

WIRRAL COUNCIL

PENSION BOARD

23 JUNE 2021

REPORT TITLE:	PENSION BOARD REVIEW 2020-21 AND WORK PLAN 2021-22
REPORT OF:	INDEPENDENT CHAIR OF PENSION BOARD

REPORT SUMMARY

This report, which has been prepared in accordance with the Terms of Reference of the Pension Board, reviews the work and performance of the Board and its Members during its sixth year (1 April 2020 to 31 March 2021). This report also includes a proposed Work Plan for 2021-22.

RECOMMENDATION/S

That the Board be recommended to receive and approve the Pension Board Review 2020-21.

That the Board notes the proposed Work Plan 2021-22.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION

1.1 Section 12.3 of the present Terms of Reference of the Local Pension Board of the Merseyside Fund state that “The Board shall on an annual basis produce a report on both the nature and effect of its activities for consideration by the Scheme Manager...”

2.0 OTHER OPTIONS CONSIDERED

2.1 Not relevant for this report.

3.0 BACKGROUND INFORMATION

3.1 Under Section 12.3 of its present Terms of Reference the Board is required to produce, on an annual basis, a report for consideration by the Scheme Manager which is the Wirral MBC Pensions Committee. This review has been prepared by the Independent Chair of the Board for consideration by the Board at its meeting on 23 June 2021. Following consideration by the Board an approved version of this review will be presented by the Independent Chair to the Pensions Committee (probably) at its meeting on 20 September 2021.

Purpose and Constitution of the Merseyside Local Pension Board

Under its Terms of Reference, the purpose of the Merseyside Local Pension Board is to assist the Administering Authority (Wirral MBC) in its role as a Scheme Manager under the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations. The Pension Board consists of nine members and is constituted of four Employer representatives, four Scheme member (Employee) representatives and an Independent, non-voting Chair who has responsibility for the co-ordination and operation of the Board. The Board provides a specific forum for Employers and Employees to be actively involved in the governance of the Merseyside Fund on an ongoing basis.

Terms of Reference of the Merseyside Pension Board

The Terms of Reference of the Pension Board were updated in 2020 to allow for virtual meeting in the light of the COVID-19 emergency. The changes to the Terms of reference are clear however that a virtual meeting will only take place “...where circumstances warrant...and that such meetings “will take place only with the approval of the Director of Pensions in consultation with the Independent Chair.” Having discussed the use of virtual meetings with the Director of Pensions, we are both firmly of the view that virtual meetings should only be held in exceptional circumstances. Actual meetings on the Wirral or at another location within the Merseyside area, which in practice has been/will be Liverpool, will always be the preferred and usual practice.

Summary of issues considered at Board Meetings 2020-21

Issues considered at each Board meeting, in addition to the Minutes of the previous meeting and Declarations of Interest are shown in the Table below:

	8/6/20 *	14/9/20	10/11/20	31/3/21
LGPS Update	/	/	/	/
Investment Pooling Update	/		/	/
CEM (Pensions Administration) Benchmarking	/			/
Pensions Administration Report		/	/	/
Working Party (IMWP/GRWP) Minutes	/	/	/	/
Risk Register	/	/	/	/
External Audit Update & Report for 2019-20	/		/	

Employer Covenant Analysis	/			
Supreme Court Ruling (re LGPS April 2020)	/			
Proposed "McCloud" Remedy & LGPS Consultation		/	/	
Investment Performance 2019-20		/		
RPI Consultation Response		/		
Pension Board Revised Terms of Reference		/		
Pension Fund Business Plan		/		
Internal Audit Report 2019-20 & Plan 2020-21		/		
Pension Board Review 2019-20 & Plan 2020-21		/		
National LGPS Knowledge Assessment		/		
Fund Annual Report and Accounts 2019-20			/	
Investment Strategy Review			/	
Pension Fund Budget 2021-22				/
FSS Policy Updates				/
Treasury Management Policy/Practices 2021-22				/
TCFD Reporting				/
Members Learning & Development				/
Non-Recovery of Pension Payments				/
Property Portfolio Rent Arrears				/
Tax Management Arrangements				/
Admission Body Application				/

* Briefing as no Wirral Council approved arrangement, as at early June 2020, to hold formal Board meetings remotely.

