and maintain, as the cornerstones for effective treasury management:

• This treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities

• Suitable treasury management practices (TMPs), setting out the manner in which this organisation will seek to achieve these policies and objectives, and prescribing how it will manage and control these activities.

2 DELEGATION

2.1 Pensions Committee will receive reports on its treasury management policies, practices and activities including an annual strategy and plan in advance of each financial year and an annual report after its close. The Investment Monitoring Working Party (IMWP) will receive interim reports on treasury management performance as required.

2.2 Pensions Committee is responsible for the implementation and regular monitoring of its treasury management policies and practices and will delegate execution and administration of treasury management decisions to the Director of Pensions who will act in accordance with this policy statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

2.3 The IMWP is responsible for ensuring effective scrutiny of the treasury management strategy, policies and performance.

3 DEFINITION

3.1 Treasury management activities are defined as: the management of the Fund's cash flows, its banking, money market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

3.2 The Fund regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on the risk implications for the Fund.

3.3 The Fund acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable performance measurement techniques within the context of effective risk management.

TREASURY MANAGEMENT PRACTICES (TMPs)

4 TMP 1 Risk Management

4.1 The Fund regards a key objective of its treasury management activities to be the security of the principal of the sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investments.

4.2 The Director of Pensions will design, implement and monitor all arrangements for the identification, management and control of treasury management risk and will report annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Fund's objectives.

4.3 The Fund will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP 4 and listed in the schedule (4.1, 4.2) to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations with whom it may enter into financing arrangements.

4.4 The Fund will ensure that it has adequate though not excessive cash resources to enable it at all times to have the level of funds available to it, which are necessary for the achievement of its business objectives.

4.5 The Fund will manage its exposure to interest rates with a view to securing its interest revenue as far as is possible within cash flow constraints and by the prudent use of permissible instruments.

4.6 The Fund will achieve these objectives by the prudent use of its approved investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level and structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

4.7 It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact.

4.8 The Fund will keep under review the sensitivity of its treasury activities to inflation and will seek to manage the risk accordingly in the context of the whole Fund's inflation exposures.

4.9 The Fund will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its

counterparty list, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

4.10 The Fund recognises that future legislative or regulatory changes may impact on its treasury management activities and so far as it is reasonably able to do so will seek to minimise the risk of these impacting adversely on the organisation.

4.11 The Fund will ensure that it has identified the circumstances, which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

4.12 The Fund will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such fluctuations.

5 TMP 2 Performance Measurement

5.1 The Fund is committed to the pursuit of value for money in its treasury management activities. Accordingly, the treasury management will be the subject of ongoing analysis of the value it adds. It will be the subject of regular examinations of alternative methods of service delivery and the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule (2.1) to this document.

6 TMP 3 Decision Making and Analysis

6.1 The Fund will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching these decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule (3.1, 3.2, 3.3, 3.4) to this document.

7 TMP 4 Approved Instruments, Methods and Techniques

7.1 The Fund will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule (4.1, 4.2) to this document.

8 TMP 5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

8.1 The Fund considers it essential for the purposes of effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner and that there is at all times clarity of treasury management responsibilities.

8.2 The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

8.3 If and when the Fund intends, as a result of a lack of resources or other circumstances to depart from these principles, the “responsible officer” will ensure that the reasons are properly reported, and the implications properly considered and evaluated.

8.4 The Director of Pensions is the responsible officer. The responsible officer shall ensure that there are clear written statements of the responsibilities for each post engaged in treasury management and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule 5 to this document.

8.5 The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

8.6 The delegations to the responsible officer in respect of treasury management are set out in the schedule (5) to this document. The responsible officer will fulfil all such responsibilities in accordance with this policy statement and TMPs and the CIPFA Standard of Professional Practice on Treasury Management.

9 TMP 6 Reporting Requirements and Management Information Requirements

9.1 The Fund will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of these policies.

9.2 Pensions Committee will receive an annual report on the strategy and plan to be pursued in the coming year.

9.3 An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Fund’s treasury management policy statement and TMPs, will be received by the Pensions Committee.

9.4 The Fund Operating Group (FOG) will receive interim reports on treasury management, with significant issues reported to IMWP.

10 TMP 7 Budgeting, Accounting and Audit Arrangements

10.1 The budget for the treasury management function will be included as part of the budget for the Fund which is submitted to Pensions Committee on an annual basis.

10.2 The Fund will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

11 TMP 8 Cash and cash flow management

11.1 All monies in the hands of the Fund will be under the control of the Director of Pensions and will be aggregated for cash flow and investment purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with liquidity risk management. The present arrangements for preparing cash flow projections are set out in the schedule (8.1, 8.2) to this document.

12 TMP 9 Money Laundering

12.1 The Fund is alert to the possibility that it may become subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of Counterparties and reporting suspicions and will ensure that staff involved in this are properly trained.

13 TMP 10 Training and Qualifications

13.1 The Fund recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer shall recommend and implement the necessary arrangements. The present arrangements are set out in the schedule (5.6) to this document.

13.2 The responsible officer shall ensure that Pension Committee Members tasked with Pension Fund responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.

14 TMP 11 Use of external service providers

14.1 The Fund recognises that responsibility for treasury management decisions remains with the Fund at all times. The Fund recognises there may be potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons, which will have been subjected to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

14.2 The Fund will ensure, where feasible and necessary that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangement's rests with the Director of Pensions. Details of the current arrangements are set out in the schedule (9.1, 9.2) to this document.

15 TMP 12 Corporate Governance

15.1 The Fund is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

15.2 The Fund has adopted and has implemented the key principles of the Treasury Management Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management and the responsible officer shall monitor and, if and when necessary, report upon the effectiveness of these arrangements.

MERSEYSIDE PENSION FUND:

SCHEDULE TO TREASURY MANAGEMENT POLICY

SCHEDULE 1:
RISK MANAGEMENT

1.1 The Fund has the following range of approved maximum limits for counterparties subject to meeting the high credit criteria determined by the Fund

CATEGORY	LIMIT Per Institution/Group
Fund's Bank	£50m
Approved Bank	£20m
Approved Building Societies	£15m
All Local Authorities	£20m
Money Market Funds	£30m
Fund's Custodian (Money Market Fund) (Internal and External Managers guideline)	£100m*

**All funds deposited with the Custodian do not form part of the Treasury Management team's decision-making, some funds represent cash with fund managers awaiting investment or cash collateral. Cash left by internal and external managers is subject to their market calls. Subject to the restrictions within their individual Investment Management Agreements, the aggregate of their deposits could potentially exceed the £100m guideline in certain situations. The cash with the custodian is held within a money market fund and the risk of default is diversified across a wide number of names.*

At the time of placing a deposit, a maximum country limit of 10% of the cash portfolio in any single jurisdiction outside the UK will be maintained.

1.2 Under exceptional circumstances e.g. transitional arrangements on appointment of new Investment Managers, these limits may be exceeded for a limited period with the prior written approval of the Director of Pensions and Fund Operating Group (FOG). Such instances will be reported to Pensions Committee as part of the Treasury Management Annual Report.

1.3 The Fund and the administering Authority (Wirral Council) and its advisors, Arlingclose Ltd, select financial institutions after analysis and ongoing monitoring of:

- Published credit ratings for financial institutions (minimum long term rating of A- or equivalent for counterparties; AA+ or equivalent for non-UK sovereigns
- Credit Default Swaps (where quoted)
- Economic fundamentals (for example Net Debt as a percentage of GDP)

- Sovereign support mechanisms
- Share Prices
- Corporate developments, news, articles, markets sentiment and momentum
- Subjective overlay – or, put more simply, common sense.
- Any institution can be suspended or removed should any of the factors identified above give rise to concern.

