

LOCAL PENSIONS BOARD

Tuesday, 10 November 2020

Present:

J Raisin (Chair)

G Broadhead

P Maloney

P Fieldsend

L Robinson

D Ridland

S Van Arendsen

R Irvine

21 **WELCOME AND APOLOGIES**

The Chair welcomed Members of the Local Pensions Board and Officers to the online, virtual meeting.

No apologies had been received.

22 **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.

23 **MINUTES**

Resolved – That, with the addition of Mr P Fieldsend to the attendance list, the accuracy of the minutes of the Local Pension Board held on 14 September 2020 be approved as a correct record.

24 **AUDIT FINDINGS REPORT**

Members gave consideration to the Audit Findings Report for the year ending 31 March 2020 prepared by Grant Thornton UK LLP. The report had been presented to Pensions Committee on 2 November 2020. Stuart Basnett, Audit Manager, Grant Thornton attended the meeting and reported upon the key issues contained in the report.

It was reported that the audit was substantially complete and subject to outstanding queries being resolved, it was anticipated the audit report opinion

would be unqualified, but the report proposed the inclusion of an Emphasis of Matter paragraph highlighting asset valuation material uncertainties. The report confirmed this does not affect the External Auditor's opinion that the financial statements give a true and fair view of the Fund's financial position and its income and expenditure for the year. Stuart Basnett explained that such a paragraph is added to indicate a matter which is disclosed appropriately in the Fund's financial statements, but which is considered fundamental to a reader's understanding of the financial statements.

On behalf of the Local Pensions Board the Independent Chair thanked Stuart Basnett for the report and verbal update and it was;

Resolved – That the Audit Findings Report be noted.

25 **MERSEYSIDE PENSION FUND STATEMENT OF ACCOUNTS, LETTER OF REPRESENTATION & REPORT & ACCOUNTS**

Donna Smith, Head of Finance & Risk introduced a report that presented Board Members with copies of the Fund's Statement of Accounts, Letter of Representation and Annual Reports & Accounts for 2019/20. The report had been presented to Pensions Committee on 2 November 2020 and the Statement of Accounts and Letter of Representation would be presented for final approval to Wirral Council's Audit & Risk Management Committee on 23 November 2020.

It was reported that 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 was 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 to Members.

Donna Smith reported that the annual report, including the financial statements, would be published on 1 December in accordance with the regulations and it was expected that the outstanding matters for the completion of the Pension Fund audit would be completed. The External Audit opinion for the Fund, could only be issued on the completion of both the Pension Fund and Wirral Council audit. If the audit opinion is delayed, the Fund would publish the Annual Report without the audit opinion, including an explanation for its omission.

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

Resolved – That the report be noted.

26 LGPS UPDATE

Yvonne Murphy, Head of Pension Administration, introduced a report that provided the Board with an update on the position with Treasury's (HMT) reform to limit exit payments to a maximum of £95k for public sector employees and the publication of the 'Restriction of Public Sector Exit Payments' regulations with an effective date of 4 November 2020.

In addition, the report covered the related Ministry of Housing, Communities and Local Government (MHCLG) consultation – 'Reforming Local Government Exit Pay', that had been issued on 7 September 2020.

The overall policy impact of the consultation closed on 9 November 2020, whilst the consultation on the draft 'LGPS (Restriction of Exit Payments) (Early Termination of Employment) (Discretionary Compensation and Exit Payment) regulations', is still open until 18 December due to late publication on 14 October.

The report also raised awareness of 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' and the issue of the LGPS (Amendment) (No.2) Regs 2020.

The Head of Pension 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 consultation had been shared with the Independent Chair of the Local Pension Board and the Chair of the Pensions Committee for comment and approval prior to submission to MHCLG. The Head of Pensions Administration responded to questions from Members and set out the implications for pensions administration.

On behalf of the Local Pensions Board the Independent Chair thanked the Head of Pension Administration and it was;

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

27 **MCCLOUD REMEDY CONSULTATION**

Yvonne Murphy, Head of Pension Administration, introduced a report that provided a further update on the position of the McCloud consultation previously covered at the Pension Board on 14 September 2020.

It was reported that the Fund response had been shared with the Chairs of Pension Committee and the Local Pension Board, for comment and approval prior to submission on 8 October and the Head of Pension Administration thanked them for their response.

The submitted response was attached as Appendix A to the report and focused on the operational aspects and communicative challenges in implementing the proposed remedy. The report had been agreed at the Pensions Committee held on 2 November 2020.

Resolved – That the report be noted.

28 **NORTHERN LGPS UPDATE**

The Director of Pensions introduced 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 attached as exempt appendices to the report. Appendix 1 & 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).

Resolved – That the report be noted.

29 **INVESTMENT STRATEGY REVIEW**

The Director of Pensions introduced a report that had been considered by the Pensions Committee on 2 November 2020. The report had provided Members with outline proposals for changes to MPF's investment strategy and the Pensions Committee had agreed the proposal for officers to work with the Fund's independent advisors to develop and implement the proposals outlined.

A letter received from Medact Liverpool and a response from the Chair pertinent to the strategy proposals were attached at appendix 1 to the report. 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).

The Chair commented that the report was extremely well written report and thanked the Director of Pensions.

Resolved – That the report be noted.

30 **RISK REGISTER**

The Director of Pensions introduced a report 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).

Resolved – That the report be noted.

31 **WORKING PARTY MINUTES**

Members gave consideration to a report of the Director of Pensions that provided Board members with copies of working party minutes since the previous Pension Board meeting.

The appendix to the report contains 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).

Resolved – That the exempt minutes be noted.

32 **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.

33 **NORTHERN LGPS UPDATE**

The appendix to the report contained exempt information by virtue of paragraph 3.

34 **INVESTMENT STRATEGY REVIEW**

The appendix to the report contained exempt information by virtue of paragraph 3.

35 **ADMIN KPI REPORT**

Yvonne Murphy, Head of Pension Administration, introduced the exempt report that provided the Pension Board with monitoring information on the key performance indicators in respect of work undertaken by the administration team during the period 1 July 2020 to 30 September 2020.

This 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.

The report informed that MPF provided a pension administration service to its active, deferred and pensioner membership base in conjunction with its constituent employers. The Administration team comprised three distinct service areas namely Employer Compliance & Membership, Benefits & Payroll and Operations. The functions of each team were measured against performance standards documented within the Pension Administration Strategy. In line with TPR Code of Practice there was a requirement for the Pension Board to be supplied with a schedule of KPIs to monitor administration and internal control of the areas defined in the exempt report.

G Broadhead – Employer representative – noted the positive performance in a number of key areas and thanked officers for the effective service delivery in a challenging environment .

Resolved – That the report be noted.

36 **RISK REGISTER**

The appendix to the report contained exempt information by virtue of paragraph 3.

37 **WORKING PARTY MINUTES**

The appendix to the report contained exempt information by virtue of paragraph 3.