Board Meetings in the Context of the COVID-19 Pandemic

The COVID-19 restrictions originally put in place by the Government in March 2020 prevented the holding of physical meetings of the Board throughout the period covered by this review (1 April 2020 to 31 March 2021). The Board was however able to hold four remote (virtual) meetings during this period.

Following the introduction of restrictions on physical meetings by the Government, the Wirral Council introduced measures to facilitate the holding of meetings, organised by the Council, on a remote basis. This obviously required new procedures to be put in place, which understandably took time.

The Pension Board is required under its Terms of Reference, set by the Full Council of Wirral MBC, to meet at least four times a year. It had however been prevented from holding its last meeting of 2019-20, which had been scheduled for 31 March 2020, by the implementation of travel restrictions by the Government from 23 March 2020. Therefore, the last meeting of the Pension Board which took place before the implementation of COVID-19 travel restrictions was held in Liverpool on 5 February 2020.

As by the second half of May 2020, arrangements were yet to be finalised by the Wirral Council for the conduct of virtual meetings, the Director of Pensions and Independent Chair of the Pension Board determined that a virtual meeting, in the form of a Briefing, be held. This meeting which took place on 8 June 2020, though a Briefing and therefore an informal meeting, was conducted in a similar manner to a formal Board meeting with the same Agenda and Officers in attendance as if it had been a formal meeting. The Briefing also included a verbal update on how the Pension Fund was operating in the circumstances of the COVID-19 pandemic.

In holding this June 2020 Briefing meeting, cognisance was taken of both the Terms of Reference of the Pension Board which require it to meet at least four times a year and also the Pension Regulators recommendation, in its September 2019 report on LGPS Funds, that Pension Boards should meet at least four times a year. I would wish to place on record my thanks to the Director of Pensions, his Senior Officers and Personal Assistant for organising and attending this virtual meeting while implications of the pandemic for all aspects of the Pension Fund's work and operations were still rapidly developing and uncertain.

The meeting of 8 June, in my view, had and fulfilled a purpose far beyond that of any previous Pension Board meeting. This meeting gave the Board the opportunity to hear first-hand from the Director of Pensions and his Senior Officers how the Fund had responded to the unprecedented events of mid-March to early June 2020. The Board received a detailed oral briefing on this from both the Director of Pensions and the Head of Pensions Administration and Board members actively questioned and commented upon the actions taken.

In summary, at the 8 June Briefing, the Board received the following information regarding the Fund's response to the outbreak of COVID-19 and the severe restrictions on office working necessarily put in place by the Government – Pensions

Administration staff had been working primarily from home and work prioritised in accordance with The Pension Regulator's Guidance. Pensions had continued to be paid on time. P60's, retirement and death benefit cases continued to be calculated and paid, with pension increases applied. Employers had been informed of priority issues, but the Fund had stressed the need for all information to be supplied in the usual manner to facilitate normal operating. The website had been updated to explain Fund arrangements during the pandemic and give assurance that benefits would not be affected by any movements in financial markets. The Investment and Finance teams had also been working mainly from home. The Director of Pensions reported that the IT team had been very busy, given the extraordinary circumstances, and the Finance team had ensured that Treasury management, settlements and payments were still processed whilst ensuring a robust control environment was maintained. The internal Investment team actively monitored market movements and the Board was informed of various actions that had been taken in the light of market circumstances and opportunities.

At the meeting on 8 June the Director of Pensions also made a presentation illustrating how markets had performed since the outbreak of the COVID-19 crisis and also explained the economic background. There was a discussion regarding how the Central Banks – led by the US Federal Reserve – had coordinated action and intervention that had reassured financial markets and led to a strong rally following an initial dramatic market sell off in mid-February to mid/late March 2020.

