

LOCAL PENSIONS BOARD

Tuesday, 12 November 2019

Present: J Raisin (Chair)

D Ridland L Robinson
R Irvine P Fieldsend

Apologies G Broadhead P Maloney
P Wiggins

79 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were 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.

No such declarations were made.

80 MINUTES

Resolved – That the accuracy of the minutes of the Local Pension Board held on 17 July 2019 be approved as a correct record.

With reference to the Minutes of the meeting the Chair commented that Pat Phillips, Committee Services, had taken the Minutes for the Local Pension Board since it had been established in 2015. The Chair placed on record his thanks for the quality of the minutes produced for this meeting and Board members echoed these sentiments.

81 LGPS UPDATE

A report of the Head of Pension Administration provided Board members with copies of recent LGPS update reports taken to Pensions Committee.

The report provided an update on the 'McCloud Case', which related to the transitional protections awarded to members who were closest to retirement age when the Judges' and Firefighter pension schemes had been reformed in 2015.

In addition, the report updated Members on the Scheme Advisory Board's (SAB) review of LGPS Governance models and the proposed changes to

Equitable Life policies, the legacy Additional Voluntary Contributions (AVC) provider for Merseyside Pension Fund.

At the meeting of the Pensions Committee 25 March 2019 (minute 4 refers) Members had been informed of the Court of Appeal's decision, known as the 'McCloud Case'. The Court had ruled that the transitional protection afforded to older members of public service pension schemes was unlawful on the grounds of age discrimination.

On the 27 June 2019, the Supreme Court had denied the Government's leave to appeal, which meant that the Court of Appeal's decision would be upheld, and the case would be returned to an employment tribunal for a detailed decision.

Yvonne Murphy, Head of Pensions Administration, set out the implications for the LGPS and reported that on 15 July 2019, the Chief Secretary to the Treasury had announced in a written statement that "the government believes that the difference in treatment will need to be remedied across all public sector schemes; including the NHS, civil service, local government, teachers, police, armed forces, judiciary and fire and rescue workers."

Members were informed that as the remedy would involve "levelling up" member benefits it was expected that any agreed outcome would increase the cost of LGPS pensions. However, there was no certainty on the level of the increased cost.

Yvonne Murphy further outlined the reasons for the uncertainty of cost and the impact on Triennial Valuation. It was highlighted that once the McCloud case was remedied, Funds must revisit employer contribution rates to ensure they remain appropriate in considering any additional costs.

In relation to the Good Governance Report the report set out that the aim was for an options report to be considered by the SAB in November. Any proposals agreed by the Board would be subject to a stakeholder consultation before being presented to MHCLG.

The Committee was also informed of the Proposal – Transfer to Utmost Life and Pensions. It was reported that in June 2018, Equitable Life had announced that it had entered into an agreement to transfer its business to 'Utmost Life and Pensions'. Yvonne Murphy outlined the proposal and Members were informed that in August 2019, Equitable Life had written to all the LGPS administering authorities affected by the transfer to advise them that as both 'Scheme Policy Holders' and 'Eligible Members' they were able to vote:

- 1) to approve the 'Scheme'.

2) to 'Change the Articles' which would make Utmost Life and Pensions the Equitable Life's only Member.

The deadline for the receipt of postal and online votes was 10am on 30 October 2019. If enough Scheme Policyholders supported the proposals, Equitable Life intended to return to the High Court on 22 November 2019 to ask it to approve the Scheme and the Transfer.

Resolved – That the report be noted.

82 GOVERNANCE STATEMENT

Members gave consideration to a report of the Director of Pensions that gave details of amendments to the Fund's Governance Policy taken to Pensions Committee.

The report provided details of amendments to the Fund's Governance Policy to reflect changes to the Fund's governance arrangements as a consequence of 'Investment Pooling'.

The Director of Pensions reported that the Fund's Governance Policy Statement needed to be updated to reflect the new arrangements pertaining to investment pooling and a revised statement was attached for members consideration

The report reminded Members that, from the separate report on the agenda, MPF had been working with its pooling partners to conclude governance arrangements for the Northern LGPS's Joint Committee. An underpinning element of this was a Northern LGPS inter-authority operating agreement between the three funds. This operating agreement and the associated Constitutional changes had been considered and approved at the Standards and Constitutional Overview Committee on 28 September and at Full Council on 14 October 2019.

Regulation 55 of the LGPS Regulations 2013 set out the requirements for the publication of a Governance Policy Statement by the Fund. The policy had last been reviewed by the Pensions Committee on 16 November 2015.