1.4 It remains the Fund's policy to make exceptions to counterparty policy established around credit ratings, but this is conditional and directional. What this means is that an institution that meets criteria may be suspended, but institutions not meeting criteria will not be added.

1.5 The Fund is in a position to use a wide range of research from its investment activities to support this and achieve the aim set on the CIPFA guidance to place a greater emphasis on acceptable credit quality rather than purely credit ratings for counterparts.

1.6 The Fund requires liquid resources to meet pension payments, investment commitments and administrative expenses. The cash flows from realisation and purchase of investments can be large and concentrated and the Fund needs to maintain facilities and resources to meet these. On days when there is a significant transition of assets between asset managers, appropriate arrangements are made with the Fund's bankers regarding the timings of the receipt and payments of cash flows (day light exposure).

1.7 The Fund's cash flows for dealing with members is negative with outflows to pensioners more than income from contributions. In an environment where a significant proportion of investment income is directly re-invested, the levels of liquid resources held need to be adequate and daily cashflows and regular reporting is essential.

1.8 It will manage its exposure to fluctuations in exchange rates. In general, the Fund will only hold foreign currencies to fund pending investment transactions thus limiting the exposure of treasury management activities to fluctuations in exchange rates so as to minimise any detrimental impact.

SCHEDULE 2:
PERFORMANCE MEASUREMENT

2.1 The performance of the Fund's investments is independently measured by Northern Trust. The performance of cash is included as part of this process and is benchmarked against an appropriate measure. This performance measurement is subject to scrutiny by Pensions Committee and IMWP.

2.2 The costs of investment management generally including treasury management expenses are separately accounted for in the Annual Statement of Accounts. Comparisons are made between internal and external fund management costs.

SCHEDULE 3:
DECISION MAKING AND ANALYSIS

3.1 Decision-making is delegated as indicated in the management arrangements set out in schedule 5. Day to day decisions are constrained by the risk controls set out in the other schedules such as approved instruments and counterparties etc.

3.2 Tactical decision making by officers will seek to use information from brokers to meet cash flows whilst gaining a maximum return within risk constraints. Officers will have access to up to date market information.

3.3 Strategic decision making by officers and members will seek to set in place a plan that meets the needs of the Pension Fund in relation to its overall investment plan. The external advisers to the Fund (actuary and independent advisers) will help to ensure that decisions are well informed.

3.4 A risk assessment form will be completed for each treasury management transaction (excluding cash at bank), detailing the circumstances at the time the decision is made and providing evidence of the issues considered.

SCHEDULE 4:
APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 The Fund will use the following instruments for its internally managed treasury management activities. The Fund does not use derivatives for risk control associated with the treasury management function but may hold derivatives for risk control within the overall portfolio and as investments (these may be held by internal and external managers)

- AAA rated money market funds
- Call funds (instant access deposits)
- Fixed term deposits with counterparties
- Forward Fixed term deposits with counterparties
- Structured Fixed term deposits with counterparties (See Note 1)
- Cash at bank (Lloyds and Northern Trust)

Note 1: these are effectively deposits which give MPF or deposit taker the option to cancel agreement or renegotiate duration/interest rate of the deposit at fixed periods agreed at commencement of the deposit. These products allow the internal team the opportunity to gain additional yield if their view on interest rates is correct, as the counterparty will have a contrarian view on either the direction or speed of interest rate changes.

4.2 The Fund will permit external fund managers to use all instruments permitted under the Investment Manager Agreement.

SCHEDULE 5:
ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

5.1 The structure for the treasury management functions is as follows:

Pensions Committee
Oversees all aspects of Merseyside Pension Fund on behalf of Wirral Council and the other admitted bodies. Reviews investment strategy and overall administration of the Fund.

Investment Monitoring Working Party (IMWP)
Makes recommendations to Pensions Committee following consultation with in-house managers and external advisers.

Director of Pensions
Responsibilities as set out in twelve Treasury Management Practices.

Fund Operating Group (FOG)
Includes reviewing the day to day operation of the investments and accountancy function.

Head of Finance & Risk
Responsible for team that undertakes treasury management activities.

5.2 The day to day transactions for treasury management are executed by the treasury management team overseen by the Fund Accountant(s).

5.3 The transmission of funds is carried out by the settlements team through electronic banking system and the recording of transactions is monitored by the Senior Fund Accountant ensuring an adequate separation of duties in the system.

5.4 The physical authorisation of the release of payments from the bank account is made by the Fund's authorised signatories as approved by Pensions Committee.

5.5 There are sufficient staff employed in the process to cover absences and maintain a separation of duties; the duties of staff are outlined in their job descriptions.

5.6 Staff currently involved in the system have an adequate level of relevant qualifications. Further training, as required, is made available as part of ongoing staff development:

Director of Pensions FCSI, ACIB
Head of Finance & Risk CPFA
Senior Fund Accountant CIMA
Fund Accountant (Compliance) AAT
Settlements Officer AAT
Valuations Officer AAT
Investment Officer (this post is currently vacant)

5.7 Dealing arrangements will be detailed within application forms (where applicable) and approved by an authorised signatory.

5.8 The Fund's policy is not to tape treasury management conversations, although faxed or emailed confirmation is required of the deal from the broker or directly from the counterparty (if non-standard) before the payment is released.

5.9 Treasury management facilities are set up with the approval of at least one of the Fund's authorised signatories.

5.10 Treasury management facilities provided on the internet will be agreed with the Director of Pensions and will be scrutinised by the Compliance Section to ensure all necessary controls are in place.

SCHEDULE 6:
REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

6.1 The Fund will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of these policies; on the implications of changes, including budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

6.2 Pensions Committee will receive an annual report on the strategy and plan to be pursued in the coming year.

6.3 An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Fund's treasury management policy statement and TMPs, will be received by the Pensions Committee.

6.4 The Fund Operating Group will receive interim reports on treasury management, with significant issues reported to IMWP.

SCHEDULE 7:
BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 The Fund will ensure that its auditors and those charged with regulatory review have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfillment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed in the schedule (10.1) to this document.

SCHEDULE 8:
CASH FLOW

8.1 Given the unpredictable nature of cash flows in investment management and in the payment of lump sum benefits, the Fund is not able to forecast cash flows precisely. The Fund has designed its cash portfolio to meet the principal material predictable cash flows i.e. pension pay days and retains a sufficient level of liquidity to cover other calls on cash.

8.2 The Settlements officer maintains cash flow statements on a monthly basis updated daily for predictable cash flows and uses this as a tool to assist the treasury management function.

SCHEDULE 9:
USE OF EXTERNAL PROVIDERS

9.1 The main providers of services to the Fund are money market brokers. As the Fund does not borrow funds it does not pay commission to the brokers. The performance of brokers is under regular review by staff.

9.2 The Fund's main clearing bank contract is the subject of regular tendering exercises.

9.3 The Fund's Custodian contract is subject of regular tendering exercises.

SCHEDULE 10:
CORPORATE GOVERNANCE AUDIT AND COMPLIANCE

10.1 The Fund is administered by Wirral Council and is subject to its corporate governance arrangements including regular internal audit and annual external audit. The treasury management function is examined by both of these audits regularly as a high priority area. Officers shall ensure that all documentation listed below is made available to auditors:

- Internal policies
- Internal records of deals
- Counterparty confirmations

WIRRAL

PENSIONS COMMITTEE

23 FEBRUARY 2022

REPORT TITLE:	**COMPLAINTS POLICY FOR MERSEYSIDE PENSION FUND**
REPORT OF:	**DIRECTOR OF PENSIONS**

REPORT SUMMARY

The purpose of this report is to inform Members of the introduction of a 'Complaints Policy' intended to formalise and enhance the operational practice adopted by Merseyside Pension Fund in responding to complaints. This policy outlines the methods and timeframes for recording, investigating, and implementing corrective actions in dealing with complaints from members, employers and other stakeholders.

