



Local Pensions Board

Date:	Wednesday, 28 September 2022
Time:	12.30 p.m.
Venue:	1 Mann Island, Liverpool, L3 1BP

Contact Officer: Mike Jones
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AGENDA

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

Members of the Board are asked to declare any disclosable pecuniary and non-pecuniary interests, in connection with any item(s) on the agenda and state the nature of the interest.
- 4. MINUTES (Pages 1 - 6)**

To approve the accuracy of the minutes of the meeting held on 8 July 2022.
- 5. LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE (Pages 7 - 16)**
- 6. CONSULTATION ON GOVERNANCE AND REPORTING OF CLIMATE CHANGE RISKS IN THE LOCAL GOVERNMENT PENSION SCHEME (Pages 17 - 24)**
- 7. NORTHERN LGPS UPDATE (Pages 25 - 34)**
- 8. MINUTES OF WORKING PARTY MEETINGS (Pages 35 - 50)**
- 9. EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

The following items contain exempt information.

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

10. CEM: BENCHMARKING OF INVESTMENT MANAGEMENT AND PENSIONS ADMINISTRATION (Pages 51 - 90)

Please note that a table in this report may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact Mike Jones on michaeljones1@wirral.gov.uk, if you would like an alternative format.

11. MERSEYSIDE PENSION FUND INTERNAL AUDIT ANNUAL REPORT 2021/22 (Pages 91 - 106)

Please note that a table in this report may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact Mike Jones on michaeljones1@wirral.gov.uk, if you would like an alternative format.

12. PENSION ADMINISTRATION MONITORING REPORT [PERIOD OF 1 APRIL – 30 JUNE 2022] (Pages 107 - 134)

13. RISK REGISTER (Pages 135 - 142)

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LOCAL PENSIONS BOARD

Friday, 8 July 2022

Present: J Raisin (Chair)

G Broadhead	R Irvine
R Dawson	P Maloney
P Fieldsend	S Van Arendsen
D Ridland	

1 WELCOME AND INTRODUCTION

The Chair welcomed attendees to the meeting and informed them that he would be varying the agenda to bring his annual report forward to the end of the public part of the meeting.

2 APOLOGIES

An apology for absence was received from Lyn Robinson, St Helen's College.

3 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked to declare any interests they had in any items on the agenda. No declarations were made.

4 MINUTES

Resolved –

That the minutes of the Local Pensions Board meeting on 24 February 2022 be approved as a true and accurate record.

5 EXTERNAL AUDIT PLAN - STATEMENT OF ACCOUNTS 2021/22

The Head of Finance and Risk at Merseyside Pension Fund introduced the report of the Director of Pensions which provided Board Members with a copy of the report which had been taken to Pension Committee in relation to Grant Thornton's audit of the Fund's Statement of Accounts for 2021/22.

The audit plan provided an overview of the planned scope and timings of the statutory audit of the Fund to those charged with governance.

Grant Thornton would report their findings to Pensions Committee in September and to a future Audit and Risk Management Committee. That report would also be reported to a future Pension Board meeting.

Resolved:
That the report be noted.

6 STATEMENT OF ACCOUNTS 2021/22 – MANAGEMENT QUESTIONS

The Head of Finance and Risk at Merseyside Pension Fund introduced the report of the Director of Pensions which provided Board Members with a copy of the report taken to Pension Committee in June 2022 in relation to Grant Thornton's audit of the Fund's Statement of Accounts for 2021/22. The review and endorsement of the management responses to questions posed by the Fund's external auditors supported Pensions Committee in fulfilling its responsibilities in relation to the financial reporting process and formed part of the governance arrangements.

In answer to a Board member's question, officers were to consider assessing which posts carried a greater risk of fraud although they noted that there were controls in place.

Resolved:
That the management's responses to the auditor's questions be noted.

7 LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE

The Head of Pensions Administration presented the report of the Director of Pensions which provided Board Members with a copy of a report on developments in the Local Government Pension Scheme (LGPS) which had been taken to Pensions Committee since the previous Board meeting. The main issue was the potential impacts of the McCloud judgement imposing additional liabilities. High level analysis identified that 34,000 members of the Merseyside Pension Fund met the criteria to qualify for protection and informed by the actuarial estimate of a 1% cost of total liabilities this equated to around 340 members who were likely receive an additional underpin amount. Combined with the incoming pension dashboard, there were concerns about the resource requirements.

Resolved:
That the report be noted.

8 MERSEYSIDE PENSION FUND BUDGET OUT-TURN 2021/22 AND FINAL BUDGET 2022/23

The Head of Finance and Risk at Merseyside Pension Fund introduced the report of the Director of Pensions which provided Board Members with a copy of the Pension Fund budget report which had been taken to Pensions Committee in June 2022. Outturn had been lower than budgeted due to deferral of projects caused by the pandemic.

Members questioned the actuarial fees but it was explained that the increase brought them more into line with the contract, and that there had been some unique pieces of work which had not been rechargeable to employers and that this was a valuation year which required additional charges.

It was noted that there was expected expenditure related to the McCloud judgement implications and the pensions dashboard, but also that there were potential savings from bringing further assets in house.

Resolved:

That the out-turn for 2021/22 and the finalised budget for 2022/23 be noted.

9 **NORTHERN LGPS UPDATE**

The Director of Pensions presented his report which provided Board Members with an update on pooling arrangements in respect of Merseyside Pension Fund (MPF) and the Northern Local Government Pension Scheme (LGPS). It also presented the Minutes of the previous Northern LGPS Joint Committee meeting.

Members queried the appointment of Trade Union representatives to the Committee which was proving difficult. It was suggested that appointments could be made locally if it was difficult to achieve one through national union offices. Members would welcome some geographical spread amongst the membership too although they would have to keep in mind experience and diversity as factors too.

Resolved:

That the minutes of the Joint Committee meeting be noted.

10 **MINUTES OF WORKING PARTY MEETINGS**

The Director of Pensions presented his report which provided Board Members with the minutes of meetings of Working Parties held since the previous Board meeting.

Resolved:

That the minutes be noted.

11 **PENSION BOARD REVIEW 2021-22 AND WORK PLAN 2022-23**

The Chair presented his report which reviewed the work and performance of the Board and its Members during its seventh year (1 April 2021 to 31 March 2022). This report also included a proposed Work Plan for 2022-2023. The Chair praised the Board members for their contributions and noted that there were no problems in quality or quantity of applicants when recruiting to vacant

places. He urged members to attend at least one working party and one external event a year.