At the meeting held on 8 June, the Head of Finance and Risk (speaking to the External Audit Plan as revised by Grant Thornton in the light of COVID-19) stated that the Ministry of Housing, Communities and Local Government (MHCLG) had revised the publication dates on the unaudited accounts to 31 August 2020 but that the Fund had agreed to provide a copy of its Financial Statements to Grant Thornton by 31 July, a month earlier than the Government required date.

The oral briefings the Board received at the meeting on 8 June, supplemented by the questions posed and issues raised by Board members provided clear reassurance that the Fund had, across Pensions Administration/IT, Investment, and Finance/Risk Management, responded and continued to respond in both an appropriate and positive manner in unprecedented circumstances. This positive view was subsequently supported by the External Auditors (Grant Thornton) in their Audit Findings Report of 20 October 2020 (presented to the Board on 10 November 2020) which included the statement that *"The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on public services. For Merseyside Pension Fund however the impact on the normal operations of the Fund has not been overly significant. There have been no significant increases in staff sickness and the Fund were able to prepare the draft accounts by 31 July 2020, well in advance of the national deadline."*

Following the implementation of arrangements, by the Wirral MBC, for holding formal virtual meetings three such meetings were held during 2020-21 on 14 September 2020, 10 November 2020, and 31 March 2021. These meetings were all attended by the Director of Pensions and all the senior Officers of the Fund who normally attend the physical meetings of the Board. The reports received and considered were the same as if the meetings had taken place physically in Liverpool as is usual practice. It should also be noted that the IT facilities appeared to work well for all attendees –

Officers and Pension Board Members – at all four remote meetings held during 2020-21 and that presentations and debate were not unduly hampered by the “remote” nature of the meetings.

Attendance by Members of the Pension Board at the four meetings held during 2020-21 was 94%. Not only did Board Members diligently attend meetings but they very actively participated, asking Officers questions, constructively challenging, engaging in debate and making suggestions. The active and positive approach of the Board Members together with that of the Officers facilitated, in my view, the Board fulfilling its overriding functions, as set out in Regulation 106 of the LGPS Regulations 2013 which is to assist the Administering Authority to secure compliance with the LGPS Regulations, other relevant legislation, relevant requirements of The Pensions Regulator and *“to ensure the effective and efficient governance and administration of the Scheme.”*

Areas of particular focus during 2020-21 - Governance & Pensions Administration

The Table on page 2 of this report indicates that the primary focus of the Board in 2020-21, as in previous years, was on major Fund Governance issues and the operation and performance of the Pensions Administration function.

Effective governance and service delivery require appropriate resourcing as the recent SAB Good Governance in the LGPS reports make clear. At the Board meeting held on 14 September 2020 the Merseyside Pension Board Business Plan was presented to the Board. The Business Plan includes the Fund’s Key Priorities and outlines as to how each of these will be delivered. In the covering report to the Business Plan the Director of Pensions stated *“In its budget setting process, the Fund, makes provision for the resources it believes will be required to deliver the services and activities outlined in this Plan.”* Assurance, to the Board, that the Fund seeks to provide an appropriate level of service to scheme members and employers in the context of ever increasing demands was further provided in the Fund’s 2021-22 Budget presented to the Board on 31 March 2021 (having been approved by the Pensions Committee on 29 March 2021) which included the statement *“With the continued growth in the Fund’s assets and membership, an increasing regulatory burden, the implementation of various risk management strategies and the progress of pooling, a further review of staffing requirements is being undertaken.”*

It is clearly positive that the Fund prepares both a Business Plan, and a Budget which reflects the developing needs of the Fund and its stakeholders. Based on the reports presented to the Board, both in 2020-21 and previous years, the Fund Budget is not simply uprated by inflation or based on an “available” budget notified by the Administering Authority but evolves in response to the changing (and increasing) demands upon the Fund.

The Fund’s Business Plan is presented, as a completed document, to both the Elected Member led Governance and Risk Working Party and the Board. The Fund Budget is presented to the Pensions Committee for formal approval and the Board for noting. This is positive as both the decision makers (the Members of the Pensions Committee) and those charged under the LGPS Regulations with *“assisting”* the decision makers (the members of the Board) receive these crucial documents.

