

PENSIONS COMMITTEE

Monday, 2 November 2020

Present:

Councillor	P Cleary (Chair)	
Councillors	C Povall C Carubia G Davies S Foulkes	A Gardner T Jones B Kenny L Rowlands
Councillor	M Bond, St Helens Council	

Apologies

Councillor	P Lappin, Sefton Council
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1 WELCOME AND INTRODUCTION

The Chair welcomed Members of the Pensions Committee and viewing members of the public to the online, virtual meeting.

2 APOLOGIES

A roll call of Councillors was undertaken on behalf of the Head of Legal Services. Apologies had been received from Councillor Paulette Lappin, Sefton MBC.

3 COUNCILLORS JOHN FULHAM AND STUART WHITTINGHAM

The Chair referenced departing members of the Pensions Committee – Councillors John Fulham, St Helens MBC and Stuart Whittingham, Wirral BC – and thanked them for their contributions to the Committee.

4 COUNCILLOR GEOFFREY WATT

The Chair paid tribute to Councillor Geoffrey Watt, a Member of the Pensions Committee and a former Chair of the Committee who had sadly passed away in September. The Chair commented that Councillor Watt had been greatly respected by Members of the Committee and beyond and Members held a minute's silence to pay their respect.

5 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked to consider whether they had any disclosable pecuniary interests and/or any other relevant interest in connection with any item(s) on this agenda and, if so, to declare them and state what they were.

The following declarations were made:

Councillor Davies	George	Pecuniary interest by virtue of his wife being a member of Merseyside Pension Fund.
Councillor Gardner	Andrew	Pecuniary interest by virtue of being a member of Merseyside Pension Fund.
Councillor Jones	Tony	Pecuniary interest by virtue of himself and his wife being a member of Merseyside Pension Fund.
Councillor Povall	Cherry	Pecuniary interest by virtue of her daughter being a member of Merseyside Pension Fund.
Councillor Rowlands	Les	Pecuniary interest by virtue of his wife being a member of Merseyside Pension Fund.

6 MINUTES

Resolved – That the accuracy of the minutes of the meeting held on 3 February, 2020 be agreed.

7 AUDIT PLAN AND ADDENDUM

Representatives from Grant Thornton UK attended the meeting and presented the External Audit Plan for Merseyside Local Government Pension Scheme Year ended 31 March 2020. The appendix to the report contained the External Plan Update Year ended 31 March 2020.

Moved by the Chair and formally seconded by Councillor Cherry Povall, it was:

Resolved – That;

1. Grant Thornton be thanked for the presentation on the Audit Plan.

2. the Audit Plan be noted.

8 AUDIT FINDINGS REPORT

Members gave consideration to the Audit Findings Report for the year ending 31 March 2020 prepared by Grant Thornton UK LLP. Grant Patterson, Key Audit Partner and Stuart Basnett, Audit Manager attended the meeting and reported upon the key issues contained in the report.

The report noted that the outbreak of the Covid-19 coronavirus pandemic had had a significant impact on public services. For Merseyside Pension Fund however the impact on the normal operations of the Fund had not been overly significant.

It was reported that the audit was now substantially complete and subject to outstanding queries being resolved it was anticipated that an unqualified audit opinion would be provided in respect of the financial statements as shown in Appendix C: Audit opinion of the report.

The report confirmed that there were no significant facts or matters that impacted on the independence as auditors that were required or wished to be drawn to the Committee's attention.

Moved by the Chair and formally seconded by Councillor Cherry Povall, it was:

Resolved – That;

1. Grant Thornton be thanked for the presentation on the Audit Findings Report.

2. the Audit Findings Report be noted.

9 MERSEYSIDE PENSION FUND ANNUAL REPORT & ACCOUNTS 2019/20

The Director of Pensions introduced a report that provided Members with the Fund's Annual Report & Accounts for 2019/20. The draft Annual Report & Accounts for 2019/20 document was attached as an appendix to the report.

Moved by the Chair and formally seconded by Councillor Cherry Povall, it was:

Resolved – That the Annual Report of Merseyside Pension Fund be approved for publication.

10 STATEMENT OF ACCOUNTS 2019/20 – MERSEYSIDE PENSION FUND AND LETTER OF REPRESENTATION

Members gave consideration to a report of the Director of Pensions that presented Members with the audited statement of accounts of Merseyside Pension Fund for 2019/20 and responded to the Audit Findings Report from Grant Thornton. A Letter of Representation on behalf of the Committee, which gave assurances to the Auditor on various aspects relating to the Pension Fund, was attached as an appendix to the report.

Due to COVID-19, the Fund's Statement of Accounts for 2019/20 included an additional level of uncertainty. The global pandemic had impacted upon financial markets and there was a further risk of uncertainty for the valuations of unquoted investments where there is a degree of estimation involved in the valuations.

