



Pensions Committee

Date:	Tuesday, 21 February 2023
Time:	6.00 p.m.
Venue:	Council Chamber - Birkenhead Town Hall

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

AGENDA

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

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

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

To approve the accuracy of the minutes of the meeting held on 14 December 2022.

- 5. PUBLIC QUESTIONS**

5.1 Public Questions

Notice of question to be given in writing or by email by 12 noon, 16 February 2023 to the Council's Monitoring Officer via this link: [Public Question Form](#) and to be dealt with in accordance with Standing Order 10.

For more information on how your personal information will be used, please see this link: [Document Data Protection Protocol for Public Speakers at Committees | Wirral Council](#)

Please telephone the Committee Services Officer if you have not received an acknowledgement of your question by the deadline for submission.

5.2 Statements and Petitions

Statements

Notice of representations to be given in writing or by email by 12 noon 16 February 2023, to the Council's Monitoring Officer (committeeservices@wirral.gov.uk) and to be dealt with in accordance with Standing Order 11.

Please telephone the Committee Services Officer if you have not received an acknowledgement of your question/statement by the deadline for submission.

Petitions

Petitions may be presented to the Board if provided to Democratic and Member Services no later than 10 working days before the meeting, at the discretion of the Chair. The person presenting the petition will be allowed to address the meeting briefly (not exceeding three 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. If a petition contains more than 5,000 signatures, it will be debated at a subsequent meeting of Council for up to 15 minutes, at the discretion of the Chair. Please give notice of petitions to committeeservices@wirral.gov.uk in advance of the meeting.

5.3 Questions by Members

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

6. LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE (Pages 7 - 12)

7. TREASURY MANAGEMENT POLICY FOR 2023/24 AND ANNUAL REPORT FOR 2021/22 (Pages 13 - 30)

8. **MERSEYSIDE PENSION FUND BUDGET FINANCIAL YEAR 2023/24 (Pages 31 - 38)**
9. **MERSEYSIDE PENSION FUND AUTHORISED SIGNATORIES (Pages 39 - 42)**
10. **WIRRAL LOCAL PENSION BOARD MINUTES (Pages 43 - 52)**
11. **MINUTES OF WORKING PARTY MEETINGS (Pages 53 - 62)**
12. **PROPERTY PORTFOLIO RENT ARREARS AND WRITE OFFS (Pages 63 - 66)**
13. **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.

14. **PROPERTY PORTFOLIO RENT ARREARS AND WRITE OFFS EXEMPT APPENDIX (Pages 67 - 76)**

Terms of Reference

The terms of reference for this committee can be found at the end of this agenda.

Audio/Visual Recording of Meetings

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PENSIONS COMMITTEE

Wednesday, 14 December 2022

Present:

Councillor P Cleary (Chair)

Councillors C Povall B Kenny
G Davies A Gardner
H Collinson J Bird
S Percy S Mountney
Councillors J Aston, Knowsley Council

1 WELCOME AND INTRODUCTION

The Chair welcomed everyone and read out the webcasting notice.

It was agreed that the order of the agenda would be amended, with Item 10 (Draft Funding Strategy Statement) being presented before Item 9 (Update on 2022 Actuarial Valuation), as the content of that report informed the latter.

2 APOLOGIES

Apologies for absence had been received from:

- Cllr Joe Walsh (Cllr Sue Percy was deputising)
- Cllr Jason Walsh (Cllr Jo Bird was deputising)
- Cllr Tom Anderson (Cllr Simon Mountney was deputising)
- Cllr Chris Carubia
- Cllr Karl Greaney
- Cllr Martin Bond, St Helens Council
- Cllr Paulette Lappin, Sefton Council
- Roger Bannister, UNISON Retired Member

3 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Councillor Jo Bird	Personal interest as her partner was a member of the Merseyside Pension Fund.
Councillor Helen Collinson	Pecuniary interest by virtue of her being a Deferred Member of Merseyside Pension Fund and her daughter was an active member of the Fund.
Councillor George Davies	Personal interest as his wife was a member of Merseyside Pension Fund.
Councillor Andrew Gardener	Pecuniary interest by virtue of being a Member of Merseyside Pension Fund.
Councillor Brian Kenny	Personal interest as his fiancée was a member of Merseyside Pension Fund.

Councillor Simon Mountney	Personal interest as his wife was a member of Merseyside Pension Fund.
Councillor Cherry Povall	Personal interest as daughter a member of the Merseyside Pension Fund.

4 **MINUTES**

Resolved – That the minutes of the Pensions Committee meeting held on 28 September 2022 be agreed as a correct record.

5 **PUBLIC QUESTIONS**

No questions, statements or petitions had been received.

6 **LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE**

The Senior Manager for Operations and Information Governance introduced a report of the Director of Pensions which provided members with an update on the National Pensions Dashboard programme and the associated impacts on the Fund’s administration. Members were provided with an overview of recent developments and the aims of the dashboard project. Members were informed that work was being undertaken with the Fund’s system supplier on software solutions which were required to securely connect to the dashboard at the required staging dates. It was noted that all LGPS Funds were required to connect and respond to data requests by September 2024, with a requirement to provide data detailing accrued and projected pension values by April 2025. However, the pensions dashboard would only be made publicly available when the security of the infrastructure and governance framework had been approved by the Money and Pensions Service, the IT providers and Government.

Resolved – That the legislative developments, required actions and timescale to connect to the pension dashboard infrastructure be noted.

7 **NORTHERN LGPS UPDATE**

The Director of Pensions introduced a report which provided members with an update on pooling arrangements in respect of Merseyside Pension Fund (MPF) and the Northern LGPS Investment Pool. Minutes of the previous Northern LGPS Joint Committee meeting were appended for noting. It was noted in relation to Item 20 of the minutes, that the consultation process for Direct Infrastructure Platform (GLIL) was underway (GLIL).

The Chair highlighted the work being undertaken by the Fund’s Responsible Investment Partners PIRC in developing a new database of FTSE All Share companies covering 80+ workforce indicators.

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

8 **WIRRAL LOCAL PENSION BOARD MINUTES**

The Chair introduced a report of the Director of Pensions which provided members with the draft minutes of the previous meeting of the Wirral Local Pension Board.