Resolved: That

(1) the Pension Board Review 2021-2022 be received and approved.

(2) the proposed Work Plan for 2022-2023 be noted.

(3) this report be referred to the Pensions Committee for its consideration.

12 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.

13 PROPERTY PORTFOLIO RENT ARREARS AND WRITE OFFS

The Head of Finance and Risk at Merseyside Pension Fund introduced the report of the Director of Pensions which provided Board Members with a copy of a report, relating to the write-off of property rental arrears, taken to Pensions Committee in June 2022 and approved there.

Resolved:

That the write off of uncollectable property rental income recently approved at Pensions Committee be noted.

14 PENSION ADMINISTRATION MONITORING REPORT [PERIOD OF 1 JAN – 31 MAR 2022]

The Head of Pensions Administration presented the report of the Director of Pensions which provided the Pension Board with monitoring information on the key performance indicators in respect of work undertaken by the administration team during the period. 1 January 2022 to 31 March 2022.

Resolved:

That the report be noted.

15 RISK REGISTER

The Director of Pensions presented his report which provided Board Members with a copy of the Fund's Risk Register.

Resolved:
That the report be noted.

16 **NON-RECOVERY OF DEFICIT ON CLOSURE OF ADMISSION BODY**

The Head of Pensions Administration presented the report of the Director of Pensions which provided Board Members with a copy of a recent exempt report to Pensions Committee regarding the non-recovery of deficit on closure of an admission body.

Resolved:
That the report be noted.

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LOCAL PENSION BOARD

28 SEPTEMBER 2022

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

REPORT SUMMARY

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

RECOMMENDATION/S

The Pension Board considers and notes the report.

SUPPORTING INFORMATION

1.0 REASON FOR RECOMMENDATION/S

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

2.0 OTHER OPTIONS CONSIDERED

- 2.1 This is the most appropriate option for informing the Local Pension Board of legislative and industry developments.

3.0 BACKGROUND INFORMATION

- 3.1 This report provides an overview of proposed changes affecting the future administration and governance of the Local Government Pension Scheme (LGPS).

4.0 FINANCIAL IMPLICATIONS

- 4.1 There are none directly arising from this report. The accompanying report sets out the financial implications for the Local Government Pension Scheme (LGPS) and Merseyside Pension Fund (MPF).

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

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

7.0 RELEVANT RISKS

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

8.0 ENGAGEMENT/CONSULTATION

- 8.0 The relevant consultations are set out in the accompanying report.

9.0 EQUALITY IMPLICATIONS

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

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are none directly arising from this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none directly arising from this report.

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APPENDICES

Appendix 1 – LGPS Update report

BACKGROUND PAPERS

CIPFA: the guide for local pension boards
As set out in the accompanying report

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
The LGPS Update is a standing agenda item on the Local Pensions Board	

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

REPORT SUMMARY

This report informs Members of the publication of a Written Ministerial Statement confirming the Government's continued provision of a guarantee to the Local Government Pension Scheme (LGPS) in respect of Academy Trusts.

It also raises awareness of the Office for National Statistics (ONS) review as to whether the Further Education (FE) sector should be reclassified as public sector bodies rather than private sector institutions. This would be a welcome move for both the LGPS and the FE sector and may potentially trigger a change to the funding strategy for the 2022 valuation.

RECOMMENDATION/S

That the Pensions Committee notes the recent developments within the Education sector and the implications for the LGPS.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 There is a requirement for the Pension 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 Pension Committee of industry developments.

3.0 BACKGROUND INFORMATION

Academy Guarantee Review

- 3.1 In accordance with Schedule 2 Part 1, paragraph 20 of the LGPS Regulations 2013, academies must offer their non-teaching staff membership of the LGPS.
- 3.2 Upon conversion of a maintained school to academy status the local authority no longer provides financial backing in the event of the closure of the academy.
- 3.3 On 2 July 2013, as a result of this reduction in the perceived covenant strength, the Department for Education (DfE) provided a guarantee for academies to demonstrate central government support in the event of the failure of an academy. This allowed LGPS funds to set contribution rates and funding targets for academies consistent with local authority schools.
- 3.4 The guarantee is subject to annual limits and since inception, the DfE has never reached the annual limit.
- 3.5 As there is no end date to the guarantee, the DfE committed to undertake regular assessments to determine whether the guarantee remains affordable and whether it is being fully recognised by LGPS administering authorities in their risk assessments and the subsequent certification of employer contribution rates.
- 3.6 On 21 July 2022, the Secretary of State for Education issued a statement confirming the continuation of the guarantee with a new increased annual ceiling of £20 million.

The statement can be accessed from the following link;

<https://hansard.parliament.uk/Commons/2022-07-21/debates/22072124000017/AcademyTrustAndLocalGovernmentPension>

- 3.7 DfE's expectation is for LGPS funds to treat academy and local authority-maintained schools with parity as part of the 2022 valuation, with the necessity for funds to explain any deviation in strategy. Members are assured that the funding basis adopted by Merseyside Pension Fund has reflected the governments stated intent with regard to the consistent treatment of academies for a number of valuation exercises.

ONS Classification Review

- 3.8 In accordance with Schedule 2 Part 1, paragraph 14 of the LGPS Regulations 2013, FE colleges must offer their non-teaching staff membership of the LGPS.
- 3.9 The Office for National Statistics (ONS) is the body responsible for classifying all institutional sectors and their financial transactions into the relevant section of the UK National Accounts.
- 3.10 It is noteworthy that since 2012, Further Education Corporations, Sixth Form College Corporations and Designated Institutions in England have been classified as private sector institutions. Following the enactment of the Skills and Post-16 Education Act 2022, the ONS announced a review of the classification of these bodies. The review is expected to be completed between July to September 2022.
- 3.11 As the DfE does not 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.

- 3.12 Whilst reclassification itself will not materially alter the covenant of these bodies as the Insolvency Regime will still apply, the DfE has commissioned the Government Actuary Department (GAD) to undertake a review of the LGPS and the FE Sector to consider a range of potential options should the sector be reclassified.
- 3.13 It is understood that one of the options being considered is an FE Guarantee, similar to the undertaking already provided to Academy trusts.
- 3.14 GAD will be engaging with actuaries and funds as part of the process and has been asked to complete the report ahead of the ONS decision.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Actuarial and covenant advice informing the allocation of an employer to the relevant funding and investment strategy is provided for in the Fund's annual budget for administration.

5.0 LEGAL IMPLICATIONS

- 5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 The timeline of the review and potential reclassification of the FE sector makes it challenging for fund officers to consider any significant covenant changes and updated employer contribution plans as part of the 2022 valuation.