Subject to outstanding work, Grant Thornton had indicated there will be an unqualified opinion, with the inclusion of an Emphasis of Matter paragraph highlighting asset valuation material uncertainties. This did not affect their opinion that the statements presented fairly the financial position of Merseyside Pension Fund as at 31 March 2020 at £8.6bn. At the time of writing the report, the Fund had agreed to all material adjustments and a verbal update was provided.

The report informed that the Audit Opinion would be issued following final completion of the audit, consideration of the Audit Findings Report and approval of the amended Statement of Accounts at both the Pensions Committee and the Audit and Risk

Management Committee. Subject to this, the accounts would form the basis of the Annual Report for the year ended 31 March 2020.

Moved by the Chair and formally seconded by Councillor Cherry Povall, it was:

Resolved – That

1 having considered the amendments to the accounts, the Audit Findings Report and the Letter of Representation, the audited Statement of Accounts for 2019/20 be approved.

2 the recommendations be referred to the Audit and Risk Management Committee.

11 **PENSION BOARD REVIEW 2019-20 AND WORK PLAN 2020-21**

John Raisin, the Independent Chair of the Local Pensions Board, introduced the report that provided an overview of the Board's activities during 2019-20 and work plan for 2020-21. The appendices to the report contained the Pension Board Annual Review and the Pension Board Terms of Reference.

The Independent Chair highlighted that the Board's terms of reference had been revised to permit virtual meetings and define terms of attendance and noted the two crucial issues of Good Governance – LGPS and the McCloud case.

The report included reference to Board Meetings, Training and Development and Reporting Breaches of the Law to the Pensions Regulator. Mr Raisin also commented that, as in previous years, the Board had received extremely positive support, advice and guidance from the officers of Merseyside Pension Fund. On behalf of the Board he thanked the Officers for their positive approach and their reports, guidance and advice.

The Independent Chair also placed on record his tribute to Paul Wiggins, Member of the Pensions Board who had sadly passed away in June of this year and expressed his gratitude for his positive contribution to the work of the Board.

The Chair of the Pensions Committee thanked the Independent Chair of the Local Pensions Board for a positive and comprehensive report and it was;

moved by the Chair, formally seconded by Councillor Cherry Povall and;

Resolved – That;

1 the report of the Independent Chair of the Pension Board be noted.

2 the amendments to the Board's Terms of Reference be approved.

12 **INVESTMENT STRATEGY PROPOSALS**

Members gave consideration to a report of the Director of Pensions that provided outline proposals for changes to MPF's investment strategy and sought approval for officers to work with the Fund's independent advisors to develop and implement the proposals.

A letter received from Medact Liverpool and a response from the Chair was attached as an appendix to the report. The letter and response were pertinent to the strategy proposals.

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).

Moved by the Chair and formally seconded by Councillor Cherry Povall, it was:

Resolved – That;

- 1 the outline investment strategy proposals detailed in the appendix be approved.**
- 2 officers be authorised to work with the Fund's independent advisors to develop and implement the proposals with regular progress reports to the IMWP and the Pensions Committee.**
- 3 the engagement of specialist investment advice and the additional staffing resources required to support the development and implementation of the investment strategy proposals be approved.**
- 4 the letter from and response to Medact Liverpool be noted.**

13 LGPS UPDATE

The Head of Pensions Administration, Yvonne Murphy, introduced a report that covered the long-awaited HM Treasury (HMT) response to the consultation on 'Restricting Exit Payments in the Public Sector' and the publication of draft regulations, issued on 22 July 2020.

In addition, the report covered the related Ministry of Housing, Communities and Local Government (MHCLG) consultation – 'Reforming Local Government Exit Pay', issued on 7 September 2020. This consultation had requested feedback and comments on the proposed reforms to Local Government regulations, in order to meet overarching government policy to limit exit payments to a maximum of £95k for public sector employees.

The report also provided an update on a further interim response on proposals set out in the consultation dated 8 May 2019, 'Changes to Local Valuation Cycle and The Management of Employer Risk'.

Finally, the report raised awareness of the Written Ministerial statement on survivor benefits payable from public service pensions in response to an Employment Tribunal relating to the Teachers' Pension Scheme. The case had concerned the

lower survivor benefits paid to a widower of a female scheme member compared to those paid to a same sex survivor.

The Head of Pensions Administration raised awareness that SAB (LGPS Scheme Advisory Board) had sought legal advice in relation to the conflicting regulatory position governing the payment of pension benefits on redundancy grounds and officers had considered the legal commentary along with SAB's opinion when determining the course of action which would present the least financial risk to the administering authority. It was noted that the Fund was in an invidious position as all available payment options may be subject to challenge by either the member or the Government. The draft response to the MHCLG consultation was being shared with the Chair of the Local Pension Board and the Pensions Committee. The Head of Pensions Administration responded to questions from Members and set out the implications for pensions administration.

Moved by the Chair and formally seconded by Councillor Cherry Povall, it was:

Resolved – That the report and the resource implications in administering imminent changes to the regulations be noted.