The Committee placed on record their thanks to Geoff Broadhead for stepping in for the Chair of the Local Pension Board at the recent Annual Employers' Conference.

Resolved – That the minutes of the Wirral Local Pensions Board be noted.

9 DRAFT FUNDING STRATEGY STATEMENT

The Head of Pensions Administration introduced a report of the Director of Pensions which provided Members with MPF's Draft Funding Strategy Statement (FSS) for 2022. Members were asked to consider the actuarial assumptions adopted, deficit and surplus recovery plans and the policies within the FSS. Whilst it was noted that funding position at this valuation was considered positive, the key communication that had arisen from the valuation was for employers to balance contribution affordability versus sustainability given the global economic and inflationary outlook post valuation date. It was noted that a consultation with employers took place on the key changes to the FSS from 31 October to 2 December 2022.

Resolved – That

- 1. The Draft Funding Strategy Statement be approved**
- 2. Refinement of the final version be delegated to the Director of Pensions and the Fund Actuary within the statutory deadline of 31 March 2023, following due consideration of the employer consultation and final valuation results.**

10 UPDATE ON 2022 ACTUARIAL VALUATION

The Head of the Pensions Administration introduced a report of the Director of Pensions which informed Members of the Actuary's 2022 actuarial valuation based on membership and cashflow data provided by the Fund at 31 March 2022. It was noted that the market value of assets at the valuation date was around £11 billion, giving a funding level of 106% with an associated surplus of £639m and an average employer future service cost of 18.5% of pay. Alongside this, a comparison of valuation results in 2019 and analysis was provided. Members were asked to note that the final actuarial outcome will be certified following finalisation of the Funding Strategy Statement and Investment Strategy Statement.

Considering both the Draft FSS and the 2022 Actuarial Valuation, Members discussed the long-term impact on costs, noting that fewer scheme members are opting to take a maximum lump sum payment when retiring. Members also praised the healthy position of the Fund despite recent challenges.

Resolved – That the valuation basis be approved and authorisation be given to the Fund Actuary to certify the final valuation report containing employers' contributions payable for the period 1 April 2023 to 31 March 2026.

11 MERSEYSIDE PENSION FUND'S RESPONSIBLE INVESTMENT POLICY AND HUMAN RIGHTS

The Director of Pensions introduced a report in respect of MPF's investments in companies that are alleged to be facilitating the construction and continued existence of Israeli settlements in the Occupied Territories of Palestine, which set out developments since consideration of previous report on the matter at Committee in February 2022, alongside several actions to develop ways to manage and respond more effectively to questions on responsible investment issues. Outlining the principal developments, members were asked to note the work of the National Scheme Advisory Board in meeting with the UN Special Rapporteur, ongoing engagement activity by the Local Authority Pensions Board Forum, and proposed legislation by Government in relation to Boycotts, Divestments and Sanctions. In addition, Members were informed that MPF had become a signatory to the UN's Principles of Responsible Investment (UNPRI) Advance initiative on human rights stewardship, and that the Fund had appointed Strategic Advisors, Redington, who, amongst other things, would be undertaking work on enhancing the Fund's Stewardship and Responsible Investment activities.

The Director of Pensions clarified that paragraph 9.3 of the report was incomplete and was too narrowly worded. Whilst it was important to recognise tensions when exploring controversial responsible investment issues, it was acknowledged this should have been done in general terms.

Members of the committee discussed how Pension Fund members could be consulted on issues of responsible investment and what a mechanism for consultation could look like in order to ascertain views of a representative sample of members. Whilst it was noted that the Pensions Committee was the democratic voice for the Pension Fund's various stakeholders, and there was provision for Trade Union representation on the Committee, there was an opportunity to develop greater engagement with Fund Members through the work with Redington. Members noted that it was important to develop a clear framework for addressing issues of responsible investment in order to make fully informed decisions. Members also discussed implications of responsible investment and investment in arms companies.

Resolved – That the activities and actions detailed in the report be supported.

12 **APPOINTMENT OF REDINGTON AS STRATEGIC INVESTMENT ADVISORS**

The Director of Pensions introduced a report that informed Members of the appointment of Redington as Strategic Investment Advisors to Merseyside Pension Fund. Members were informed of how Redington would be supporting the Fund's Strategic Objectives work, including a stakeholder survey to explore investment beliefs.

Members explored in greater detail the process for the survey, and how specific concerns on responsible investment and human rights were taken on board. The Director of Pensions clarified that it was proposed that the survey would be issued in early 2023, with a view for completion by the end of January. Analysis of the responses would then be fed back at the next Working Party meeting. It was noted the survey was to cover investment objectives and beliefs, including responsible investment, at a higher level, with an anticipated further survey on responsible investment beliefs exploring issues in greater detail.

Resolved – That the appointment of Redington as Strategic Investment Advisors to Merseyside Pension Fund be noted.

13 CONSULTATION ON GOVERNANCE AND REPORTING OF CLIMATE CHANGE RISKS IN THE LOCAL GOVERNMENT PENSION SCHEME

The Director of Pensions introduced a report that provided Members with MPF's response to a consultation by the Department for Levelling Up, Housing & Communities (DLUHC) which sought views on proposals for LGPS administering authorities in England and Wales to assess, manage and report on climate-related risks. Having given due consideration to the consultation in detail, the Fund were supportive of proposals as were pooling partners. Following consultation with the Chair of the Pensions Committee, a joint response was prepared and submitted by the Northern LGPS Investment Pool (NLGPS). The responses from the Scheme Advisory Board and the Local Authority Pensions Board Forum were also highlighted within the report.

The Chair discussed the need for Government to provide the necessary investment framework for Pensions Funds to make appropriate environmental investment decisions.

Resolved – That the report be considered and the response to the consultation be noted.

14 MINUTES OF WORKING PARTY MEETINGS

Due to the official mourning period following the death of the Queen, the September meeting of the Working Party had not taken place. However, Members were pointed to the PIRC Responsible Investment Report published within the pack and the link to the quarterly LAPFF report.