- 6.3 The regulatory flexibilities to revise employer contributions between valuations could be used beyond certification of the rates in March 2023, but there are efficiencies in carrying out the work alongside the valuation.
- 6.4 It is planned that contribution schedules for FE sector employers will be prepared under both review outcome scenarios, to enable well-informed discussions and to avoid Funding Strategy Statement updates later in the financial year.

RELEVANT RISKS

- 7.1 MPF has been successful in a claim to access the DfE guarantee following the closure of Emslie Morgan Academy on 31 August 2019. A significant pension deficit of £1,039,800 was recovered in full from the DfE on 24 March 2021, and provides confirmation that the departmental guarantee is operational and accessible.
- 7.2 In instructing the actuary to calculate alternative contribution schedules for FE sector employers, officers have planned appropriate mitigation as to the risk of delay in finalising the valuation and production of the Funding Strategy Statement.

7.0 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. Feedback on the sector review and impacts for the FE colleges will be taken account of in finalising the Funding Strategy Statement.

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

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none directly arising from this report.

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BACKGROUND PAPERS

A Parliamentary Minute by the Secretary of State for Education 2 July 2013

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/281208/LGPS_liabilities_parliamentary_minute_2013_V4.pdf

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Standing Agenda Item	

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LOCAL PENSION BOARD

28 SEPTEMBER 2022

REPORT TITLE:	CONSULTATION ON GOVERNANCE AND REPORTING OF CLIMATE CHANGE RISKS IN THE LOCAL GOVERNMENT PENSION SCHEME
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

This report informs Board Members of a consultation by the Department for Levelling Up, Housing & Communities (DLUHC) seeking views on proposals to require Local Government Pension Scheme (LGPS) administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

RECOMMENDATION/S

That the Local Pension Board be recommended to consider and note the report.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 A failure to provide the Board with information on legislative changes and the Fund's activities could hinder the Board in the discharge of its duties.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The option not to respond to the consultation was considered but was dismissed in view of the materiality of the subject matter and the intended requirements on LGPS funds.

3.0 BACKGROUND INFORMATION

- 3.1 Board Members will be aware that addressing the systemic challenges of climate risk has been at the forefront of the Fund's responsible investment work. A report on the reporting of climate risk was brought to Pensions Committee in June 2021 and informed Members of the Fund's arrangements in relation to Taskforce on Climate-related Financial Disclosure (TCFD) requirements. At the time, the requirements were not mandatory for LGPS funds but the government had indicated its intention to require funds publish information relating to the effects of climate change in due course.
- 3.2 The full consultation document is attached at appendix 1. The consultation will last for 12 weeks from 1 September 2022 to 24 November 2022. The proposed requirements follow the current requirements for private pension schemes quite closely, although are slightly simplified and apply to LGPS funds of all sizes (rather than the phased approach for private pension schemes). The requirements will therefore apply to all LGPS funds from 2023/24 regardless of fund size. The regulations are expected to be in force by April 2023, with the deadline for the first report being 1 December 2024.

The key points of the consultation are summarised below.

- 3.3 As set out in the consultation, addressing climate change is one of the major challenges faced in the UK and globally. The UK government is a world leader in commitments to transition to a low carbon economy and in 2019 set the target of achieving net-zero greenhouse gas emissions by 2050.
- 3.4 The international Taskforce on Climate-related Financial Disclosures (TCFD) published a set of recommendations in 2017 with the aims of improving assessment, management, and disclosure of climate-related financial risks. In November 2020, the government announced the UK's intention to make TCFD-aligned disclosures mandatory in the UK across the economy by 2025, with a significant portion of mandatory requirements in place by 2023. The joint [Government Regulators Taskforce's Interim Report, and accompanying roadmap](#), published alongside the announcement, sets out an indicative pathway to achieving that ambition.

3.5 Summary of Proposals

Area	Proposal
Overall	Each LGPS administering authority (AA) must complete the actions listed below and summarise their work in an annual Climate Risk Report.
Scope and Timing	The proposed regulations will apply to all LGPS AAs. The first reporting year will be the financial year 2023/24, and the regulations are expected to be in force by April 2023. The first reports will be required by December 2024.
Governance	AAs will be expected to establish and maintain, on an ongoing basis, oversight of climate related risks and opportunities. They must also maintain a process or processes by which they can satisfy themselves that officers and advisors are assessing and managing climate-related risks and opportunities
Strategy	AAs will be expected to identify climate-related risks and opportunities on an ongoing basis and assess their impact on their funding and investment strategies.
Scenario Analysis	AAs will be required to carry out two sets of scenario analysis. This must involve an assessment of their investment and funding strategies. One scenario must be Paris-aligned (meaning it assumes a 1.5 to 2 degree temperature rise above pre-industrial levels) and one scenario will be at the choice of the AA. Scenario analysis must be conducted at least once in each valuation period.
Risk Management	AAs will be expected to establish and maintain a process to identify and manage climate-related risks and opportunities related to their assets. They will have to integrate this process into their overall risk management process.
Metrics	<p>AAs will be expected to report on metrics as defined in supporting guidance. The proposed metrics are set out below.</p> <p>Metric 1 will be an absolute emissions metric. Under this metric, AAs must, as far as able, report Scope 1, 2 and 3 greenhouse gas (GHG) emissions.</p> <p>Metric 2 will be an emissions intensity metric. We propose that all AAs should report the Carbon Footprint of their assets as far as they are able to. Selecting an alternative emissions intensity metric such as Weighted Average Carbon Intensity (WACI) will be permitted, but AAs will be asked to explain their reasoning for doing so in their Climate Risk Report.</p> <p>Metric 3 will be the Data Quality metric. Under the Data Quality metric, AAs will report the proportion the value of its assets for which its</p>