RECOMMENDATION

The Pensions Committee approve the draft 'Complaints Policy' which formalises the Fund's operational practice in responding to complaints from scheme members and employers.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION

1.1 There is a requirement for Members of the Pension Committee to approve Fund policies to support a cohesive governance and risk management framework.

2.0 OTHER OPTIONS CONSIDERED

2.1 To date the Fund has dealt with complaints as appropriately and in as timely a manner as resources have permitted. The COVID-19 pandemic and specifically the need for staff to work from home has raised the importance of setting out clear guidelines for all stakeholders (including staff) on the process and timescales for dealing with complaints.

2.2 Whilst a website published description of the complaints process was considered, officers concluded that a formal policy was the most appropriate option to ensure all complaints are dealt with effectively and consistently, with the ability to measure compliance through a transparent auditable process.

3.0 BACKGROUND INFORMATION

3.1 It is good practice for the Fund to have a formal complaints policy which is clear and accessible in informing stakeholders on how to make a complaint, and to ensure staff understand their responsibility to investigate all complaints fairly and in a timely manner. The policy is also designed to provide assurance to the Fund's stakeholders that, where appropriate, operational processes will be revised to avoid reoccurrence of any inept practice and improve future service delivery.

3.2 The policy outlines the methods and timeframes for recording, investigating, and implementing corrective actions to deal with complaints from members and employers. It also incorporates an escalation process for complaints to be reviewed by the Fund's Senior Management Team in circumstances where the complainant is dissatisfied with the actions undertaken by the relevant Service Area Manager to remedy the matter.

3.3 The complaint process is precursory to the member invoking the Statutory Internal Dispute Resolution Procedure (IDRP) prescribed under Regulation 72–79 of the Local Government Pension Scheme (LGPS) Regulations 2013, which accord with the overriding legal requirements outlined in the Pensions Act 1995. If an IDRP case is exhausted without resolution, the complaint can be referred by the scheme member or their representative to the Pensions Ombudsman.

3.4 The draft Complaints Policy contains a provision for the Service Area Manger to assess a complaint as vexatious, based on the context or the persistent behaviour of the complainant. This assessment can include unreasonable complainant behaviour and may result in a cessation of contact with the complainant on the matter, nevertheless the complainant will still have recourse to the Statutory Complaint Procedure.

3.5 The Director of Pensions and the Head of Pension Administration have overall responsibility for ensuring effective actions are undertaken to resolve complaints in accordance with the policy and to remedy any flaws in service provision. All complaints will be reviewed quarterly by the Head of Pension Administration to identify any trends which may require procedural changes or the provision of further training to Fund staff or employers.

3.6 The Local Pension Board at each of its quarterly meetings will scrutinise the complaints received along with the actions taken during the reporting period and, if appropriate, suggest further revisions to the Fund's operational practice.

3.7 The Complaints Policy will be subject to annual review and any subsequent material policy change will be presented to a future Pensions Committee for approval.

4.0 FINANCIAL IMPLICATIONS

4.1 The failure to resolve a complaint as outlined in the policy can result in the complainant invoking the IDRP in accordance with the LGPS regulations, which may lead to the Pension Ombudsman directing MPF to award compensation of up to £1,000 if deemed that maladministration has occurred in administering the member's pension benefits.

5.0 LEGAL IMPLICATIONS

5.1 All complaints will be handled confidentially, sensitively, and in compliance with relevant data protection requirements as prescribed by the Data Protection Act 2018.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 Following ratification by Pensions Committee, a workstream will be started to implement an appropriate workflow process into the pensions administration system, supporting the integration of the practice and performance measures documented in the policy.

6.2 The level of officer resource required to analyse personal files, correspondence and computer records is substantial in providing an equitable resolution to a complaint and improving customer satisfaction. However, this resource investment is preferable to the member subsequently invoking the Statutory Dispute Resolution Procedure following completion of the Fund's complaint process.

7.0 RELEVANT RISKS

7.1 Ineffective management of complaints may result in censure by the Pensions Regulator requiring a formal, resource intensive service improvement plan.

8.0 ENGAGEMENT/CONSULTATION

8.1 The Pension Board has considered the draft policy and after making several revisions to the document has deemed the attached policy (Appendix One) as suitable for presentation to Pensions Committee for its approval; on the basis that it is equitable to scheme stakeholders and improves transparency by enhancing the suite of policy documents underpinning the Fund's governance structure.

9.0 EQUALITY IMPLICATIONS

9.1 Department for Levelling Up, Housing and Communities (DLUHC) and the Pensions Regulator undertake equality impact assessments regarding the provisions of the LGPS Regulations and the administration and governance of public service pension schemes.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are none arising from this report

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising from this report

REPORT AUTHOR: **Yvonne Murphy**
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APPENDICES

Appendix 1 – Complaints Policy

The PDF file may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact mpfadmin@wirral.gov.uk if you would like this document in an accessible format.

BACKGROUND PAPERS

The Pensions Ombudsman – Dealing with complaints
https://www.pensions-ombudsman.org.uk/responding-complaint

The Pensions Regulator – Report concerns about your workplace pension
https://www.thepensionsregulator.gov.uk/en/contact-us/scheme-members-who-to-contact/report-concerns-about-your-workplace-pension

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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Merseyside Pension Fund

Complaints Policy

Wirral Metropolitan Borough Council
As approved by Pensions Committee on **xx xxxx 2022** following consultation with the Local Pensions Board

Contents

Introduction

This is the Customer Complaints and Escalation policy for Merseyside Pension Fund (MPF) which is managed by Wirral Borough Council (the Administering Authority). The policy has been consulted upon with the members of the Local Pensions Board, prior to approval by the Pensions Committee at its meeting held on xx xxxx 2022.

This policy outlines the methods and timeframes adopted by Merseyside Pension Fund for recording, investigating, and implementing corrective actions to deal with complaints from members and employers.

Policy Objectives

To provide a fair and transparent procedure which is clear and accessible in informing stakeholders on how to contact the Fund, to make a complaint and to ensure staff understand their responsibility to investigate all complaints fairly and in a timely manner.

The overarching intent is to make sure that corrective and preventative actions are undertaken to resolve customer dissatisfaction and improve future service delivery. All complaints will be handled confidentially, sensitively, and in compliance with relevant data protection requirements.

Responsibilities

The Director of Pensions and the Head of Pension Administration have overall responsibility for ensuring effective actions are undertaken to resolve complaints in accordance with this policy and to also remedy any flaws in service provision.

All Service Area Managers have the responsibility for determining solutions and preventative measures to avoid future occurrences.

Proposals that may affect cross-section operational practices are discussed at the monthly meetings of the Fund Operating Group, chaired by the Director of Pensions.

Definition of a Complaint

A complaint is an expression of dissatisfaction, whether justified or not, about the standard or delivery of service and the actions or lack of actions by the service area or staff.

Customer complaints may be received from a variety of sources including employers, members, potential members, pensioners, deferred members or the representatives of members either verbally or in writing by whatever medium.

Procedure for Dealing with a Complaint

The pension officer who receives a verbal complaint, either over the telephone or at the public reception desk, should:

- Take the complainant's name, address and telephone number, membership category and, if relevant, the relationship of the complainant to the Scheme member, then document the date of receipt.

- Write down the facts of the complaint and inform the complainant of the formal procedure, next steps, expected response times and where appropriate, ask the complainant to send a written account by post or by email so that the complainant is satisfied that all details have been captured.