Resolved – That the report be noted.

15 EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC

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

16 APPOINTMENT OF REDINGTON AS STRATEGIC INVESTMENT ADVISORS EXEMPT APPENDIX

Resolved – That the exempt appendix be noted.

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PENSIONS COMMITTEE

21 FEBRUARY 2023

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

REPORT SUMMARY

This report informs Members that following a review of the classification of the Further Education (FE) sector - FE colleges, sixth form colleges and designated institutions - and their subsidiaries in England, the Office for National Statistics (ONS) has reclassified colleges and their subsidiaries as public sector bodies.

RECOMMENDATION/S

The Pensions Committee are recommended to note the outcome of the ONS review of the FE sector and the implications for the LGPS.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 There is a requirement for the Pensions Committee to be fully informed of national directives and legislative developments to carry out its fiduciary duty when managing employer risk.

2.0 OTHER OPTIONS CONSIDERED

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

3.0 BACKGROUND INFORMATION

- 3.1 Pensions Committee were apprised of the Office for National Statistics (ONS) activity to review the classification of colleges at its meeting of 28 September 2022, minute 25 refers.
- 3.2 The ONS is an agency independent of ministers, and periodically reviews the classification of all sectors of the economy for the purposes of the national accounts.
- 3.3 To add historical context to the position, when colleges were incorporated in 1993, they were designated as 'private sector not-for-profit' organisations. In 2010, colleges were moved into the public sector following an ONS decision. This was later reversed in 2012 by a change in law, and colleges remained in the private sector prior to this review.
- 3.4 In May 2022, the ONS announced a further review of the classification of the Further Education (FE) sector, following the enactment of the 'Skills and Post-16 Education Act 2022', the ONS review was undertaken independently of Government with international benchmarks used to determine the classification.

The outcome of the review was to reclassify the FE sector into the central government sector, communicated as part of the government response and policy paper published on 29 November 2022.

- 3.5 The government response confirms that colleges will retain many of the flexibilities they currently have, for example, the ability to keep and spend any surpluses, and to dispose of fixed assets and keep the proceeds. It is envisaged that day -to-day operations will continue with minimal changes, so colleges can maintain a smooth delivery of educational services.
- 3.6 The response does indicate that the reclassification changes how colleges and their subsidiaries will report to, and interact with, government - requiring colleges to ensure their systems of financial control support public sector standards of accountability.

As such they are subject to the framework for financial management set out in the managing public money policy, guidance on senior pay and other central government guidance.

3.7 Impact on LGPS

- 3.8 Schedule 2 Part 1, paragraph 14 of the LGPS Regulations 2013, mandates that FE colleges must offer their non-teaching staff membership of the LGPS.
- 3.9 As the Department for Education (DfE) does not currently provide a central government guarantee for the FE sector, there is a high-risk of a poor outcome for LGPS funds if an FE body becomes insolvent.

This poorer covenant results in a more prudent funding approach for FE bodies than academies or councils.

- 3.10 The government response states there is no action for colleges with regard to the LGPS, although, Administering Authorities await confirmation from the DfE as to whether they will provide additional covenant assurances or guarantees for FE employers.
- 3.11 If such a central government guarantee was provided, then it would need to be considered in the context of funding and contribution requirements as it would potentially provide more comfort in terms of support for the liabilities.
- 3.12 In the absence of a guarantee there would be no material change from the status quo in funding terms and the impact of the reclassification would need to be assessed for each individual college.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The absence of a directive from DfE as to the provision of a guarantee means that the current funding basis applicable to the FE sector will be retained and the provisional contribution rates issued to the colleges will be expressed on the 2022 Actuarial Valuation Rates and Adjustment Certificate.
- 4.2 The cumulative liabilities of the seven FE colleges as at 31 March 2022, assessed on a valuation funding basis, amounts to £269.5m, set against the whole fund liability position of £10,362m which equates to 2.6% of the total fund liabilities.

5.0 LEGAL IMPLICATIONS

- 5.1 The reclassification of FE colleges into the central government sector is likely to result in the FE sector being encompassed within the current His Majesty's Treasury (HMT) consultation on public sector exit payments, applicable to all entities that are classified as 'Central Government' bodies.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 The reclassification of the FE colleges from the private to the central government sector will bring the FE sector within the scope of the Fair Deal Pensions Guidance for Staff Transfers from Central Government.

This sets out standards of practice for staff who are compulsorily transferred from the public sector, in that they should be offered continued access to the public service pension scheme rather than being offered a broadly comparable private pension scheme.

7.0 RELEVANT RISKS

7.1 Merseyside Pension Fund (MPF) instructed the actuary to calculate provisional contribution schedules for FE sector employers, providing appropriate mitigation as to the risk of delay in finalising the valuation. This plan, also assisted the colleges with their medium-term budgetary planning with regard to cash commitments to the LGPS over the inter-valuation period.

8.0 ENGAGEMENT/CONSULTATION

8.1 The Fund Actuary and Officers commenced early engagement with the FE sector employers to achieve insight into individual circumstances, to manage risk and to set appropriate funding plans. The Government response to the reclassification of the FE sector will be taken account of in finalising the funding strategy for colleges.

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.

The Equality Statement published on the introduction of the Local Government Pension Scheme 2014 can be viewed at: <https://mpfund.uk/lgpsequalitystatement>

DLUHC and HMT undertake equality impact assessments with regard to the statutory reform of the public sector pension schemes and LGPS.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 The Fund continues with its digital strategy across all operational areas and communications with stakeholders, with the aim to improve service delivery and to reduce its internal carbon footprint.

10.2 The Fund's strategic asset allocation to low carbon equities and renewable energy opportunities is monitored by Pension Committee which informs the derivation of the discount rate for the appropriate investment bucket applicable to employers with similar characteristics when assessing the present value of the liabilities and contribution rates.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none directly arising from this report.