	<p>total reported emissions were Verified*, Reported**, Estimated or Unavailable.</p> <p>Metric 4 will be the Paris Alignment Metric. Under the Paris Alignment Metric, AAs will report the percentage of the value of their assets for which there is a public net zero commitment by 2050 or sooner.</p> <p>Metrics must be measured and disclosed annually.</p>
Targets	<p>AAs will be expected to set a target in relation to one metric, chosen by the AA. The target will not be binding. Progress against the target must be assessed once a year, and the target revised if appropriate. The chosen metric may be one of the four mandatory metrics listed above, or any other climate related metric recommended by the TCFD.</p>
Disclosure	<p>AAs will be expected to publish an annual Climate Risk Report. This may be a standalone report, or a section in the AA's annual report. The deadline for publishing the Climate Risk Report will be 1 December, as for the AA's Annual Report, with the first Climate Risk Report due in December 2024. We propose that scheme members must be informed that the Climate Risk Report is available in an appropriate way.</p>
Scheme Climate Report	<p>We propose that the Scheme Advisory Board (SAB) should prepare an annual Scheme Climate Report including a link to each individual AA's Climate Risk Report (or a note that none has been published) and aggregate figures for the four mandatory metrics. We also propose that a list of the targets which have been adopted by AAs. We are open to views as to whether any other information should be included in the Scheme Climate Report.</p>
Proper advice	<p>We propose to require that each AA take proper advice when making decisions relating to climate-related risks and opportunities and when receiving metrics and scenario analysis.</p>

3.6 The Department for Work and Pensions (DWP) has already introduced requirements on climate risk management and reporting for private pension schemes, in regulations which came into force on 1 October 2021. The proposals set out in this consultation are broadly similar to the requirements for private pension schemes, and encompass the same four areas of governance, strategy, risk management and metrics and targets. However, a key difference is that the proposed requirements will apply to all LGPS AAs from 2023/24 regardless of fund size. Another key difference is the proposed requirement to report data quality as a mandatory metric. This aims to help the LGPS use its scale and market power to drive improvements in the quality of emissions data, which will be a critical factor in raising the quality of climate risk management.

3.7 Summary of consultation questions

Question 1: Do you agree with our proposed requirements in relation to governance?

Question 2: Do you agree with our proposed requirements in relation to strategy?

Question 3: Do you agree with our suggested requirements in relation to scenario analysis?

Question 4: Do you agree with our proposed requirements in relation to risk management?

Question 5: Do you agree with our proposed requirements in relation to metrics?

Question 6: Do you agree with our proposed requirements in relation to targets?

Question 7: Do you agree with our approach to reporting?

Question 8: Do you agree with our proposals on the Scheme Climate Risk Report?

Question 9: Do you have any comments on the role of the LGPS asset pools in delivering the requirements?

Question 10: Do you agree with our proposed approach to guidance?

Question 11: Do you agree with our proposed approach to knowledge, skills and advice?

Question 12: Do you have any comments on the impact of our proposals on protected groups and on how any negative impacts may be mitigated?

3.8 This is an area where best practice is still evolving and it is important to keep abreast of developments. Officers will assess the proposed requirements, in particular around metrics and targets, and discuss with our Pool partners the scope for joint working. This will be reported to a future Pensions Committee.

4.0 FINANCIAL IMPLICATIONS

4.1 The consultation includes a requirement for administering authorities to take proper advice (from appropriately qualified individuals). There is also a cost for obtaining and calculating the data required for climate risk reporting. The Fund has been working with its pooling partners to minimise duplication and mitigate costs as far as possible. Even without the requirement for TCFD reporting, the Fund considers much of the data requirements necessary from an investment risk management perspective.

5.0 LEGAL IMPLICATIONS

5.1 Following the consultation, high level statutory guidance will be issued relating to the governance requirements and the Climate Risk report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 The reporting requirements will place additional demands on the Fund in relation to the oversight and management of Governance, Strategy, Risk Management, Metrics & Targets at a fund and pool level. These will be assessed and, where quantifiable, included in the subsequent report to Pensions Committee.

7.0 RELEVANT RISKS

7.1 A failure to provide the Local Pension Board with information on legislative changes and the Fund's activities could hinder the Board in fulfilling its statutory duties. The assessment, management and reporting on climate-related risks is an essential part of the Fund's governance of risk and it is important that appropriate guidance is issued.

8.0 ENGAGEMENT/CONSULTATION

8.1 The Fund is consulting with its pool partner funds.

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from this report. DLUHC have made an initial assessment under the duty and do not believe there would be impacts on protected groups from the proposals in this consultation, as they do not affect member contributions or benefits.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 As set out in the report. The NLGPS has a Responsible Investment policy which explicitly addresses environment and climate implications as financially material to the long-term performance of investments.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising from this report.

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APPENDICES

Appendix <https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks/local-government-pension-scheme-england-and-wales-governance-and-reporting-of-climate-change-risks>

BACKGROUND PAPERS

<https://www.fsb-tcf.d.org/publications/>

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Local Pension Board	31.03.21

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LOCAL PENSION BOARD

28 SEPTEMBER 2022

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

REPORT SUMMARY

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

RECOMMENDATION/S

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

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Pooling is resulting in fundamental changes to the oversight and management of Local Government Pension Scheme (LGPS) assets and it is important that Board Members are informed of all developments affecting the Fund.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other suitable options. It is an audit recommendation that minutes of the Northern LGPS joint committee meetings are reported to Pensions Committee and, by extension, the Local Pension Board.

3.0 BACKGROUND INFORMATION

- 3.1 The Northern LGPS Investment pool was established between Merseyside, Greater Manchester and West Yorkshire Pension Funds in response to the revised LGPS Investment Regulations 2016 which were, in part, designed to facilitate the pooling of assets between LGPS funds and improve access to infrastructure investments.
- 3.2 Minutes of the previous Northern LGPS joint committee meeting are attached at appendix 1.

4.0 FINANCIAL IMPLICATIONS

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

5.0 LEGAL IMPLICATIONS

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

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

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

7.0 RELEVANT RISKS

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

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

REPORT AUTHOR: **Peter Wallach**
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APPENDICES

Appendix 1 Minutes of Joint Committee meetings.

BACKGROUND PAPERS

Local Government Pension Scheme: Investment Reform, Criteria & Guidance

SUBJECT HISTORY (last 3 years)

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

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NORTHERN LGPS JOINT OVERSIGHT COMMITTEE

7 July 2022

Commenced: 11.00am

Terminated: 12.25pm

Present: Cllr Gerald P Cooney Chair, Greater Manchester Pension Fund (Part Meeting)
Cllr Oliver Ryan Vice-Chair, Greater Manchester Pension Fund (In the Chair part meeting)
Cllr Andrew Thornton Chair, West Yorkshire Pension Fund
Elizabeth Bailey Deputy Chair, West Yorkshire Pension Fund
Councillor Cherry Povall Deputy Chair, Merseyside Pension Fund

In attendance

Sandra Stewart Director of Pensions, GMPF
Peter Wallach Director of Pensions, MPF
Rodney Barton Director of Pensions, WYPF
Euan Miller Assistant Director of Pensions, Funding and Business Development, GMPF
Tom Harrington Assistant Director of Pensions, Investments, GMPF
Paddy Dowdall Assistant Director of Pensions, Local Investments and Property, GMPF
Steven Taylor Assistant Director of Pensions, Special Projects, GMPF
Neil Cooper Head of Pension Investment, GMPF
Mushfiqur Rahman Investments Manager, GMPF
Owen Thorne Merseyside Pension Fund
Greg Campbell Merseyside Pension Fund
Colin Standish West Yorkshire Pension Fund
Simon Edwards West Yorkshire Pension Fund
Alan McDougal PIRC
Tom Powdrill PIRC
Conor Constable PIRC

Apologies for

Absence: Councillor Pat Cleary, MPF

1. DECLARATIONS OF INTEREST

There were no declarations of interest.