- The complaint must then be allocated for review by the Service Area Manager and forwarded to the Operations and Information Governance Manager to document in the Complaints and Compliments Register.

Where a complaint is received in writing by post or by email to mpfadmin@wirral.gov.uk, it will be allocated for review by the Service Area Manager and forwarded to the Operations and Information Governance Manager to document the following details in the Complaint and Compliments Register:

- Date complaint received
- Name of person making the complaint
- National Insurance number (if the complaint relates to a member)
- Brief description of the problem
- Brief description of corrective actions
- Date of response to the complainant

The Service Area Manger can assess a complaint as vexatious, based on the context or the persistent behaviour of the complainant. This assessment can include unreasonable complainant behaviour and may result in a cessation of contact with the complainant on the matter. Please note, that complainants still have recourse to the Statutory Complaint Procedure outlined within this policy.

Resolving Complaints

The Service Area Manager should ensure that the necessary investigations are made, which may involve one or more of the following:

- Analysing or examining records: personal files, correspondence, computer records etc.,
- Discussing relevant issues with the people concerned, both internally and externally,
- Issuing details and requesting comments from officers involved in the service delivery.

On completing the investigation, the Service Area Manager should ensure that:

a) An appropriate response is provided to the complainant giving the relevant details within prescribed timescales,

b) The result is summarised on the Complaints and Compliments Register, the summary should include details of investigations, conclusions, and follow-up actions,

c) The level of seniority of the officer allocated to dealing with the complaint is based on whether the complaint relates to:

   - a one-off problem with the internal administration system which has been rectified satisfactorily,
   - a one-off problem where no further action is necessary or possible,
   - a recurring problem or an underlying trend which requires a procedural change,
   - a recurring problem or an underlying trend for which a solution or policy decision is still required.

Process and Timelines for responding to a complaint

Complaint Stage 1

The complaint will be formally acknowledged and logged on the Complaints and Compliments Register within 3 working days of receipt.

The acknowledgement will confirm who is dealing with the complaint and when the complainant can expect a written response.

A copy of this complaints' procedure will be attached. In many cases, a complaint is best resolved by the pension officer who provided the pension information or benefit entitlement to the member or beneficiary, in the first instance.

If the initial complaint has not been resolved within 7 working days of receipt, a Service Area Manager will investigate and take appropriate action within 14 working days of the initial complaint.

For employer related complaints, these will generally be actioned by the appropriate Service Area Manager within 14 working days of receipt.

Escalation Process

Complaint Stage 2

If the complainant feels that the problem has not been satisfactorily resolved at Stage 1, they can request that the complaint is reviewed by the Fund's Senior Management Team. The request for review will be acknowledged within 2 working days of receipt. The acknowledgement will confirm who will deal with the case and when the complainant can expect a written response.

The Senior Management Team may investigate the facts of the case themselves or delegate to a suitably senior officer to respond to the complaint. This may involve reviewing the case and speaking with the person who dealt with the complaint at Stage 1.

Stage 2 complaints will normally receive a definitive reply within 14 working days. If this is not possible because for example, an investigation has not been fully completed, a progress report will be sent with an indication of when a full reply will be given.

The decision taken at this stage is final. If the complainant is still not satisfied with the outcome of the complaint, they can invoke the Statutory Complaint Procedure under Regulation 72 -79 of the LGPS Regulations 2013.

Statutory Complaint Procedure - Internal Dispute Resolution Procedure (IDRP)

It is a requirement of the Pensions Act 1995 to have a procedure in place to review decisions on the correct operation and interpretation of the LGPS Regulations. The Local Government Pension Scheme Regulations contains a two-stage internal dispute resolution procedure (IDRP).

Details of the Specified persons authorised to deal with Stage 1 and Stage 2 appeals will be confirmed to the appellant on receipt of the complaint.

The Pensions Ombudsman has powers to review decisions from the IDRP, along with additional powers to review cases where maladministration is alleged. The Ombudsman will not investigate cases until the IDRP has been exhausted. The decisions of the Pensions Ombudsman are enforceable in a court of law.

Continuous Improvement

The Senior Management Team monitors and reviews the effectiveness of the complaints process to ensure that it continuously improves, and lessons learnt from complaint handling are carried through into the Fund's operational practices.

Complaints are reviewed quarterly by the Head of Pension Administration to identify any trends which may require the Service Area Manager to consider appropriate preventative measures necessitating procedural changes or providing further training to Fund staff or employers.

The Local Pension Board, which is key part of the Fund's Governance framework, will at each formal meeting, scrutinise the complaints received, and the actions taken during the reporting period.

Customer Surveys

Customer satisfaction is measured by utilising customer surveys. An online customer survey form is available on Merseyside Pension Fund's website (**mpfund.uk/sat**) which can be completed by a member or beneficiary to provide feedback on their experience in dealing with the Pension Fund.

Returned customer surveys are reviewed by the Fund's Communications Manager and feedback is passed on to the relevant Service Area Manager.