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BACKGROUND PAPERS

**Further Education Reclassification: Government response-
Published 29 November 2022**

<https://www.gov.uk/government/publications/further-education-reclassification/further-education-reclassification-government-response#:~:text=Following%20the%20reclassification%2C%20colleges%20and, and%20other%20central%20government%20guidance>

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section D of its Terms of Reference:

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Standing Agenda Item	28 September 2022

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PENSIONS COMMITTEE

21 FEBRUARY 2023

REPORT TITLE:	TREASURY MANAGEMENT POLICY FOR 2023/24 AND ANNUAL REPORT FOR 2021/22
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 2023/24.

RECOMMENDATION/S

The Pensions Committee be recommended to approve the treasury management policy statement and the treasury management practices for Merseyside Pension Fund for the financial year 2023/24.

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.
- 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 remains negative with outflows to pensioners exceeding income from contributions. With the 2022 triennial valuation's improved results reducing deficit payments, this will reduce contribution income further. The Fund's cashflows have been and will continue to be closely monitored throughout 2023/24. In an environment where a significant proportion of investment income is directly reinvested, 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 Bank of England increased Bank Rate by 0.5% to 3.5% in December 2022. This followed a 0.75% rise in November and the ninth successive rise since December 2021. Although further increases are expected, short-term money market rates and bank deposit rates are likely to remain at lower levels 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 2023/24 is attached as Appendix 1 to this report. There are no changes to the policy approved by Pensions Committee for 2022/23.
- 3.13 **Annual Report 2021/22**
- 3.14 In accordance with the Treasury Management Policy for 2021/22, the following items provide a report on treasury management activities for that year:
- Managing counterparty risk continued to be the overarching investment priority.
 - 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 -0.07% against a benchmark performance (7-day LIBID) of -0.08%.
 - Transactions were undertaken to reflect the day-to-day cash flows of the Fund.
 - There was one incident when the Fund was non-compliant with the Treasury Management Policy throughout 2021/22. The Fund breached the deposit limit held with its current bankers, Lloyds, this was rectified the next working day, with no financial disadvantage to the Fund.

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. It is important that the Fund's Treasury function operates effectively.

7.0 RELEVANT RISKS

7.1 The treasury management policy statement is concerned mainly with the mitigation of risks and ensuring the security of cash deposits.

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 2023/24 is attached as appendix 1 to this report.

BACKGROUND PAPERS

CIPFA Treasury Management Code of Practice and Guidance Notes.

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section D of its Terms of Reference:

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	23 February 2022
	2 February 2021
	3 February 2020

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/or 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

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PENSIONS COMMITTEE

21 FEBRUARY 2023

REPORT TITLE:	MERSEYSIDE PENSION FUND BUDGET FINANCIAL YEAR 2023/24
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 2023/24.

RECOMMENDATION/S: That

- (1) The Pensions Committee be recommended to approve the budget for 2023/24.
(Subject to review of charges from the administering authority for support services).

- (2) A further report on the outturn for 2022/23 with finalised estimates, in particular for departmental & central support charges and any known changes in supplies and services for 2023/24, be presented to Members of Pensions Committee 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 Not relevant for this report as the budget setting process and its approval are an essential part of the Fund's governance arrangements. The Local Government Pension Scheme (LGPS) Advisory Board's Good Governance report recommends that LGPS funds set budgets sufficient to fulfil resourcing requirements and meet regulatory requirements.
- 2.2 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 LGPS 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 2023/24, we are estimating that MPF will pay £395m in pension benefits and receive £241m in contributions from employers and employees. The Fund has a value of £10.3bn at 31 December 2022. The proposed administration costs of £21.4m including £11.9m of investment management charges to external managers represent a cost of £147.73 per member of the scheme or 0.21% of assets under management. Taken separately the external investment management costs are approximately £83.01 per member or 0.12% of assets under management.
- 3.2 The budget for 2023/24 is lower at £21.4m than £25.0 in 2022/23 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.
Services and Supplies	Contracts where usage and cost is fixed, plus estimate for variable elements.
Inflation adjustments	CPI 10.1% as at September 2022.

Investment Performance	1.9% / 2.3% bonds; 6.5% equities; 0% of performance targets met for active management.
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- 3.4 This report includes a predicted out-turn for 2022/23. 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 2023/24 and assumptions used for staffing.
- 3.5 The Fund's major expenditure is on investment management fees. For 2023/24 it is assumed that the contractual arrangements in respect of assets under management remain as per 2022/23. 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 2022/23, the outturn is expected to be lower than the estimate made last year due to a deterioration in market conditions following approval of that budget and disappointing performance from some external managers which will obviate the payment of performance fees.
- 3.6 The second highest expenditure is on staffing; employee costs overall increase in 2023/24 to reflect a budgeted pay increase of 5% and an estimate of £400,000 of growth to reflect a review of staffing that is underway. The aims of the estimated growth element of the budget are to manage the growing complexities of the Fund's investment, address the challenges of staff recruitment and retention, and support the objective of bringing more assets in-house. A review of staffing requirements is being undertaken and any material changes will be reported to a future meeting of this Committee. The outturn for 2022/23 will be underspent relative to budget due to assumptions used.
- 3.7 The predicted 2022/23 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 2023/24.
- 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 £311,015. 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 the probable outturn for 2022/23 and the budget proposed for 2023/24; 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 performance, income and employee and employer contributions. The full costs are estimated to be £147.73 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 The LGPS Scheme Advisory Board's Good Governance report recommends that LGPS funds set budgets sufficient to fulfil resourcing requirements and meet regulatory requirements.

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 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.

REPORT AUTHOR: **Name Donna Smith**
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email: donnasmith@wirral.gov.uk

APPENDICES

The budget for 2023/24 including the probable out-turn for 2022/23 is attached as appendix 1 to this report.