2. MINUTES

The Minutes of the meeting of the Northern LGPS Joint Oversight Committee held on 14 April 2022 were agreed as a correct record.

3. POOLING UPDATE

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

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

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

Members were advised that Government was yet to publish a response to the consultation and the 2015 guidance therefore, remained in force. DLUHC civil servants had indicated that a consultation on several key policy areas for the LGPS was expected to be issued in autumn 2022. The consultation was expected to cover LGPS pooling as well as other related matters such as the implementation of TCFD ('Task-force on Climate-Related Financial Disclosure') requirements for LGPS funds. Further details were given in the report.

As discussed at a previous meeting of the Joint Committee, (meeting of 2 February 2022 refers) government published the long awaited ['Levelling Up' whitepaper](#), which included references to LGPS funds and pools having plans for up to 5% of assets to be allocated to projects which supported local areas (as stated on page 163 of the whitepaper). It was understood that in this context 'local' referred to UK rather than to the local area of a particular LGPS fund and that there would be no mandate beyond the requirement to have a plan. The 5% target was intended to be a lower bound target with an expectation that funds and pools would substantially exceed 5% in future.

It was explained that it had been a long-term ambition of Government that LGPS funds and pools invest more in local infrastructure as part of their investment strategy. Government's previous attempts at mandating change were met with stern challenge by some stakeholders, who saw the potential for investment targets to conflict with administering authorities' fiduciary duties.

Members were further advised that each of the partner funds in the Northern LGPS Pool was currently in the process of producing 31 March 2022 year end accounts and an annual report. Guidance on preparing the annual report was provided by the accounting body CIPFA. This guidance currently includes a section on accounting for asset-pooling arrangements

In 2020 and 2021 it was agreed by the Joint Committee that a Pool Annual Report be produced, which funds would have the option of including within their respective annual reports. This would act to provide some of the information to satisfy CIPFA guidance and could be used by the funds in their communications with stakeholders to provide evidence of the Pool's progress against its objectives.

It was proposed that a 2022 Pool Annual Report be produced that followed the basis for calculating cost savings that was agreed on a cross-pool basis in 2021. At the time of the report, Government did not appear to have issued a request for pools to submit a progress update as at 31 March 2022 (in previous years it has issued a template for pools to complete). However, it was likely that Government would once again be seeking a progress update from each pool. Estimates made last year indicated cost savings net of fees for the pool of £37.9m for 2021/22 vs £30.5m in 2020/21.

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

RESOLVED

- (i) That the content of the report be noted;**
- (ii) That the production of a concise Northern LGPS Annual Report for 2021/22 which can be included within the annual reports of the participating funds, be approved.**

4. SCHEME ADVISORY BOARD UPDATE

Consideration was given to a report of the Director of Pensions, MPF, providing an update on the last meeting of the Investment, Governance & Engagement (IG&E) Sub-Committee that had taken place on the 23 May 2022.

Details of the actions and agreements from the meeting held on 21 February 2022 were appended to the report.

The principal items on the agenda for the 23 May 2022 included:

- Queen's Speech;
- SAB Forward Look;
- Cost Transparency Compliance Update;
- Michael Lynk Letter Update;
- RIAG Chair's Report; and
- DLUHC Regulatory Update;

RESOLVED

That the content of the report be noted.

5. UPDATE ON RESPONSIBLE INVESTMENT

Tom Powdrill and Conor Constable, PIRC Ltd, Responsible Investment Advisor to the Northern LGPS, presented Northern LGPS' Stewardship Report for Quarter 1 2022. The report explored water stewardship; tackling tax; effective engagement and voting on shareholder resolutions. The Assistant Director of Pensions Investments, GMPF gave an update on the Northern LGPS's approach to implementing its Institutional Investor Group on Climate Change (IIGCC) Net Zero commitment. The Northern LGPS would use the services of a common carbon footprinting provider to track its progress to a 2019 baseline.

RESOLVED

- (i) That the presentation and the content of the latest quarterly Responsible Investment report be noted; and**
- (ii) That a consistent approach to measuring carbon emissions of the Northern LGPS to a common 2019 baseline, be endorsed.**

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

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

It was explained that the NPEP portfolio consisted of commitments to private funds targeting investments, made nationally or internationally, in the private equity or related private securities of companies. Commencing from 1 January 2021, the portfolio also included direct co-investment in such securities.

The report and presentation outlined:

- Current approach to investing in Private Equity;
- Implementation during calendar year 2021;
- Current position against current strategy;
- Review of Strategy; and
- Review of Implementation.

A problem-free year from an administrative perspective was reported. All statements and reports

were circulated consistent with legal agreements and the day-to-day functioning of Northern Trust as fund administrator had worked well.

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

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

RESOLVED

That the content of the report and presentation be noted.

7. PERFORMANCE MEASUREMENT

Consideration was given to a report of the Assistant Director of Investments, GMPF, which provided an update on performance measurement.

An extract from the Northern LGPS reporting for periods to 31 March 2022 was attached as an Appendix to the report. The reporting assisted in fulfilling both reporting requirements to Government, and any oversight obligations of the Joint Committee.

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

Universe collation, analysis and research services were provided to the Northern LGPS Funds by PIRC. The PIRC 2021/22 Annual Review was attached as an Appendix to the report. The PIRC LGPS Universe comprised of 62 funds with total assets valued at £250 billion as at 31 March 2022.

RESOLVED

That the content of the report be noted.

8. EQUITY PROTECTION STRATEGIES FRAMEWORK

The Director of Pensions, Merseyside Pension Fund submitted a report explaining that in January 2019, Merseyside Pension Fund put in place a framework of investment managers able to provide equity downside protection strategies. As frameworks were for a term of four years, there was a requirement for the framework to be refreshed. West Yorkshire Pension Fund was also intending to utilise equity protection strategies and it was proposed that the Funds work together to put in place a new framework that was available to all funds in the Northern LGPS.