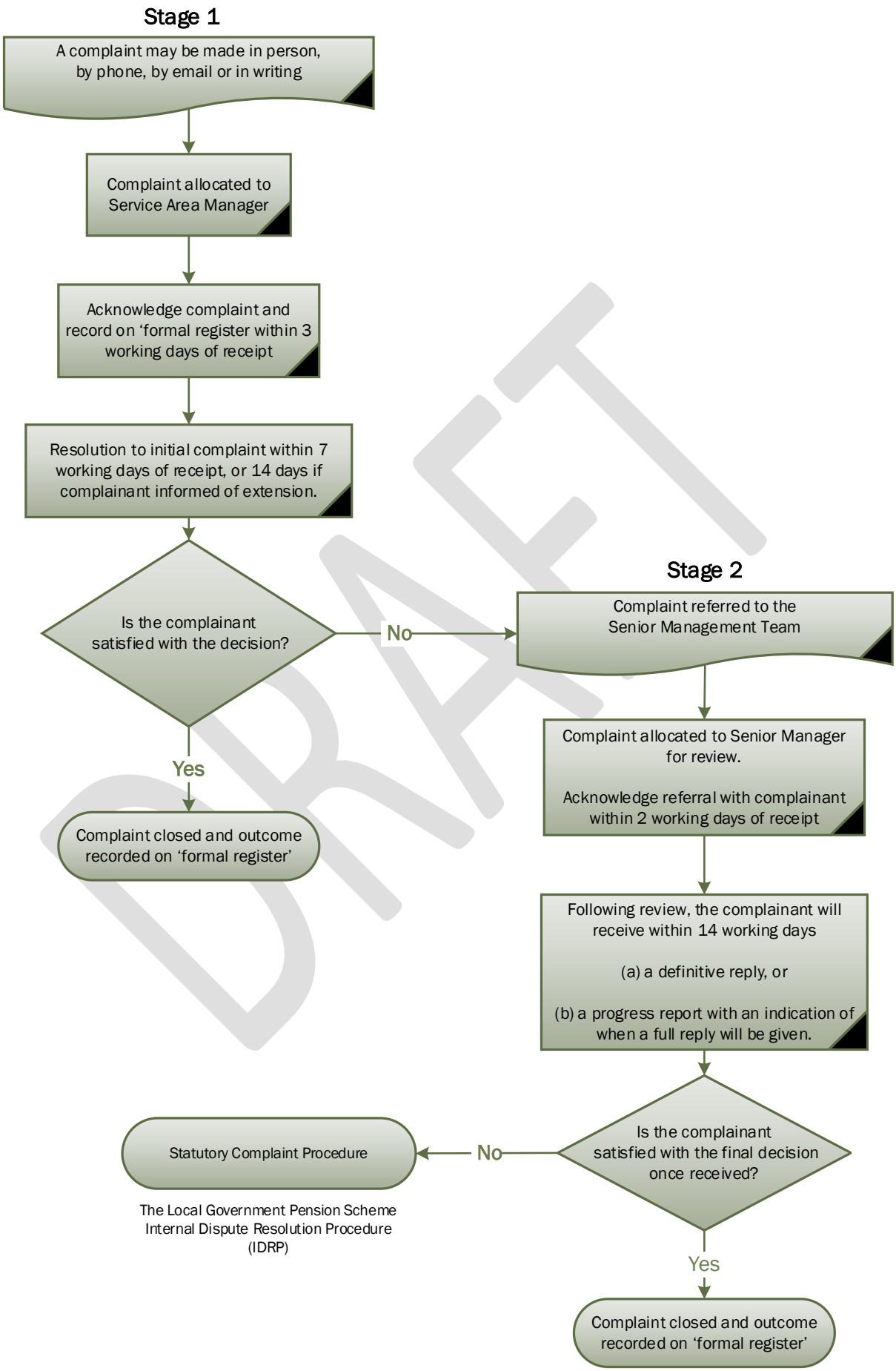
Ad Hoc Complimentary Customer Feedback

Any member or employer providing positive feedback on the service provided by an individual officer is acknowledged and forwarded to the Service Area Manager and Senior Management Team to commend the member of staff on their professional and conscientious approach to service delivery and customer care.

Data Protection and Information Security

All Fund officers shall follow the Fund's Data Protection Policy and the Administering Authority's Information Security Policy when dealing with Fund stakeholders. If a Fund officer identifies any inadequate information security issues whilst undertaking the functions of their role or dealing with a complaint, they are responsible for raising the issue with their immediate manager and the Fund's Operations and Information Governance Manager.

Appendix – Flowchart Summary of Complaints Procedure



Approved by Pensions Committee on xx xxxxx 2022

Merseyside Pension Fund
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ADMINISTERING AUTHORITY
WIRRAL

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WIRRAL

PENSIONS COMMITTEE

23 FEBRUARY 2022

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

The Pensions Committee be recommended to note the minutes of the Joint Committee meeting.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

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 No other suitable options. It is an audit recommendation that minutes of the Northern LGPS joint committee meetings are reported to Pensions Committee.

3.0 BACKGROUND INFORMATION

3.1 The Northern LGPS Investment pool was established between Merseyside, Greater Manchester and West Yorkshire Pension Funds in response to the revised LGPS Investment Regulations 2016 which were, in part, designed to facilitate the pooling of assets between LGPS funds and improve access to infrastructure investments.

3.2 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 LGPS funds are required to pool their assets in order to comply with Regulation 7(2)(d) of the 2016 Investment Regulations. The regulation requires administering authorities to set out their 'approach to pooling investments, including the use of collective investment vehicles and shared services' in their Investment Strategy Statement.

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 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 There are no environment and climate implications arising from this report. The NLGPS has a Responsible Investment policy explicitly addresses environment and climate implications as financially material to long-term performance of investments.

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APPENDICES

Appendix 1 Minutes of Joint Committee meetings.

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

7 October 2021

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	**Vice Chair – Merseyside Pension Fund (MPF)**

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**
Greg Campbell	**Merseyside Pension Fund**
Owen Thorne	**Merseyside Pension Fund**
Guy Hayton	**Merseyside Pension Fund**
Joanna Wilkinson	**West Yorkshire Pension Fund**
Alan McDougal	**PIRC**
Janice Hayward	**PIRC**
Tom Powdrill	**PIRC**
Conor Constable	**PIRC**

Apologies for Absence: Liz Bailey

11 DECLARATIONS OF INTEREST

There were no declarations of interest.

12 MINUTES

The Minutes of the meeting of the Northern LGPS Joint Committee held on 8 July 2021 were agreed as a correct record.

13 POOLING UPDATE

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

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

stated that the revised and agreed deadline for submission was the 24 September 2021, with the Northern LGPS submission, which set out assets pooled and cost savings achieved and projected in the future attached to the report at Appendix 1.

It was reported that Northern LGPS' cost savings for 20/21 had been calculated as £30.5m, giving total saving since inception of £71.1m. These figures were slightly higher than the future projections made last year and the estimated figures provided at the previous Joint Committee meeting. The increase in cost savings achieved was a result of the continued increase in commitments and assets under management of the GLIL and NPEP vehicles and in particular the commencement of the private equity co-investment arrangement and Harbourvest.

The Assistant Director for Funding and Business Development explained that the cost savings of other LGPS pools were not known and the Government was expected to report aggregated figures across the LGPS as a whole. It was expected that individual pools' figures could be obtained via freedom of information requests. The Northern LGPS cost savings figures achieved to date would be publicly available via the Northern LGPS Annual Report.

It was stated that each of the partner funds in the Northern LGPS Pool were in the process of finalising their 31 March 2021 year end accounts and annual report. A final draft of the 2021 Northern LGPS Annual Report was attached at Appendix 2.

As reported at previous meetings of the Joint Committee the other seven LGPS Pools commissioned research into potential international comparators to LGPS, where the pooling process was at a more mature stage. The research sought to understand the issues and challenges these pools experienced in their evolution and to use the insights gained to support the LGPS Pools' own future development. A copy of the "LGPS in the UK: Learning from International Peers" report was made available to members of the committee.

Members of Committee discussed their performance in delivering savings relative to other LGPS Pools.

RESOLVED
That the report including the Norther LGPS' progress submission to Government as at 31 March 2021 and the final version of the Northern LGPS Annual Report.

14 SCHEME ADVISORY BOARD UPDATE

Consideration was given to a report of the Director of Pensions (MPF), the report provided an update on the last meeting of the Investment, Governance & Engagement (IG&E) Sub-Committee that took place on the 20 September 2021.

Members of the Joint Committee were advised that attached the report at Appendix 1 was the actions and agreements from the meeting on the 19 July.

The principal items on the agenda for the 20 September 2021 included an update on the recent meeting of the Responsible Investment Advisory Group, the Chair of the RIAG group the Director of Pensions (GMPF) delivered an update on the items considered at the meeting of RIAG on the 1 September 2021.

Further, the Sub Committee also considered a report on the CIPFA Pensions Panel. It was reported that the CIPFA Pensions Panel had been wound up and it was proposed that the CIPFA Pensions Panel would be replaced by a SAB Committee. Clarity was being sought over the maintenance of extant CIPFA guidance for the LGPS.

It was reported that the IG&E Sub Committee also considered a report on Cost Transparency and Compliance, received an update on the Good Governance Project and received a DLUHC Regulatory Update.

The Director of Pensions (GMPF) led a detailed discussion on reports received at RIAG, Members of the Joint Committee were advised of the reports received on the Task Force on Climate-related Financial Disclosures (TCFD) consultation and the potential outcomes of the consultation. Further, the Joint Committee discussed the replacement of the CIPFA Pensions Panel and the gaps that would need to be addressed following the Panel being wound up.

RESOLVED
That the report be noted.

15 UPDATE ON RESPONSIBLE INVESTMENT

Tom Powdrill, PIRC, Ltd, Responsible Investment advisor to the Northern LGPS, presented the Northern LGPS Stewardship Report for April – June 2021 and provided an update on the Northern LGPS Institutional Investor Group on Climate Change (IIGCC). Further, an update was provided on the FRC Stewardship Code.