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

BACKGROUND PAPERS

Chartered Institute of Public Finance Accountants (CIPFA) – Service Reporting Code of Practice for Local Authorities

National LGPS Scheme Advisory Board – Good Governance report

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section D of its Terms of Reference:

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	22 June 2022
	23 February 2022
	22 June 2021
	29 March 2021

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Appendix 1

Value of the Fund	£10.3bn	31/12/2022
Investment income Received	£274m	Projected 2023/24
Pensions Paid	£395m	Projected 2023/24
Contributions Received	£241m	Projected 2023/24
Active Contributing members	46,740	31 March 2022
Deferred members	42,553	31 March 2022
Pensioners	55,254	31 March 2022
Total Members	144,547	31 March 2022

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	Budget 2022/23 (£)	Probable Out-Turn 2022/23	Budget 2023/24 (£)
Employees			
Pay, NI and Pension	4,026,968	3,569,020	4,669,483
Training	20,000	11,512	20,000
Other Staffing Costs	37,150	40,684	41,756
	4,084,118	3,621,216	4,731,239
Premises			
Rents	206,794	206,794	212,536
	206,794	206,794	212,536
Transport			
Public Transport Expenses	33,370	12,755	36,755
Car Allowances	3,000	1,691	2,000
	36,370	14,446	38,755
Supplies			

Furniture and Office Equipment	10,000	837	10,000
Printing and Stationery	13,000	11,913	13,000
Computer Development and Hardware	668,500	518,613	703,500
Postages and Telephones	70,700	62,755	74,500
External Audit	51,249	51,249	50,000
Services and Consultants			
Fees	1,559,624	944,474	1,468,249
Conferences and Subsistence	28,713	12,037	20,549
Subscriptions	177,004	190,707	211,727
Other	61,572	40,784	65,806
	2,640,362	1,833,369	2,617,731
Third Party			
Medical Fees	2,000	933	2,000
Bank Charges	12,000	6,392	5,000
Investment Management Fees	16,466,314	11,287,453	11,998,660
Custodian Fees	225,000	199,429	250,000
Actuarial Fees	750,000	942,768	750,000
Other Hired and Contracted Services	313,912	451,164	437,274
	17,769,226	12,888,139	13,442,934
Departmental & Central Support Charges	311,015	311,015	311,015
	311,015	311,015	311,015
Total Expenditure	25,047,885	18,874,979	21,354,210



PENSIONS COMMITTEE

21 FEBRUARY 2023

REPORT TITLE:	MERSEYSIDE PENSION FUND AUTHORISED SIGNATORIES
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

This report sets out proposed changes to authorised signatories at Merseyside Pension Fund (MPF) following the appointment of the Director of Finance and a review of the current signatories against business needs.

This report describes the different requirements for various institutions and functions, including the banks, custodian, and overseas pensions payment agent, as well as the granting of power of attorney where appropriate.

This report also forms a part of the Fund’s scheme of delegation and sets out the management and authorisation arrangements, for the avoidance of doubt by organisations undertaking due diligence on MPF as an investee company or as a financial services provider, or for purposes of overseas jurisdiction.

RECOMMENDATION/S

The Pensions Committee is recommended to

- (1) approve the arrangements set out in section 3 of this report in relation to the internal control arrangements at Merseyside Pension Fund.
- (2) approve the officers designated in section 3 of this report as authorised signatories for Merseyside Pensions Fund.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

- 1.1 Following a review of the current authorised signatories against business needs and staff changes it is necessary to update the list of authorised signatories.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not relevant for this report.

3.0 BACKGROUND INFORMATION

- 3.1 The current approved signatories are:

Director of Resources	Shaer Halewood
Head of Pensions Administration	Yvonne M. Murphy
Senior Manager Operations & Information Governance	Guy W. Hayton
Head of Finance & Risk	Donna Smith
Employer Compliance & Membership Manager	Susan J. Roberts
Employer Compliance & Membership Manager	Bridget L. Pullen

- 3.2 Following a review of the current authorised signatories, approval is requested for the following signatories:

Director of Finance	Matthew Bennett
Director of Resources	Shaer Halewood
Head of Pensions Administration	Yvonne M. Murphy
Senior Manager Operations & Information Governance	Guy W. Hayton
Head of Finance & Risk	Donna Smith
Employer Compliance & Membership Manager	Susan J. Roberts
Employer Compliance & Membership Manager	Bridget L. Pullen

- 3.3 These responsibilities will include powers to open, close and amend bank accounts; authorise instructions for payment of benefits and for investment transactions; sign manual cheques and countersign cheques over £10,000 in respect of accounts with the Fund's bankers (Lloyds Banking Group), with the Global Custodian (Northern Trust), and with other financial institutions including those detailed in the Fund's Treasury Management Strategy. The officers will also be authorised to sign investment documentation.
- 3.4 As officers leave employment of Wirral Council, they are removed from the signatory list and accounts are deleted from any electronic systems immediately.
- 3.5 For reasons of internal control, the following officers are empowered to authorise investment decisions and relevant investment documentation including confirming settlement arrangements, but without powers to

authorise the transfer of monies through the electronic banking/Custodian system:

Director of Pensions	Peter Wallach
Senior Portfolio Manager	Adil Manzoor
Senior Investment Manager	Allister Goulding
Senior Investment Manager	Gregory Campbell

3.6 Other officers can make investment decisions up to their limits as specified in the Compliance Manual approved by Pensions Committee, 4 November 2019.

3.7 Authorisation of the monthly pension payroll is undertaken by approved authorised signatories based at MPF.

3.8 For the avoidance of doubt, the Director of Finance can designate officers of MPF to exercise powers of attorney on behalf of MPF and Wirral Council. Any two of the following officers of MPF may exercise powers of attorney on behalf of MPF and Wirral Council:

Director of Pensions	Peter Wallach
Senior Portfolio Manager	Adil Manzoor
Head of Pensions Administration	Yvonne M. Murphy
Head of Finance & Risk	Donna Smith

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising directly from this report.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS

6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

7.1 It is essential that the Fund maintains strong internal controls and that arrangements which designate those individuals who may authorise transactions are clearly documented. Without the appropriate number of authorising officers, there is a risk of delayed transactions and settlement of trades. This could manifest itself both as financial risk, as there could be a cost due to delayed transactions and settlements, and as a reputational risk to MPF in financial markets.

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

None

BACKGROUND PAPERS

Council Constitution; Financial Regulations

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section D of its Terms of Reference:

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	2 February 2021
	16 July 2019



PENSIONS COMMITTEE

21 FEBRUARY 2023

REPORT TITLE:	WIRRAL 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 Wirral Local Pension Board.