RESOLVED

That the content of the report be noted.

9. COMMON CUSTODIAN UPDATE

The Assistant Director of Pensions Investments, GMPF submitted a report, which provided details of key performance indicators and key milestones and deliverables for the quarter to 31 March 2022 in relation to Northern Trust (NT) in their capacity as the common custodian to the Northern LGPS pool, as attached in an appendix to the report.

RESOLVED

That the content of the report be noted.

10. DIRECT INFRASTRUCTURE PLATFORM (GLIL) UPDATE

Consideration was given to a report of the Assistant Director, Local Investment and Property, GMPF, providing an update on the progress with the direct infrastructure investment platform (GLIL).

The latest report to stakeholders was attached as an appendix to the report.

The Assistant Director updated Members of developments in respect of a significant investment, which he had reported on at the last meeting of the Committee. He explained that unfortunately, negotiations had broken down and that the investment would no longer be progressed.

RESOLVED

That the report be noted.

11. NORTHERN LGPS HOUSING INVESTMENT UPDATE

The Assistant Director, Local Investment and Property, GMPF, submitted a report updating Members on the progress of the pooled approach to housing investment.

Members were advised that, in addition to the existing investment programmes of the three Funds, two collective investments had been approved by the Directors. One of which had been reported to the previous meeting of the Committee and details of the second investment were appended to the report.

RESOLVED

That the content of the report be noted.

12. DATE OF NEXT MEETING

RESOLVED

It was noted that the next meeting of the Northern LGPS Joint Oversight Committee was scheduled to take place on 6 October 2022.

CHAIR

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LOCAL PENSION BOARD

28 SEPTEMBER 2022

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

REPORT SUMMARY

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

RECOMMENDATION/S

The Local Pension Board be recommended to consider and note the minutes.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The approval of working party minutes by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund. 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. This is the most suitable option to provide the Board with minutes of the Working Parties.

3.0 BACKGROUND INFORMATION

- 3.1 The Investment Monitoring and Governance & Risk Working Parties (IMWP & GRWP) enable Board Members and their advisors to consider pension matters relating to Merseyside Pension Fund in greater detail. They are not decision-making bodies but minutes and action points arising are reported to Committee.

4.0 FINANCIAL IMPLICATIONS

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

5.0 LEGAL IMPLICATIONS

- 5.1 Not relevant for this report.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

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

7.0 RELEVANT RISKS

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

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

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

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 Environmental, Social and Governance matters are a standing item on the IMWP agenda.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising from this report.

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APPENDICES

Appendix 1& 2 Working Party minutes

BACKGROUND PAPERS

CIPFA: Managing Risk in the Local Government Pension Scheme

SUBJECT HISTORY (last 3 years)

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

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IMWP

9th June 2022

10.30am

MS Teams

Attendees

Councillor Pat Cleary (Chair)	PC	WBC
Councillor Chris Carubia	CC	WBC
Councillor Tom Cardwell	TC	Liverpool City Council
Councillor George Davies	GD	WBC
Louis Paul Hill	LH	Aon
Rohan Worrall	RW	Independent Adviser
Paul Watson	PW _a	Independent Adviser
Peter Wallach (Director of Pensions)	PW	MPF
Alex Abela-Stevenson	AA	MPF
Adil Manzoor	AM	MPF
Alan Robertson	AR	MPF
Daniel Proudfoot	DP	MPF
Donna Smith	DS	MPF
Dragos Serbanica	DSe	MPF
Elizabeth Barlow	EB	MPF
Farbod Abarghouei Nejad	FN	MPF
Greg Campbell	GC	MPF
Neil Gill	NG	MPF
Owen Thorne	OT	MPF

Apologies

Councillor Cherry Povall	CP	WBC
Councillor Brian Kenny	BK	WBC
Councillor Karl Greaney	KG	WBC
Councillor Paulette Lapin	PL	SBC
Councillor Jason Walsh	JW	WBC
Roger Bannister	RB	Unison

Declarations of Interest

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

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

1. Minutes of IMWP held on 2nd March 2022

Noted - no amendments.

2. Review

2.1 Investment Update – Peter Wallach

PW delivered a presentation giving an overview of the Fund as of 31 March 2022. In terms of the performance, the Fund outperformed the benchmark by +3.5% over a 12-month period. PW noted the funding position is now over 100%. PW added, this is subject to an adjustment to discount rates to reflect the increase in the inflation rate.

PW gave an update on the global market performance for 2021/22. In terms of equities, Western equity markets performed well. US equities performed the best; Japan and Emerging equities posted a negative return.

Regarding fixed income, UK nominal gilts posted a negative return, down by 5%, in anticipation of an interest rate rise, (bond prices fall as their yields rise). Index-linked bonds, (the coupon and principal are linked to RPI), added value during 2021/22.

Property markets performed well, recovering from the interruption caused by the pandemic.

Alternatives, (private equity, credit, infrastructure), performed strongly on a one-year basis.

PW highlighted the Fund's achievements for the year 2021/22. A revised NLGPS Responsible Investment (RI) policy was approved during the year and, similarly, the Fund's RI policy. PW addressed GLIL's three notable investments: SMA, Flexion and Rathcool, all related to green energy and the production of renewables, in line with the UK's ambition to move towards net zero emissions.

GLIL is a collaboration between LGPS funds that are seeking to invest into core infrastructure opportunities, predominately in the United Kingdom.

In terms of outlook, this year an actuarial valuation will be taking place to re-assess the Fund's assets and liabilities. In parallel with that, the Fund is intended to revise its investment strategy to 1) improve the risk and return balance of the Fund over the long term, 2) simplify governance, (tilting towards global mandates), 3) integrate climate risk and ESG considerations holistically, 4) de-risking strategy to provide stability, and 5) enhance reporting.

PC complimented GLIL's further investments into low-carbon projects.

PC requested clarification on "simplifying governance", in the context of MPF's strategy review. PW replied the Fund is considering a move from a geographical allocation structure to global mandates which should reduce the number of external manager relationships. This should improve costs and widen the opportunity set.

PC asked for an update regarding "Boycotts, Divestment and Sanctions. PW advised that a consultation in relation to this matter is expected to be published by the end of the year. In addition to the Jenrick Amendment to the Public Service Pensions and Judicial Offices Act, the government had included a general reference to the public sector in the Queen's Speech. There was limited visibility as to what might be expected.