Going forward, however, the governance of the Fund will hopefully be further enhanced by the active involvement of both the Members of the Pensions Committee and the Board in the actual development of both the Fund Business Plan and Budget. This would be in accordance with the Scheme Advisory Board Good Governance in the LGPS project Phase III (final) proposals. Proposal E4 states that Administering Authorities “ensure their committee is included in the business planning process” and that the Committee “be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.” The narrative in the Phase III report which supports Proposal E4 states “The Budget setting process should be one initiated and managed by the fund’s officers and the pension committee and assisted by the local pension board.” The nature of the future involvement of the Pensions Committee and the Board in the Business Planning and Budget setting process is, I suggest in the first instance, a matter for consideration by the Director of Pensions and the Chair of the Pensions Committee.

The Fund Risk Register is, as I stated in the 2019-20 Review, fundamental to effective governance. This was presented, considered and observations made at each Board meeting held during 2020-21. In particular at the meeting held on 8 June the Director of Pensions confirmed that the Fund Operating Group had considered the potential risks arising from the COVID-19 crisis including risks from working from home and these had been added to the Risk Register. At this meeting the Board took the opportunity to raise both a number of searching questions, to which the Director of Pensions responded, and make observations on both the immediate and possible long-term response/consequences in terms of not only Fund working practices but also its strategic approach to investment.

As in previous years, each Board meeting received the Minutes of the Fund’s two standing Elected Member led Working Groups – the Investment Monitoring Working Party (IMWP) and the Governance and Risk Working Party (GRWP). The Minutes of these meetings demonstrate, to the Board, that both the IMWP and GRWP facilitate far greater consideration of Governance, Pensions Administration and Investment issues by Elected Members, with support from a wide range of Officers and other advisers, than could ever be practical at Pension Committee meetings alone. Examination of the Minutes further demonstrates that, in practice, a wide range of issues are actively discussed, and questions raised by those present. A clear example of the positive governance value of the Working Parties is highlighted by the GRWP Minutes of September 2020 which provided an opportunity for Officers to brief, in detail, Elected Members on, and answer their questions in relation to, the consequences of COVID-19 on the operations of the Fund.

An important source regarding both the overall governance of the Fund and the governance/operation of specific areas of Fund activity is potentially provided by reviews undertaken by Internal Audit. As stated in previous Annual Board Reviews, it is pleasing to note that the Merseyside Pension Fund is subject, on an annual basis, to a number of reviews of its activities by Wirral MBC Internal Audit. As in previous years, the Board received the Internal Audit Annual Report (for 2019-20 on this occasion) which was presented to the Board by the Chief Internal Auditor at the Board meeting held on 14 September 2020. Audit coverage during 2019-20 covered aspects of Pensions Administration and Investment as well as a Governance Review of the Northern LGPS Asset Pool. It is pleasing to observe that the Chief Internal Auditor’s

report included the statement that *“On the basis of the work undertaken during the year, the Internal Audit Service is able to provide **significant** assurance on the adequacy and effectiveness of the MPF internal control environment.”* Details of the proposed Audit Plan for the four years 2020-21 to 2023-24 were also included in the Internal Audit Annual Report. This provided the Board with assurance that a wide range of reviews across all of Pensions Administration; Investments, Accounting and Compliance; Cross Cutting issues; and Emerging Risks are planned.

As in previous years, the Board maintained a clear focus on Pensions Administration. This remains wholly appropriate for as I stated in the 2019-20 Pension Board Review *“for both Employers and Employees who are the two groups represented on the Pension Board the issue of Pensions Administration is the most immediate and important interface between them and the Merseyside Pension Fund.”* As in previous years the Board received detailed monitoring information, reported on a Quarterly basis, across the wide range of activity of the Pensions Administration function. Performance against “Significant Casework Areas” remained clearly positive despite the extraordinary circumstances throughout 2020. Again, as in previous years the Head of Pensions Administration gave detailed analysis and explanations and there was active questioning and comment by Board Members. It should be noted that there were favourable comments from Board Members regarding levels performance and service delivery in the particularly challenging circumstances of 2020-21.