RECOMMENDATION/S

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

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

- 1.1 The Wirral 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. The Board's terms of reference require it to report to Pensions Committee.

3.0 BACKGROUND INFORMATION

- 3.1 The Wirral 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 Wirral 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

- 451 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.

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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

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section A of its Terms of Reference:

(a) To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance of the Fund.

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

Friday, 16 December 2022

Present: J Raisin (Chair)

G Broadhead	P Moloney
R Dawson	L Robinson
D Ridland	S Van Arendsen
R Irvine	

1 WELCOME AND INTRODUCTION

The Chair welcomed everyone to the meeting.

2 APOLOGIES

Apologies for absence had been received from Peter Fieldsend.

3 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

There were no declarations of interests.

4 MINUTES

Resolved – That the minutes of the Local Pensions Board meeting held on 28 September 2022 be approved as an accurate record.

5 APPOINTMENT OF REDINGTON AS STRATEGIC INVESTMENT ADVISORS

The Director of Pensions introduced representatives from the Fund's newly appointed Strategic Advisors Redington, Jill Davys (Head of LGPS) and Tom Pilcher (Lead Consultant). Members of the Board were provided with a background to Redington as an independent investment consultancy firm, whose mission statement was to help make 100 million people financially secure, for the benefit of people and planet. The firm's 4 key specialisms were outlined as a proprietary structured framework approach, alongside how a 'ROSIE' approach was to be adopted (Research, Objectives, Strategy, Implementation, Evaluation) in undertaking work. A timeline of work was provided to the Board, whilst an outline of the process for a stakeholder survey exercise was noted.

In response to several members questions, it was affirmed that:

- Redington aimed to ensure that the Fund's strategy served its objectives through having a clear framework to reference.

- A range of stakeholders would be issued with the survey, including Pensions Committee members, Local Pensions Board Members, and officers such as s151 officers and other interest parties.
- It was important to recognise the survey was not deterministic, and would identify matters where further information was required and areas to be explored in more detail.

Resolved – That the appointment of Redington as Strategic Investment Advisors to Merseyside Pension Fund be noted.

6 LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE

The Senior Manager for Operations and Information Governance introduced a report which provided members of the Board with an update on the National Pensions Dashboard programme and the associated impacts on the Fund's administration. The Board were informed that work was being undertaken with the Fund's system supplier on software solutions which were required to securely connect to the dashboard at the required staging dates. It was noted that all LGPS Funds were required to connect and respond to data requests by September 2024, with a requirement to provide data detailing accrued and projected pension values by April 2025. However, the pensions dashboard would only be made publicly available when the security of the infrastructure and governance framework had been approved by the Money and Pensions Service, the IT providers and Government.

Members of the Board discussed the future enhancement of the Fund's MyPension website and how there could be possibilities to connect this with the dashboard at a future date.

Resolved – That the report be noted.

7 GRANT THORNTON – THE AUDIT FINDINGS REPORT FOR MERSEYSIDE PENSION FUND

The Head of Finance and Risk at Merseyside Pension Fund presented a report which highlighted 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 2022. It was noted that the report was updated to include further work undertaken since it was presented at Pensions Committee in September 2022, and was to be considered at a meeting of the Audit and Risk Management Committee in 2023. Subject to the satisfactory completion of the outstanding audit work, it was anticipated that Grant Thornton's audit opinion would be unqualified.

Members discussed in detail aspects of the Audit findings, whilst the Board placed on record their thanks to the Head of Finance and Risk, her team and the wider staff at Merseyside Pension Fund for work undertaken.

Resolved – That the report provided by the external auditor Grant Thornton be noted.

8 MERSEYSIDE PENSION FUND ANNUAL REPORT & ACCOUNTS 2021/22 AND LETTER OF REPRESENTATION

The Head of Finance and Risk at Merseyside Pension Fund presented members of the Board with the Annual Report & Accounts for Merseyside Pension Fund for 2021/22. The report and accounts were approved at Pensions Committee on 28 September 2022 and were due to be considered at the Audit and Risk Management Committee on 17 January 2023. A letter of representation had been prepared by officers on behalf of both committees, subject to approval in January. There was one amendment to the draft accounts' financial position, due to an increase in audit fees during the year, and a small number of disclosure changes had also been agreed. The Fund's financial position for the year ended 31 March 2022 was reported as £11.0bn. It was noted that the annual report remained as draft subject to completion of the Council's external audit opinion.

The Chair of the Board noted that the annual report had been presented to a very high quality which reflected well on the Fund.

Resolved – That the report be noted.

9 NORTHERN LGPS UPDATE

The Director of Pensions introduced a report which provided members pooling arrangements in respect of Merseyside Pension Fund (MPF) and the Northern LGPS Investment Pool and the Northern LGPS Investment Pool. Minutes of the previous Northern LGPS Joint Committee meeting were appended for noting.

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

10 DRAFT FUNDING STRATEGY STATEMENT

The Head of Pensions Administration introduced a report which provided members of the Board with MPF's Draft Funding Strategy Statement (FSS) for 2022. The Board were asked to consider the actuarial assumptions adopted, deficit and surplus recovery plans and the policies within the FSS. Whilst it was noted that funding position at this valuation was considered positive, the key communication that had arisen from the valuation was for employers to balance contribution affordability versus sustainability given the global

economic and inflationary outlook post valuation date. It was noted that a consultation with employers took place on the key changes to the FSS from 31 October to 2 December 2022.

Resolved – That the report be noted.

11 **UPDATE ON 2022 ACTUARIAL VALUATION**

The Head of the Pensions Administration introduced a report which informed members of the Board of the Actuary's 2022 actuarial valuation based on membership and cashflow data provided by the Fund at 31 March 2022. It was noted that the market value of assets at the valuation date was around £11 billion, giving a funding level of 106% with an associated surplus of £639m and an average employer future service cost of 18.5% of pay. Alongside this, a comparison of valuation results in 2019 and analysis was provided. The Board were asked to note that the final actuarial outcome was to be certified following finalisation of the Funding Strategy Statement and Investment Strategy Statement.

Discussing both items 10 and 11 together, members noted that the Draft FFS and Actuarial Valuation represented a very positive approach and position for both the Fund and Employers, and the positive relationship between the Fund and employers was praised.