2.2 Market Commentary - Rohan Worrall

RW provided a market commentary for Q1 2022. RW noted the economic growth momentum, measured by the Purchasing Managers Index (PMI), remained strong in Western economies. Inflation has continued to surge, driven by the war in Ukraine, and higher commodity and food prices. RW stated higher inflation is impacting the Fund's liabilities.

During Q1, global equity markets were hit by a heavy sell-off, (with the exception of the UK), triggered by the Russia's invasion of Ukraine, higher commodity

prices and the prospect of a tighter monetary policy. UK equities remained resilient, delivering a positive return, largely due to the UK's energy sector exposure. RW stated as a result of the recent market declines, valuations are markedly more attractive relative to long term history.

Regarding fixed income, during Q1, 10-year bond yields rose significantly. RW noted credit spreads had widened since the beginning of the year, but have narrowed in again recently.

In terms of currencies, in Q1, sterling fell against major currencies, but rose against the Japanese yen. On commodities, crude oil experienced a further surge in prices, which has exacerbated after the invasion of Ukraine. Gold has performed well, as investors sought safe-haven assets.

Looking ahead, inflation appears to be the main economic and political concern. RW stated central banks, (with the exception of China and Japan), will continue to tighten monetary policy try to bring inflation back under control without causing a recession. Therefore, equity markets are going to be more volatile and fragile, driven by higher interest rates and reduced liquidity. Overall, inflation remains elevated in the short term. Fixed income markets offer little long-term value due to soaring inflation.

PC asked, since factors behind inflation are supply driven, will rate hikes be enough to bring inflation back under control. RW replied, inflation has become a political problem, and therefore, central banks are determined to tighten monetary policy in order to suppress demand.

PC asked, what do rising energy prices mean for the green energy transition. RW replied energy transition is not likely to be interrupted by short-term price swings.

2.3 Strategic Adviser Update

LPH provided an update on the Fund's funding level, which is now over 113.9% on a roll-forward basis. Since 2019 valuation, MPF's assets have increased significantly, supported by a prolonged period of monetary stimulus. LPH highlighted the Fund's strong performance during the Q1 amid the market sell-offs. LPH added the funding level is subject to change to account for the changes in actuarial assumptions and discount rate. LPH continued with highlighting Aon's view on the Fund's strategic asset allocation. The Fund is transitioning over time to a new strategic asset allocation by 1) tilting towards global mandates, 2)

investing in lower-risk securities, and 3) investment in assets with independent and diversifying return drivers (i.e., alternatives).

LPH concluded with addressing inflation and longevity risk, and their impact on the Fund's liabilities.

2.4 Monitoring Report – Peter Wallach

The report provided Members with an update of the performance of the Fund's mandates. PW highlighted the market rotation into value stocks in Q1 2022, (due inflation and the prospect of higher interest rates), had severely impacted "growth oriented" mandates.

PW stated Newton, (a UK equity mandate), had underperformed the benchmark on a 1-year basis, driven by being overweight in Tech stocks, (growth), and a lack of exposure to Energy and Mining & Metals stocks, (value). Albeit the long-term performance is adequate.

PW highlighted the direct property portfolio's strong performance, which returned 27.42% over a 1-year period, outperforming the benchmark by 3.48%.

PW asked about factors that contributed to the Internal UK equity fund's one-year underperformance. PW replied, exposure to Platinum Group Metals (PGM) and a Russian mining company, (LSE listed), had been driving the short-term underperformance. The Long-term performance remains robust.

3. Responsible Investment - Owen Thorne

OT introduced the Fund's Responsible Investment (RI) advisors: PIRC and LAPFF. The Fund is committed to engage extensively with companies and market participants to address and mitigate governance and ESG risks.

OT provided an overview of MPF's RI reporting policy and navigated Members to various links where stakeholders can find the Funds' RI Policy statements and its activities. OT noted the Fund is seeking to enhance reporting on this matter.

OT highlighted MPF's stewardship policy. The Fund is seeking to address systematic risks (i.e., climate, human rights, supply chain) across the global

economy. OT added, the Fund is expected to submit its stewardship code report to Financial Reporting Council (FRC) by October 22.

OT provided an update regarding the UN's Principles of Responsible Investment programme on human rights, which is aimed to maximise investors' collective contribution to respect for human rights issues. The first phase of the programme is now published. The Fund is considering taking an active part, by become a signatory of the framework, subject to approval of the Pensions Committee.

PC asked whether the UN stewardship initiative for human rights and social issues addresses geopolitical concerns, (i.e., China, Yemen and Palestine). OT replied a provision has been built into the model to address extraordinary risks/ issues. In parallel with the framework, the Fund, through its partnership with LAPFF, is engaging with companies to address social and human right issues, (i.e., issues in relation to Occupied Palestinian Territories).

PC stated the PRI initiative provides a coherent evidence-based framework to address social and human right issues.

It has been agreed that RI reports are included in the public pack for the Pensions Committee.

LAPFF Quarterly Engagement Report

<https://lapfforum.org/wp-content/uploads/2022/04/LAPFF-QER-2022-Q1.pdf>

Northern LGPS Quarterly Stewardship Report

https://northernlgps.org/assets/pdf/stewardq1_2022.pdf

4. AOB

None

PC closed the meeting at 12:30pm

Date of next meeting: Wed 9th September 2022, 10:30am MS Teams.

Minutes of the Governance and Risk Working Party, 10.00, Tuesday 13 July 2022.

Microsoft Teams meeting.

Present:

Name	Initials	Organisation
Councillor Cherry Povall	CP	WBC
Councillor George Davies	GD	WBC
Councillor Karl Greaney	LR	WBC
Councillor Brian Kenny	JB	WBC
Councillor Paulette Lappin	PL	Sefton Council
Roger Bannister	RB	Unison
Peter Wallach	PW	Director of Pensions
Yvonne Murphy	YM	Head of Pensions Administration
Donna Smith	DS	Head of Finance & Risk
Guy Hayton	GH	Senior Manager of Operations & Information Governance

Invited Guests:

Name	Initials	Organisation
John Raisin	JR	Chair of Local Pension Board
Peter Fieldsend	PF	Member of Local Pension Board

Apologies were received from:

Name	Initials	Organisation
Councillor Pat Cleary (Chair)	PC	WBC
Councillor Paulette Lappin	PL	Sefton Council
Councillor Chris Carubia	CC	WBC

In attendance: Emma Jones.

1. Approval of Minutes & Introduction

Minutes of GRWP, Thursday 23 September 2021, were reported to Pensions Committee and have been approved.

PW introduced the meeting and reported that members of the Local Pension Board had been invited to observe proceedings.