14 **PROPOSED MCCLOUD JUDGMENT REMEDY AND LGPS CONSULTATION**

The Head of Pensions Administration introduced a report that set out the proposed McCloud judgement remedy. On 16 July, the Ministry of Housing, Communities and Local Government (MHCLG) had released the much-anticipated consultation on the McCloud remedy for the LGPS in England and Wales, a 12-week consultation that covered extensive detail on how the remedy would be applied.

The Fund response to the consultation had been shared with the Chairs of Pension Committee and the Local Pension Board, for comment and approval prior to submission on 8 October 2020 and was attached as an appendix to the report.

The submitted response was attached as an appendix to the report and focussed on the operational aspects and communicative challenges in implementing the proposed remedy.

The report informed that separately, the Government had announced that the Treasury would restart the 'Employer Cost Cap' assessment for all public sector schemes and critically that the McCloud remedy was to be included in the assessment of the impact on member benefits.

A contribution rate assessment for the McCloud remedy had been calculated at the 2019 valuation for Fund employers and the calculations were generally done in line with the proposed underpin in the consultation. Some employers made a provision in their contribution rates and this allowance would not expect to be revisit until the next valuation. For other employers, the Funding Strategy Statement allowed the Fund to revisit this where appropriate once the remedy was finalised.

Members were informed that once the outcome of the consultation was finalised, the implementation of the final remedy would be required under legislation and informed by statutory guidance.

The Chair of the Pensions Committee thanked the Head of Pensions Administration for the presentation and the Independent Chair of the Local Pensions Board, John Raisin, for his contributions to the consultation response.

Moved by the Chair and formally seconded by Councillor Cherry Povall, it was:

Resolved – That the Pension Committee instruct officers to develop a project plan and any associated workstreams to comply with the scale of retrospective benefit calculations in compliance with The Local Government Pension Scheme (Amendment) Regulations 2020.

15 **RETAIL PRICES INDEX REFORM**

The Director of Pensions introduced a report that informed members of the government's consultation on reform of the Retail Prices Index (RPI index) and the Fund's response. The Fund's response to Consultation on the Reform of Retail Price Index was attached as an appendix to the report.

Moved by the Chair and formally seconded by Councillor Cherry Povall, it was:

Resolved – That the report and the Fund's response to the consultation be noted.

16 **INVESTMENT PERFORMANCE**

The Director of Pensions introduced his report that set out the investment performance of Merseyside Pension Fund for the fiscal year ended March 2020.

The Director of Pensions responded to questions from Members.

Moved by the Chair and formally seconded by Councillor Cherry Povall, it was:

Resolved – That the report be noted.

17 **LOCAL PENSION BOARD MINUTES**

The Director of Pensions introduced a report that provided members with the minutes of the previous meeting of the Local Pension Board.

Moved by the Chair and formally seconded by Councillor Cherry Povall, it was:

Resolved – That the minutes of the Local Pension Board be noted.

18 **NATIONAL KNOWLEDGE ASSESSMENT**

Members gave consideration to a report of the Director of Pensions that informed of the National Knowledge Assessment. The National Knowledge Assessment's key goal was to provide LGPS funds with an insight to the pensions specific knowledge and understanding of those holding decision making and oversight responsibility within their organisations. The Director of Pensions commented that it was a statutory requirement for members of the Local Pensions Board and best practice for

Pension Committee members to undertake training. The Chair of the Committee thanked those members who had participated and noted that the outcomes would help to inform future training.

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

Moved by the Chair and formally seconded by Councillor Cherry Povall, it was:

Resolved – That the report be noted and the Committee members work with officers to identify and undertake training and development opportunities appropriate to their needs.

19 **NORTHERN LGPS UPDATE**

The Director of Pensions gave consideration to a report that provided Members with an update on pooling arrangements in respect of MPF and the Northern LGPS. Minutes of the previous two Joint Committee meetings were appended for noting.

Appendix 1 to this 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).

Moved by the Chair and formally seconded by Councillor Cherry Povall, it was:

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

20 **MINUTES OF WORKING PARTY MEETINGS**

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

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).

Moved by the Chair and formally seconded by Councillor Cherry Povall, it was:

Resolved – That the minutes attached as an appendix to the report be approved.

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

Moved by the Chair and formally seconded by Councillor Cherry Povall, it was:

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.

22 INVESTMENT STRATEGY REVIEW EXEMPT APPENDIX

The appendix to the report on Investment Strategy Review was exempt by virtue of paragraph 3.

23 NATIONAL KNOWLEDGE ASSESSMENT EXEMPT APPENDIX

The appendix to the report on National Knowledge Assessment was exempt by virtue of paragraph 3.

24 NORTHERN LGPS UPDATE EXEMPT APPENDIX

The appendix to the report on Northern LGPS Update was exempt by virtue of paragraph 3.

25 WORKING PARTY MINUTES EXEMPT APPENDIX

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