Resolved – That the report be noted.

12 **CONSULTATION ON GOVERNANCE AND REPORTING OF CLIMATE CHANGE RISKS IN THE LOCAL GOVERNMENT PENSION SCHEME**

The Director of Pensions introduced a report that provided members of the Board with MPF's response to a consultation by the Department for Levelling Up, Housing & Communities (DLUHC) which sought views on proposals for LGPS administering authorities in England and Wales to assess, manage and report on climate-related risks. Having given due consideration to the consultation in detail, the Fund were supportive of proposals as were pooling partners. Following consultation with the Chair of the Pensions Committee, a joint response was prepared and submitted by the Northern LGPS Investment Pool (NLGPS). The responses from the Scheme Advisory Board and the Local Authority Pensions Board Forum were also highlighted within the report.

In response to a member query as to whether reporting of climate change risks should be added to the risk register, the Director of Pensions affirmed that this was an area considered central to investment considerations and was captured through several mechanisms as part of investment risks.

Resolved – That the response to the consultation be noted.

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

Resolved – That under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined by the relevant paragraphs of Part 1 of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

14 **APPOINTMENT OF REDINGTON AS STRATEGIC INVESTMENT ADVISORS EXEMPT APPENDIX**

Resolved – That the exempt appendix be noted.

15 **PENSION ADMINISTRATION MONITORING REPORT**

The Head of Pensions Administration provided members of the Board with monitoring information on the key performance indicators in respect of work undertaken by the administration team during the period outlined within the report.

Resolved – That the report be noted.

16 **RISK REGISTER**

The Director of Pensions introduced a report which presented a copy of Merseyside Pension Fund's Risk Register for consideration by the Board.

The Chair proposed (seconded by R Dawson) including a further recommendation to note concern expressed by members in relation to a score change to an item on the register.

Resolved – That

- 1) The changes to the risk register be noted.**
- 2) That a letter of concern on behalf of the Local Pensions Board be written by the Chair to the Director of Pensions reiterating the views expressed at the meeting.**

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PENSIONS COMMITTEE

21 FEBRUARY 2023

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

That the Pensions Committee be recommended to approve the minutes.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

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

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not relevant for this report. The approval of working party minutes by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

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 Under the Fund's governance arrangements, minutes of working parties are reported to Committee.

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 Investment Monitoring Working Party (IMWP) agenda.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising from this report.

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APPENDICES

Appendix 1 Working Party minutes/Responsible Investment/Stewardship reports.

BACKGROUND PAPERS

CIPFA: Managing Risk in the Local Government Pension Scheme

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section F of its Terms of Reference:

(f) To appoint members of the Investment Monitoring Working Party, which shall have responsibility for reviewing the performance of the Fund's investments and its asset allocation and regularly reporting their findings to the Pensions Committee.

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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Minutes of IMWP held on 15 November 2022

Attendees

Name	Initials	Organisation
Councillor Pat Cleary (Chair)	PC	WBC
Councillor Cherry Povall (Vice Chair)	CP	WBC
Councillor Brian Kenny	BK	WBC
Councillor Chris Carubia	CCa	WBC
Councillor George Davies	GD	WBC
Councillor Karl Greaney	KG	WBC
Councillor Paulette Lappin	PL	Sefton
Councillor Pat Maloney	PM	Pension Board
Donna Ridland	DR	Pension Board
Roger Bannister	RB	UNISON
Rohan Worrall	RW	Independent Adviser
Paul Watson	PWa	Independent Adviser
Keith Wade	KW	Schroders
Olivia Docker	OD	Schroders
Paul Myles	PMY	Schroders
Peter Wallach	PW	MPF
Adil Manzoor	AM	MPF
Greg Campbell	GC	MPF
Allister Goulding	AG	MPF
Daniel Proudfoot	DP	MPF
Joseph Hull	JH	MPF
Alan Robertson	AR	MPF
Elizabeth Barlow	EB	MPF

Owen Thorne	OT	MPF
Neil Gill	NG	MPF
Dragos Serbanica	DS	MPF
Emma Jones	EJ	MPF

1. Apologies

Cllr Hellen Collison

2. Minutes of IMWP held on 9 June 2022

Noted, no amendments.

3. Presentation: Keith Wade – Chief Economist, Schroders

Keith Wade (KW), Chief Economist at Schroders, presented the macroeconomic outlook for the UK and the US, covering topics such as inflation, unemployment rates, labour participation rates, interest rate expectations, new monetary policy regimes and geopolitical risks.

BK asked more clarifications on what the notion of China behaving more normally means and how could increased unemployment be a factor in ameliorating the inflation situation.

KW commented that in terms of China, despite the zero-covid policy used by Beijing, Chinese ports start to resume normal operations and thus work towards reducing the level of backlogs in terms of shipping traffic. The unemployment is needed to bring down inflation. When an economy is operating at high-capacity levels, with spending levels exceeding the economy’s capacity to produce goods and services, it creates a situation that will eventually lead towards an economic slowdown and demand coming down. With central banks raising interest rates thus aiming to slowdown demand, inevitably it will lead in turn to a rise in unemployment.

PC asked whether there is any evidence of a permanent reduction in the labour force as a result of the covid pandemic and therefore a permanent impact on the base wage rates.

KW replied that there has been a substantial increase in the number of 16-64-year-olds in the UK that are either temporarily sick or long-term sick since January 2020, resulting in many workers being lost. Depending on how quickly the NHS backlogs are being dealt with, these numbers could be reducing, with the potential however of becoming a long-run feature.

RW asked whether there is any expectation for companies to start reallocating higher portions of their earnings to labour costs and maintaining this higher reallocation going forward.

KW commented that such eventuality it is quite likely and profit share as a percentage of the GDP is expected to start to slide downwards. Businesses are starting to rethink their supply chains with less reliance on outsourcing going forward and bringing more jobs back onshore.

RW asked what are the implications of reallocating more earnings to labour costs and the resulting decrease in profit share for equity valuations going forward?

KW commented that if the level of profit share decreases, ceteris paribus, it will exert some downward pressure on equity valuation.