Members of the Joint Committee were updated on PIRC's engagements over the last quarter. In regard to house builders and leaseholders it was reported that PIRC had engaged with 2 of the 3 PLCs that had not reached a settlement with the CMA. PIRC had stressed support for the elimination of increasing ground rent clauses for leaseholders, PIRC had also engaged with staff at the regulator itself. It was reported that in September Countryside had agreed to remove the clauses and PIRC were now pursuing engagements with remaining companies.

The Joint Committee were reminded that PIRC wanted to make Just Transition part of their Responsible Investment approach. As part of this PIRC had been engaging with the Cement Industry. It was stated that there were social issues facing the transition to low carbon cement, this predominantly revolved around the displacement of the employee base and the impact on regional economies. Members of the Joint Committee were advised that initial engagements had revealed a lack of planning and disclosure and companies were underestimating the social impact of a transition to low carbon cement on their employee base.

In regard to Human Rights, it was reported that PIRC had identified low scoring companies on the Corporate Human Rights Benchmark (CHRB) and mapped these against common holdings across the Pool. PIRC had been looking at the causes behind the low scores. The Investment advisor to the Northern LGPS explained that these engagements were complicated but there needed to be more disclosure.

It was reported that PIRC had undertaken research on Covid cases in the FTSE100 the research found that 8 out of 10 of the largest employers in the FTSE100 did not report any Covid-19 workforce fatalities. Further, only 5 out of 100 companies in the FTSE100 reported any fatalities. The Investment advisor for PIRC stated that there had been a poor level of disclosure across the FTSE100 and research would continue on Covid related non-disclosure.

It was stated that in February 2021, the Joint Committee resolved that the Northern LGPS pool become a signatory to the IICC Net Zero Asset Owner. Attached at Appendix B was the Net Zero Investor Framework, which provided a high-level implementation guidance. The Assistant Director of Pensions for Investments (GMPF) explained that the report sought endorsement of a joint approach to the expedient setting of interim targets under the IIGCC guidance.

RESOLVED
(i) That Members of the Joint Committee note the latest quarterly Responsible Investment report; and
(ii) That Members endorse a joint approach to the expedient setting of interim targets under the IIGCC Net Zero commitment, upon receipt of detailed IIGCC guidance.

16 DIRECT INFRASTRUCTURE PLATFORM (GLIL) UPDATE

Consideration was given to a report of the Assistant Director for Property and Local Investment (GMPF. The report provided an update to Members of the Joint Committee on the progress with the Northern LGPS's direct infrastructure investment platform (GLIL).

It was reported that the quarterly report for GLIL to the end of June was attached as Appendix 1 to this report. It was reported that in May 2021, GLIL acquired a Preferred Equity stake in Smart Meter Assets (SMA). It was explained that SMA's smart meters play a role in the UK's energy transition and net zero emissions ambitions.

The report also showed that the performance since inception was satisfactory for the current stage of GLIL's deployment, the since inception at 7.5% IRR. The yield was slightly behind at target at 2.5% largely due to short term factors impacting on ability of specific assets to distribute income.

It was stated that post quarter the key piece of work had been an investment of £100m in an energy storage platform known as Flexion which would deploy capital through the build out of a pipeline of battery units. The returns were a stabilised yield of 9.6%, the structure provided significant governance rights and it provided diversification to the existing renewable energy assets in the portfolio. The next quarterly report would provide a fuller update.

RESOLVED
That the report be noted.

17 PROPERTY FRAMEWORK

Consideration was given to a report of the Assistant Director for Property and Local Investment (GMPF). The report informed Members on the use of the Northern LGPS property Framework by GMPF for lots 1 and 6.

RESOLVED
That the content of the report be noted.

18 PERFORMANCE MEASUREMENT

Consideration was given to a report of the Director of Pensions (GMPF) and the Assistant Director of Investments, (GMPF). The report provided member of the Joint Committee with an update on performance measurement.

It was stated that an extract from the draft Northern LGPS reporting for periods to 30 June 2021 was attached as Appendix A. The reporting assisted in fulfilling both reporting requirements to Government, and any oversight obligations of the Joint Committee.

It was reported that officers continued to work closely with Portfolio Evaluation to separately identify NPEP and GLIL returns in these performance reports, given their importance to the Northern LGPS proposition.

It was stated that universe collation, analysis and research services were provided to the Northern LGPS Funds by PIRC. The PIRC 2020/21 Annual Review was attached as Appendix B. 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.

19 COMMON CUSTODIAN UPDATE

Consideration was given to a report of the Director of Pensions (GMPF) / Assistant Director of Investments (GMPF). The report detailed the key performance indicators, milestones and deliverables for the quarter 30 June 2021 in relation to the Northern Trust (NT) in their capacity as the common custodian to the Northern LGPS pool, as attached in the appendix to the report.

RESOLVED
That the content of the report be noted.

20 NORTHERN LGPS WEBSITE

Consideration was given to a report of the Director of Pensions (MPF), the report informed members of website content including recent updates over the previous 18 months.

Members of the Joint Committee were advised of the news updates to the website over the 18-month period.

It was reported that the website had been updated with 'Northern Private Equity Pool LP holdings' data, up to 31 December 2020. The first quarter data for 2021 was expected shortly for publication. The Responsible Investment Policy as January 2019 was held on the website and would be updated to the new version once ratified.

During the 18-month period, the website had received 12,908 visits with the average daily rate of between 10 and 20 visits. The website had received significant peaks of activity when coinciding with press announcements in May 2020 and October 2020.

RESOLVED
That the content of the report be noted.

CHAIR

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WIRRAL COUNCIL

PENSIONS COMMITTEE

23 FEBRUARY 2022

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

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

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

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

2.0 OTHER OPTIONS CONSIDERED

2.1 Not relevant to this report.

3.0 BACKGROUND INFORMATION

3.1 The Local Pension Board was established in 2015 in accordance with section 5 of the Public Service Pensions Act 2013 to assist the Administering Authority in its role as a scheme manager of the Scheme.

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

4.0 FINANCIAL IMPLICATIONS

4.1 There are no implications arising directly from this report. In scrutinising the governance arrangements and service delivery of the Fund, the Board provides assurance to the administering authority on the efficiency and effectiveness of the Fund's activities.

5.0 LEGAL IMPLICATIONS

4.1 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

5.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

8.1 There are no equality implications arising from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 None arising from this report.

REPORT AUTHOR: **PETER WALLACH**
Director of Pensions
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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

Wednesday, 1 December 2021

Present:		J Raisin (Chair)	
		G Broadhead	R Irvine
		R Dawson	P Moloney
		P Fieldsend	L Robinson
		D Ridland	
In attendance:	Councillor	P Cleary	
Apologies		S Van Arendsen	

29 **WELCOME AND INTRODUCTION**

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

30 **APOLOGIES**

Apologies had been received from Mr S Van Arendsen.

31 **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 items on the agenda and, if so, to declare them and state what they were.

No such declarations were made.

32 **MINUTES**

Resolved - That the accuracy of the minutes of the meeting held on 20 September be approved.

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

Donna Smith, Head of Finance and Risk reported upon the key findings and other matters arising from Grant Thornton's external audit of the financial statements of Merseyside Pension Fund for the year ended 31 March 2021.

Donna Smith reported that Grant Thornton had presented a report to Pensions Committee at its September meeting and the updated report would be submitted to the Audit and Risk Committee in January.

Donna Smith summarised the key findings of the report and informed Members that one adjustment had been made to the financial statements, increasing the value of the Fund by £135.9m to £10.1bn.

Members were informed that the audit work was complete and it is anticipated that an unqualified opinion will be issued. It was confirmed that the final fees charged for the audit and provision of non-audit services was £51,249 and that the audit remained open until approved at ARMC.

On behalf of the Local Pensions Board the Chair thanked Donna Smith and her team for their hard work and it was;

Resolved – That the report be noted.