Resolved – That the report be noted.

83 THE PENSION REGULATOR ENGAGEMENT REPORT

A report of the Director of Pensions provided members with an update on the Pensions Regulator (TPR) review of governance and administration risks across the LGPS. The Pensions Regulator Engagement Report was attached as an appendix to the report.

Members were informed that as good governance was a fundamental requirement to ensure effective running of all pension schemes TPR had undertaken a formal engagement with ten LGPS funds between October 2018 and July 2019.

The report taken to the Pensions Committee summarised the key findings from the engagement and suggested that focus needed to be placed on policies, processes and people.

Resolved – That the report be noted.

84 **TRAINING & DEVELOPMENT OPPORTUNITIES**

A report of the Director of Pensions provided Board members with a copy of a recent report to Pensions Committee on this subject. It also reminded members of their training responsibilities. The report informed the Board of training and development opportunities provided to members of Pensions Committee and noted that a number of these opportunities were also available to Board members.

The Director of Pensions noted that the report set out the key areas of knowledge that every member of the Wirral Pension Board must be conversant with relating to the key areas of knowledge and understanding of the law relating to pensions. Pension Board members were also expected to complete induction training within the first three months of their appointment. This consists of an online training course provided in a Trustee Toolkit by the Pensions Regulator (TPR).

The Director of Pensions also informed members that since the announcement of the General Election in December there was now a vacancy at the LAPFF Conference in Bournemouth should anyone on the Board wished to attend.

Resolved – That the report be noted.

85 **PENSION BOARD TERMS OF REFERENCE**

Members gave consideration to a report of the Director of Pensions that provided Board members with revisions to the Terms of Reference for Wirral Council's Local Pension Board. The revised Terms of Reference were attached as an appendix to the report.

Members were informed that the Pensions Regulator had increased its oversight of the LGPS and instigated a number of initiatives to assist it in engaging more widely. The role of the Local Pension Board had consequently expanded and the Terms of Reference had been revised to reflect these changes. The Director of Pensions highlighted a number of

changes that had been made and apprised members of the reasons for the revision and informed members that the revised Terms of Reference were expected to be considered by Council in December 2019.

Resolved – That the report be noted.

86 **CATALYST FUND UPDATE**

A report of the Director of Pensions provided Board members with an update on the Catalyst Fund.

Members were informed that the Catalyst Fund had been launched in 2016 with the aim of helping to deliver economic growth projects in Merseyside by providing debt and equity financing, whilst producing a commercial return for the Pension Fund. The Fund was looking to partner with public and private entities in developing projects that would deliver economic growth. The Director of Pensions noted that The Fund had a flexible investment approach designed to help deliver development in growth areas identified in the Liverpool City Region Growth Prospectus and the devolution deal agreed by Central Government and Liverpool City Region Combined Authority. Its principal focus was the provision of debt financing to local property-related or asset-backed opportunities. The appendix to the report provided the Board with information on two recent projects which had been reported to the Investment Monitoring Working Party in September.

The Director of Pensions reported that the fund was not looking to compete with commercial developers but provide finance to something that was commercially viable however was experiencing a funding gap. The preference for the fund was to lend as debt rather than equity as this was repaid more quickly, to then recycle funds and stimulate the local area further and members of the Board were supportive of this use of the fund.

Resolved – That the report be noted.

87 **COMPLIANCE MANUAL**

A report of the Director of Pensions provided Board members with details of a revision to Section 5 of the Compliance Manual for which approval had been agreed at Pensions Committee on 4 November 2019.

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

The report informed members that the Compliance Manual set out the powers, duties and responsibilities of officers in respect of the financial

services legislative and regulatory regimes relevant to MPF. Although the Pension Fund was not regulated by the Financial Conduct Authority (FCA) the manual incorporated, where appropriate, best practice as set out by the FCA and the codes of other professional bodies. The manual was subject to a review as required, but at least every three years. The existing Compliance Manual had been approved at Pensions Committee 22 January 2018. The revised Section 5 of the Compliance Manual was attached as an exempt appendix to the report.

Donna Smith, Head of Finance and Risk, informed members that the main changes to the manual were the updates required to reflect the new internally managed internal factor portfolio (IFP). Members of the Board discussed the Fund's Integrated Risk Management and its broad ranging considerations in determining its strategic asset allocation and it was;

Resolved – That the report be noted.