PC asked how climate fits in the economic forecasts and climate related risk implications for equity values.

KW commented that the presented forecast did not consider climate risk factors.

4. Review

4.1. Market Commentary

RW provided an update on recent market developments within the UK, focussing on areas such as inflation, interest rates, fiscal policy, economic growth and geopolitical risks and their implications on the performance of equity, fixed income, currencies and alternative investments markets.

CP commented that her understanding was that the fund was not particularly exposed to the fluctuations in Gilts and asked for a clarification on this point.

PW commented that in relation to LDI, the liquidity squeeze on Gilts resulting as a consequence of the mini budget, did not present an issue for MPF, given the fund's relatively small LDI exposure. However, MPF has holdings of conventional Gilts, which as previously indicated, have fallen considerably over the past year, when compared to equities, as well as index-linked gilts, which despite their imbedded inflation protection, have also fallen considerably.

PC asked whether the market events over the last 12 months have shifted the investment climate and therefore what are the medium to long term impacts on the how the fund would manage its assets.

RW commented that the big change that occurred in terms of interest rates and bond yields coupled with lowering inflation expectations, several asset classes are expected to undertake a repricing exercise over the coming period.

4.2. Monitoring Report

PW provided an update on fund performance by asset classes and investment mandates for Q3 2022.

PM asked what the current funding level is, given the reduction in the asset valuation.

PW commented that at the end of March, the actuarial valuation was indicating a funding position of 106%. PW does not expect for the current position to deviate significantly from March position, given that as a result of the increase in interest rates, the liabilities figures are also expected to have reduced somewhat as well.

CP asked whether the fund has any exciting new infrastructure investments across Wirral in the pipeline, as there is a lot of activity going on at the moment and wondered whether MPF will participate as well.

PW commented that CBRE is continuing to explore opportunities for MPF across Wirral, however nothing was imminent.

5. Responsible Investments

5.1. Update

OT presented updates on climate risk and inbound LGPS regulations on climate reporting, how climate targets are being set and the progress made towards achieving them.

5.2. PRIC Quarterly Report

OT presented a recent newsletter produced by PIRC focussed on global workforce standards.

5.3. LAPFF Quarterly Engagement Report

OT presented the LAPFF engagement report. A particular theme that prevails across the report is how recent company level engagements have now been taken via the prism of global human rights, highlighting the increasing trend of treating human rights as a systemic risk.

<https://lapfforum.org/engagements/q3-quarterly-engagement-report/>

5.4. Carbon Footprint Analysis

A new provider, S&P Trucost, has been appointed at the beginning of the year to provide a more detailed and granular reporting on carbon climate metrics, which is also used by MPF's partners in the Northern LGPS, with the aim of moving towards a consolidated pool level reporting. OT presented a snapshot on what types of measurements are being used and how the analysis is being aligned with the Paris Agreement.

RW asked what sources were used in determining the Scope 3 data and in terms of the physical risk reporting, what did the sensitivity adjustment meant.

OT commented that Scope 3 data was primarily based on companies' own disclosures, however there is a widespread inconsistency in the level and quality of

Scope 3 disclosures across companies. For companies that do not currently report Scope 3 data, estimates are being used to fill in the gaps.

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PENSIONS COMMITTEE

21 FEBRUARY 2023

REPORT TITLE:	PROPERTY PORTFOLIO RENT ARREARS AND WRITE OFFS
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

The purpose of this report is to request that Members approve the write off of £900,575.41 of irrecoverable rent arrears from the Fund’s property portfolio. The annual property rental income for 2021/22 was £32.1 million.

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

RECOMMENDATION/S

That the Pensions Committee be recommended to approve the write off of uncollectable property rental income of £900,575.41.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

- 1.1 CBRE considers these rental arrears to be irrecoverable. The approval of the write off of irrecoverable rent arrears by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 CBRE considers a number of actions for the recovery of rental arrears before any write off is recommended.

3.0 BACKGROUND INFORMATION

- 3.1 CBRE are the managing agents for the Fund's property portfolio. Amongst other functions, they have responsibility for the collection of rent and management of arrears. On an annual basis they produce a report on uncollectable arrears which is attached as an appendix to this report.
- 3.2 CBRE attended the Investment Monitoring Working Party (IMWP) in March 2022 and discussed the effects on rent collection of the moratorium on legal action put in place by government during the pandemic. The IMWP was advised that from March 2022, a statutory arbitration process will come into effect for those debts that cannot be settled.
- 3.3 When property tenants enter administration or liquidation, CBRE will continue to invoice for rental payments in order to ameliorate the cost of void business rates to the fund. These amounts are included in the write-offs figure.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The total amount recommended for write off in this report is £900,575.41. The annual property rental income for 2021/220 was £32.1 million.

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 Due consideration and an assessment of the creditworthiness of existing and potential tenants of the Fund's properties is undertaken by CBRE but there are instances where a tenant goes into administration or liquidation due to adverse trading in difficult economic conditions.

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

A report from CBRE detailing property rent arrears is attached as appendix 1 to this report.

BACKGROUND PAPERS

Wirral Council Constitution

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section D of its Terms of Reference:

(d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	22 June 2022 29 March 2021 3 February 2020

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

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Pensions Committee – Terms of Reference

The Pensions Committee is responsible for exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as Administering Authority of the Merseyside Pension Fund.

In particular, the Committee is charged by full Council:

- (a) To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance of the Fund.
- (b) To appoint and terminate the appointments of the professional advisers to, and external managers of, the Fund and agree the basis of their commission and remuneration.
- (c) To receive actuarial valuations of the Fund and determine the level of employers' contributions necessary to balance the Fund.
- (d) To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme.
- (e) To consider any views expressed by employing organisations and staff representatives relating to the scheme.
- (f) To appoint members of the Investment Monitoring Working Party, which shall have responsibility for reviewing the performance of the Fund's investments and its asset allocation and regularly reporting their findings to the Pensions Committee.
- (g) To award contracts for goods and services relating to the Fund in accordance with the Contract Procedure Rules after taking into account the recommendations of officers and external professional advisers (where appropriate).

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