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

Donna Smith, Head of Finance & Risk introduced a report that presented Board Members with a copy of the report taken to Pensions Committee in September which presented the annual report and accounts for Merseyside Pension Fund for 2020/21 and a letter of representation prepared by officers on behalf of the Committee.

Donna Smith explained to Members that there is a statutory requirement to produce an annual report for the year to 31 March by 1 December of that year. The annual report contains all the reports in accordance with the regulations and is prepared by senior officers at the Fund. The annual report remained as a draft document until Wirral Council Financial Statements, including the Financial Statements of the Fund are approved by ARMC and the auditor provides their opinion. The annual report had been published on the Fund's website and a copy sent to the LGA in accordance with the regulations.

On behalf of the Local Pensions Board the Chair thanked Donna Smith and her team for their hard work and it was;

Resolved – That the report be noted.

35 **LOCAL GOVERNMENT PENSION SCHEME UPDATE**

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

The Head of Pension Administration advised Members of the Board that the report had been considered by the Pensions Committee on 29 November 2021 and advised that on 15 October 2021, the Scheme Advisory Board published the result of its cost management process for the 2016 Scheme Valuation, following publication of amendments to the HM Treasury Directions on 7 October 2021.

The report also covered the HM Treasury 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 trigged by extraordinary, unpredictable events.

The Head of Pension Administration responded to questions and discussed the costs of required enhancements to pension administration systems necessary to deliver the McCloud remedy as these directly result from the actions of the Government. The removal of Tier Three was also discussed.

Resolved – That the report be noted.

36 **UPDATED INVESTMENT STRATEGY STATEMENT**

The Director of Pensions introduced a report which provided Board Members with a copy of a report to Pensions Committee recommending the approval of a revised Investment Strategy Statement.

The report provided an overview of the legislative framework with which an Investment Strategy Statement should comply. The Investment Strategy Statement had last been reviewed in February 2020 following a change to the Fund's strategic asset allocation. This revision followed the approval of the Northern LGPS Responsible Investment policy at Pensions Committee in September and was intended to reflect changes in legislation, guidance, best practice and that it is consistent with the Northern LGPS RI Policy.

Members were also reminded that the guidance issued by the Department for Levelling Up, Housing and Communities states that in formulating and maintaining their policy on social, environmental and corporate governance factors, an administering authority should explain the extent to which the views of their local pension board and other interested parties who they

consider may have an interest would be taken into account when making an investment decision based on non-financial factors.

Councillor P Cleary, Chair of Pensions Committee addressed the Board and thanked the Director of Pensions for his work in engaging with the Committee and the Board by way of organising a workshop for Members of the Committee and Board to attend.

Resolved – That the report be noted.

37 **NORTHERN LGPS UPDATE**

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

On a motion by Mr Geoff Broadhead and seconded by Mr R Irvine it was agreed that further discussions on this matter be exempt. This was by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

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

38 **MINUTES OF WORKING PARTY MEETINGS**

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

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

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

Resolved – That in accordance with section 100 (A) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business, on the grounds that they involved the likely disclosure of exempt information as defined by paragraph 3 of Part 1 of Schedule 12A (as amended) to that Act. The public interest test had been applied and favoured exclusion.

40 **NORTHERN LGPS UPDATE**

The Chair discussed the minutes of the Northern LGPS Joint Oversight Committee and advised Board Members that he had raised an issue with the

Chair of the Pensions Committee to be highlighted to the Northern LGPS Joint Oversight Committee.

The Chair of the Pensions Committee advised that this matter would be taken forward in order to seek a resolution.

Discussions on this matter contained exempt information. This was by virtue of paragraph 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).

On a motion by D Ridland and seconded by L Robinson it was –

Resolved –

(1) That the governance arrangements of the Northern LGPS pool be considered and concern raised that the employee representative positions had not been filled.

(2) That the Independent Chair write to the Chair of the Pensions Committee in respect of this matter.

41 **OFFICE WORKING ARRANGEMENTS**

The Senior Manager for Operations and Information Governance, Guy Hayton, introduced a report that updated Board Members on the working arrangements put into place at the start of the COVID-19 pandemic and how they had been revised in line with changes in government and corporate restrictions on social distancing, leading to the current service arrangements in place at November 2021.

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

Resolved – That the report be noted and officers be thanked for their work during the pandemic to maintain the service of the Pension Fund.

42 **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 July 2021 to 30 September 2021.

The report contained exempt information. This was by virtue of paragraphs 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 report be noted.

43 **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 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 the report be noted.

WIRRAL

PENSIONS COMMITTEE

23 FEBRUARY 2022

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 Committee meeting.

RECOMMENDATION/S

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 as working party minutes are reported to and approved by Pensions Committee.

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.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising from this report.

REPORT AUTHOR: **Peter Wallach**
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APPENDICES

Appendix 1 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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Investment Monitoring Working Party

10.30am, 16th November 2021

Microsoft Teams meeting

Contents

Attendees

Name	Initials	Organisation
Councillor Pat Cleary (Chair)	PC	WBC
Councillor Brian Kenny	BC	WBC
Councillor Tony Cox	TC	WBC
Councillor Adrian Jones	AJ	WBC
Councillor Jayne Aston	JA	WBC
Councillor Jeff Green	JG	WBC
Councillor Jo Bird	JB	WBC
Councillor Les Rowlands	LR	WBC
Roger Bannister	RB	UNISON
Cllr Chris Carubia	CC	WBC
Ted Frith	TF	GLIL Infrastructure
Rohan Worrall	RW	Independent Adviser
Paul Watson	PWa	Independent Adviser
Lucinda Downing	LD	Aon
Louis Paul Hill	LH	Aon
John Raisin	JR	Chair of Pension Board
Peter Wallach	PW	MPF
Adil Manzoor	AM	MPF
Greg Campbell	GC	MPF
Allister Goulding	AG	MPF
Daniel Proudfoot	DP	MPF
Alan Robertson	AR	MPF
Elizabeth Barlow	EB	MPF
Owen Thorne	OT	MPF

Joseph Hull	JH	MPF
Farbod Abarghouei Nejad	FN	MPF
Alex Abela-Stevenson	AA	MPF
Dragos Serbanica	DS	MPF
Emma Jones	EJ	MPF
Donna Smith	DS	MPF

Apologies

Cllr. Cherry Povall – WBC
Cllr. Paulette Lapin – SBC
Cllr. Martin Bond – WBC

Declarations of Interest

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

1. Minutes of IMWP held on 15th September 2021

Noted, no amendments.

2. Review
2.1 Market Commentary – RW

RW gave a general update on Q3. Economic activity is strong in US, UK, EU but less so in Asia. RW noted global debt levels are at record highs, comparable with WW2 levels, which constrains central banks' ability to raise interest rates.

RW moved onto equity markets, noting Japan's strong Q3 performance after a poor Q2. China's market has been weak due to regulatory tightening on equity markets and fears over Evergrande . RW highlighted that UK, Japan and some emerging markets are looking relatively cheap compared to norms, describing UK as a value market presently. RW highlighted MPF's value bias in the portfolio which should translate to a good performance in this environment.

On fixed income markets, RW noted rising bond yields in US and UK in Q3, with comments from BoE around rate rises driving the change. Credit spreads remain

tight in the US and elsewhere, suggesting traditional fixed income products are not attractive.

On currencies, RW noted Sterling's relative strength over 12 months but Q3 saw some weakness as a result of Brexit-related issues and supply chains.

RW stated oil pricing has recovered from last year's weakness and is creating inflationary pressures.

The general outlook is dominated by medium term inflation concerns.