2. Declarations of Interest

PW advised that Declarations of Interest are reported on an annual basis; no further declarations were reported.

Councillor George Davies: Personal interest as his wife a member of Merseyside Pension Fund.

Councillor Cherry Povall: Personal interest as daughter a member of Merseyside Pension Fund.

Noting/Action points

Noted.

3. Custodian update (NT to present)

Phil McCloy (PM), Relationship Manager, presented the Northern Trust Global Custodian Update for Q1 2022 and reported that he oversees the Pension Fund relationship and also the relationship of the Northern LGPS Investment Pool. PM explained he will give a brief overview of Northern Trust (NT) and provide a short presentation to introduce their services, activities and a review of the previous quarter's performance indicators. PM advised that their primary concern is guarding their client's interests by protecting their assets and reconciling asset holdings to ensure that the value is maintained.

PM reported they are a leading provider and have custody of \$12 trillion worth of assets, deal with @105 markets across the world and hold the highest credit ratings of any other US bank. PM advised they stay away from riskier assets and take an ultra-conservative approach as a bank.

PM explained they have the administrative resources to offer protection and the reconciliation of assets, which are kept within a data warehouse. PM went on to describe the effectiveness of their regulatory reporting to monitor and report the assets, using independent pricing sources to value the Fund's securities.

PM touched upon ESG and added that it is an important topic for local government pension schemes due to a growing demand within the pension scheme sector. PM informed Members of NT's training provision for MPF staff in relation to the file

depository system they use and offer a broad range of services to ensure the Fund's assets are closely monitored.

PW thanked PM for his presentation and advised members that the presentation formed part of the ongoing training programme for Pension Committee members around the arrangements offered by a Custodian and the services they provide to a pension fund. It is also to provide assurance to Members that NT are closely monitored which is principally carried by the Joint Committee of the Northern LGPS Investment Pool through quarterly reports and annual presentations.

Questions

None

Action Points

None.

4. Risk Register

PW presented the Risk Register and advised it goes to the Pension Board on a quarterly basis and is brought to the GRWP to demonstrate that risks are kept under review. PW advised there has been a revision to the risk ratings of two items and two risks had been removed. Pension Board can assure members that it is scrutinised on a regular basis.

Questions

Councillor Karl Greaney (KG) observed that using net for the risk scores makes it harder to digest and the colour coding is confusing as it does not draw your attention to higher risks. PW confirmed that the RAG rating relates to the net score rather than the gross score. MPF will look at ways to make the risk register clearer.

Action Points

Risk Register format to be reviewed.

5. Business Plan

PW reported that the Business Plan is a key document which is brought annually to the GRWP. The plan being presented is a high-level summary business plan. It sets out in broad terms the various areas of the Fund including the Funds vision, profile, budget and key priorities. Although it plays into the Wirral Plan, it is a Merseyside Pension Fund strategy and other authorities are equally important in the terms of the services we provide.

PW reported that a significant issue for the Fund is the gap between the pensions which are being paid out and the contributions received. The gap is currently covered by investment income, but it is a growing issue. Investment Strategy review is a key project to ensure the Fund remains at the forefront of developments in financial markets and sustainability. Staffing is also a key risk and is a key priority.

PW advised that one aspect to improve efficiency and the quality of the data the Fund holds has been the move to monthly data collection rather than annually. Another key area is working arrangements post covid and these are being finalised to make sure that arrangements put in place are suitable for the Fund.

PW also reported that Wirral Council accounting system is being replaced with the Enterprise Resource Planning system (ERP) which is a key component of managing the budgets and financial systems. PW assured members that the Fund will be working closely with Wirral whilst this takes place.

PW concluded that the balance of the plan covers areas where we are working in partnership or working collaboratively with other pension funds across the LGPS and private sector as it is the most effective way of delivering a common message and common efficiencies.

PW reported on the Catalyst Fund which is the vehicle for local investment in the Merseyside area.

Questions

None.

Action Points

None.

6. Administration KPI report

YM presented the Administration KPI report that is produced on a quarterly basis for the Pension Board and for members of the Pensions Committee on an annual basis. It illustrates the range of services the pension fund provides and covers the period between January to March 2022.

YM reported that the Administration team comprises three distinct service areas namely Employer Compliance & Membership (ECM), Benefits & Payroll and Operations. The functions of each team are measured against performance standards documented within the Pension Administration Strategy and in line with the TPR Code of Practice.

The Fund is currently concentrating on working with employers to get the data in for the three-year valuation period and with the Actuary to review the key elements of the Fund. YM continues to meet with the District Finance Directors and further education employers. YM advised that a balanced approach is taken and there continues to be ongoing discussions with employers on the surplus.

YM updated members on the Prudential in respect of the service issues experienced by AVC members. YM advised they have implemented an improvement plan and a letter is attached to the report which covers the period from January to March 2022.

The Fund is also working on the identification and recording of complaints within the system to make sure that all correspondence is captured appropriately and complaints are being indexed and recorded correctly.

Questions

No questions were asked.

Action Points

None.

7. Contracts report

DS presented the Contract report which is overseen as part of the finance function. The purpose of this report is to inform members of all the Fund's contracts that have been awarded where contract procedure rules have been waived.

DS advised that breaches fall under rule 12 and extensions and variations fall under Rule 13. MPF complies with contract procedure rules and only seeks exceptions and breaches in extenuating circumstances. DS reported there had been four exceptions and one breach. DS summarised the findings and advised the appendix was attached to the report for noting purposes.

Questions

Councillor Brain Kenny (BK) asked for clarification as to when the rules are waived and why that is necessary.

DS explained that it happens when goods or services are only obtainable from one source or contractor and there is no reasonable or satisfactory alternative. DS also advised that it allowed for under the contract procedure rules. It has to be in the interests of the Council and provide value for money or it may occur if there is a legal requirement to award the contract to a particular supplier due to exclusive rights. DS provided examples of when this has occurred.

Action Points

None.

8. Gifts & Hospitality

DS reported on the monitoring of Gifts and Hospitality and Subsidised Business Events undertaken between January 2021 to March 2022. DS explained why they are reported separately and added that guidance is reflected by Wirral within its overall governance arrangements. Procedures are set out in the Fund's Compliance Manual which is reported to the Pensions Committee on a regular basis for approval.

Questions

None.

Action Points

None.

9. Overseas travel

DS advised that there has been no overseas travel to report during the period undertaken between January 2021 to March 2022.

Questions

None were asked.

Action Points

None.

Noting/Action Points

Date of Next Meeting - TBC

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