88 POOLING UPDATE

The Director of Pensions submitted a report that provided Board members with an update on pooling arrangements in respect of MPF and the Northern LGPS that had been considered by the Pensions Committee. The Director of Pensions informed members that since the previous update, the Operating Agreement between the three members of NLGPS had been concluded. It had been considered by the Standards and Constitutional Oversight Committee on 28 September and approved at Council on 14 October 2019.

The appendices to the report contained the Pooling update report taken to the Pensions Committee and at Appendix 2 the minutes of Shadow Joint Committee meeting 11 July 2019 and report Northern LGPS Shadow Joint Committee 26 September 2019. Appendix 2 to the report contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of Local Government Act 1972 i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information).

Members were informed that MPF had continued to work with its pooling partners to finalise governance arrangements for the Pool's Joint Committee. An underpinning element of this was a Northern LGPS inter-authority operating agreement between the three funds which was close to being concluded by the three authorities. The Fund's Governance Policy had been updated to reflect these changes.

The Chair of the Pensions Board thanked the Director of Pensions for bringing this detail to the Board and it was;

Resolved – That the report be noted.

89 **RISK REGISTER**

Members gave consideration to a report of the Director of Pensions that provided Board members with a copy of the Fund's Risk Register.

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

The report informed members that Risk management was an integral part of the Fund's business planning, policies and procedures. The Fund maintained a register of its principal risks and the controls and measures put in place to manage and mitigate them. The register was prepared in accordance with Wirral's Risk Management Policy.

Risk Management was a standing item on the monthly Fund Operating Group agenda. The register was reviewed formally by officers on a six-monthly basis but was updated immediately for any risks that were identified in the interim. The Risk Register was a standing item on the agenda for the Fund's Governance & Risk Working Party. The risks included in the register were principally in relation to administrative, financial and operational risks with investment and related actuarial risks addressed in the Funding Strategy Statement and Investment Strategy Statement.

The Board considered that it was positive that the Merseyside Pension Fund Risk Register was considered and reviewed by the Fund Operating Group, the Governance and Risk Working Party and the Pension Board. This facilitated consideration of risk by different Fund stakeholders with different perspectives.

Resolved – That the report be noted.

90 **WORKING PARTY MINUTES**

A report of the Director of Pensions provided Board members with copies of working party minutes held since the previous Pension Board meeting.

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

The Chair of the Board commented that it was good to note an increasing number of attendees at Working Party meetings. The Director of Pensions noted that dates of future IMWP meetings were included in the appendix

attached to Item 6 of the agenda – Training and Development opportunities. Members were encouraged to attend as observers and those wishing to attend were advised to contact Emma Jones, the Director of Pensions PA, in order that observers could be maintained at two members per meeting.

Resolved – That the report be noted.

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

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

92 **DRAFT PENSION BOARD REVIEW**

Members gave consideration to a report which had been prepared in accordance with the Terms of Reference of the Pension Board and reviewed the performance of the Board and its members during its fourth year (1 April 2018 to 31 March 2019). The report also includes a proposed Work Plan for 2019-20. The report contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of Local Government Act 1972 i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information).

Under Section 11.3 of its present Terms of Reference (approved by the Wirral Council at its meeting held on 10 December 2018) the Board was required to produce, on an annual basis, a report for consideration by the Scheme Manager which is the Wirral MBC Pensions Committee. This review had been prepared by the Independent Chair of the Board for consideration by the Board. Following consideration by the Board an approved version of the review would be presented to the February 2020 meeting of the Pensions Committee by the Independent Chair to the Pensions Committee.

The Chair noted his appreciation of the support that both he and fellow Board members had received from the Director of Pensions and officers during his time as Chair of the Pensions Board. He also acknowledged the positive working relationship both he and Board members had the benefit of with the former Councillor and Chair of the Pensions Committee Paul Doughty.

Resolved – That;

1 the Pension Board Review 2018-19 be received and approved.

2 the proposed Work Plan 2019-20 be approved.

93 **COMPLIANCE MANUAL**

The report on the Compliance Manual was exempt by virtue of paragraph 3.

94 **POOLING UPDATE**

The report on the Pooling Update was exempt by virtue of paragraph 3.

95 **ADMIN KPI REPORT**

The report on the Admin KPI Report was exempt by virtue of paragraph 3.

This item included a specific consideration of cyber security as it related to the Merseyside Pension Fund.

Resolved - That the exempt report be noted.

96 **RISK REGISTER**

The report on the Risk Register was exempt by virtue of paragraph 3.

97 **WORKING PARTY MINUTES**

The report on the Working Party Minutes was exempt by virtue of paragraph 3.