Questions

JG asked about ways in which inflation risk can be controlled

RW pointed out that many queries are around climate change and inflation. Sees 4-5% inflation, also potentially bolstered by infrastructure spending.

PW referred to real assets as providing some protection against inflation and gave an example of a direct property investment (Tesco Heswall) as an example of how MPF protects portfolio from inflation pressures, as rental rates are linked to CPI.

TC asked whether the landscape of printing money, albeit tapering and prospective rate rises are in conflict. RW stated he doesn't expect significant rate rises, possible good environment for gold in next 12 months. RW stated he didn't expect significant fiscal tightening ahead of any rate rises, and a landscape of high debt, high spending and negative real rates seemed likely.

2.2 Strategic Adviser Update

LPH gave update on fund. On a roll-forward basis, the funding level is 114%, well above liabilities. LPH also highlighted the risks of persistent inflation. While not expect to persist, given the significance to the fund on both the liabilities of the fund via active member salaries and pensioner benefits, and also the equity asset base of the fund. LPH noted the difficulty of finding assets with inflation linkage and highlighted real assets as examples of possibilities.

LPH commented that bond returns are not attractive, even with the high funding level, hence private market assets have been a focus. Private market assets like property, infrastructure and private equity offer an illiquidity premium which may provide more attractive returns.

LPH highlighted key statistics. Fund value has risen by £176m over the quarter with liabilities reducing by £3m. The discount rate has been reduced by 0.1% as a result of strong returns environment, and hence lower return expectations in future. 1 year 95% VAR figure of £2.3bn, representing a 1 in 20 year expected maximum loss.

RW asked whether, given high funding level, are there any risks that should be hedged or reduced in the current environment. LPH stated equities as single biggest risk factor, especially given the large allocation. LPH noted some equity protection strategy, albeit at a return cost. LPH noted life expectancy assumptions as another risk factor, and the general difficulty of making approximations for the overall liability value.

LPH noted the impacts of COVID lockdowns on the fund and over the longer term the progression from £4bn to over £10bn today. LPH cautioned against assuming next 10 years being similar to previous 10 years.

PC complimented the format of the presentation slides and asked whether managing risk via a move away from equities towards private markets is a sensible approach. LPH stated this is a prudent approach, although noted that private markets are difficult to shift in and out of so a longer term view is needed.

2.3 Monitoring Report

PW delivered an update on fund performance by asset classes and investment markets, noting that the fund is performing well overall.

PWa asked about 1 year UK equity performance, being 10% down in recent months. AG mentioned precious metal exposure; in particular rhodium which doubled in price in Q2 due to supply disruption. MPF couldn't sell as much of its physical exposure as it would have liked due to market liquidity and as the price settled, some outperformance was given back. MPF also has significant exposure to other precious metals which impacted returns in Q3.

RW asked about the factor portfolios and the different factors being exposed to.

3. Presentation. Ted Frith, GLIL Infrastructure LLP

TF gave an introduction to GLIL, the cross-pool direct infrastructure platform. GLIL was highlighted as a good way of acquiring infrastructure assets in order to meet pension fund obligations, investing in the UK economy and providing essential services to benefit communities.

In 2015, central government was keen for LGPS funds to pool together to bring scale to drive better deals. GLIL was created by a few LGPS schemes who wanted to try

and bring infrastructure ‘in house’ and a secondment model for investment team members, including 4 from MPF.

TF stated that GLIL is run on a more cost effective basis as a result of avoiding large management fees being paid; a key differentiator compared to many private market funds.

TF noted that the open-ended nature of GLIL allows a long term strategic option for infrastructure, and highlighted some of the key attributes of what GLIL typically looks at: inflation linkage, well run businesses, cash yielding, strong management teams and governance rights.

GLIL’s portfolio assets were highlighted, with a large exposure to renewable energy, via Clyde and Cubico. GLIL has funded the development of two fleets of rolling stock, and also has PFI assets, smart meters and recently a battery energy storage platform Flexion. TF noted the recent acquisition on an onshore wind investment in Ireland, which offers further development opportunities.

PC thanked TF for the presentation and noted his excitement at seeing MPF directly contributing to local investments and taking governance positions. PC asked about Anglian as a case about how concerns would be raised. TF stated recent presentation from Anglian Board regarding recent sewage instances, regarding what happened and what to do about it. TF noted MPF representation on calls with Anglian. Wider point is that TF sees GLIL using its influence to positive effect in portfolio companies.

PC asked about local investment angles for underlying LGPS contributors. TF mentioned appetite for local investment, but conflicts sometimes prevent projects occurring. TF highlighted recent UKIB and general large amount of capital around, and demand for new projects around the UK, but we need some sort of broker system to bridge the gap between finance and regional projects. PW added that the Catalyst Fund is complementary to GLIL in terms of scale but in terms of local investments GLIL/MPF could look to invest in e.g. battery sites in either platform. PW mentioned LCR as a potentially positive driver of projects.

JG asked if private sector infrastructure opportunities in this area are being maximised. TF mentioned broader UK issue of infrastructure investments that could be encouraged by UK Govt, especially as some assets may be off the market for some time if bought by long term holders like pension funds. JG asked about GLIL’s not for profit model, TF explained how GLIL operates on a cost recovery basis and does not pay performance fees on investment returns in contrast to an outsourced investment manager.

4. Responsible Investment

OT provided a summary of the LAPFF (Local Authority Pension Fund Forum) Q3 quarterly engagement report, detailing the engagement with Shell, taking a harder line than other investors in our network e.g. Climate Action 100 network. Shell's net zero plan met some, but not all, of the group's demands, and resulted in NGO-led protests in Holland.

OT stated the LAPFF report also highlighted activities regarding occupied territories in the Middle East. LAPFF has brought in expertise to assist engagement with corporates in the area and alignment with UNCHR standards.

OT stated that an exercise to update MPF's website on RI activities on a more frequent basis is underway, and highlighted the holdings sections and Northern LGPS section, with quarterly updates from PIRC, and PRI principles reporting.

OT also highlighted future reporting improvements; unfortunately the TCFD paper for LGPS has been delayed and was not available by the meeting date but is imminent.

OT detailed work to produce a submission under the Stewardship Code, which has itself undergone significant raising of standards regarding ESG and asset management and service providers such as consultants. OT highlighted that it is insufficient to simply formulate a policy, with detailed monitoring being required and with threshold standards applied. The deadline for submission is April.

OT drew attention to a write-up of COP26 from IIGCC and highlighted the $130tn committed to overall renewable and climate investments by 2030.

In terms of engagement activity, PC noted disappointment with the positions of Shell and with companies operating in the occupied territories.

RW asked whether the IIGCC has a policy around net zero, which can allow offsets which might allow problematic investment practices to continue. OT mentioned some specific work on the O&G sector, detailing capex/opex changes required to be considered on an alignment pathway to net zero, as well as policies on venting/flaring. OT noted there are signals and expectations being sent to companies that investors will withdraw capital if expected pathways are not being followed.

JB stated she hoped the LAPFF report could go to Pensions Committee to highlight the issues. JB asked for an update to information collated in June regarding concerning activities in occupied territories. PC stated LAPFF reports would be useful to have at Pensions Committee.

OT noted Motorola and Booking Holdings as being MPF's main exposures via index weight positions, and not directly. OT noted an update could be provided on the companies and highlighted that this is being prioritised by LAPFF and sustained pressure is being applied.

Action point: PC asked for an update list of the previously identified firms with MPF's capital exposure to each.

5. AOB

None.

PC closed the meeting at 12:30pm

Date of next meeting: Wed 2nd March 2022, 10:30am, MS Teams.

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By virtue of paragraph(s) 3, 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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By virtue of paragraph(s) 2 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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