At the meeting held on 8 June 2020 the Board received the CEM Benchmarking ***“Merseyside Pension Fund Pension administration benchmarking results For the year ending March 2019”*** and at the meeting held on 31 March 2020 the CEM Benchmarking ***“Merseyside Pension Fund Pension administration benchmarking results For the year ending March 2020”***. CEM is an organisation that benchmarks public and private pension funds internationally. Merseyside Fund has joined a group of 14 large UK Pension Funds (which includes private sector as well as other large LGPS Funds) that is engaging in a broad ranging and ongoing benchmarking activity. Engagement in this benchmarking activity also involves attendance at workshops where the Funds in the group can participate in workshops organised/facilitated by CEM where both they and other (non-UK) Funds can learn from each other and share good practice. Participation in this 14 Fund CEM benchmarking group clearly offers significant opportunities for both analysis and learning. In response to questioning at 8 June 2020 meeting Fund Officers confirmed that it is intended to consider carefully the outcomes of the benchmarking exercises, including in relation to other Funds, and not simply focus on areas where the benchmarking may be favourable to Merseyside Pension Fund.

Consultations

Before the implementation of new Regulations, the Government issues Consultations seeking views, comments and indeed alternatives to draft measures set out in their Consultation documents. The MHCLG issues Consultations which directly relate to the LGPS. However, there are Consultations from other Government Departments – most notably the Treasury and Department for Work & Pensions – which have relevance and applicability to LGPS Funds.

Based on my (long) experience of the LGPS it is, on behalf of the Board, pleasing to note that the Merseyside Fund is very active in responding not only to MHCLG but to

other relevant Government Consultations which I am aware of from my discussions and communications with the Director of Pensions and Head of Pensions Administration outside of formal Board meetings.

The responsibility for preparing responses to Consultations rests with the Fund Officers. In 2019 the Wirral Council, on the recommendation of the Director of Pensions, amended the Terms of Reference of the Board to require that the Independent Chair “*assess, constructively challenge and provide comment on draft responses of the Fund to Consultations issued by Government, Regulators, the Scheme Advisory Board and equivalent bodies*” I can confirm that during 2020-21 I was consulted on draft responses with clearly sufficient time to consider them and give feedback, and that my comments and observations were, in my view, appropriately reflected in the final response of the Fund. These included the Consultations on “McCloud” and Public Sector “Exit” Payments. I was also asked to comment on the Fund’s draft response to the Pensions Regulator’s Public Service Governance & Administration Survey 2020. It is also positive to observe that the Chair of the Pensions Committee is also given sufficient time to properly consider any draft Fund response. This is particularly important given that Elected Members, as the Fund’s ultimate decision makers, should always have the opportunity to be genuinely involved and contribute to responses to national initiatives.

At the meeting of the Board held on 10 November 2021 the Board received a copy of the Fund’s response to the extremely important MHCLG Consultation on resolving Age Discrimination in the LGPS (“McCloud”). At the meeting on 14 September 2020 the Board received a background report on and copy of the Fund’s response to the Government Consultation on reform of the Retail Price Index (RPI).

Fund Approach to Employers

Positive relations between the Fund and its individual Employers are clearly crucial to achieving effectiveness. It is however also a responsibility of the Fund to ensure that Employers as a whole are treated appropriately and the possibility of any default by one Employer, which ultimately would need to be covered by other Employers is avoided.

In consequence the Fund has for a number of years undertaken Employer Covenant reviews and analysis to take account of different Employer characteristics. For example, as referred to in the Board Review of 2019-20, the final 2019 Actuarial Valuation results were subject to consideration of Employer covenant reviews thus providing additional assurance and confidence to both the Fund and all Employers collectively.

At the meeting held on 8 June 2020 the Board received a report entitled “**Employer Covenant Analysis.**” This provided detail of work undertaken with 31 Employers who were selected because they are either a Further Education College/Higher Education Corporation or a Community Admission Body not benefitting from local or national taxpayer support and who consequently pose a financial risk to the Fund which if it materialised would need to be covered by the other Employers in the Fund.

The report detailed that the greatest financial risk is from Further Education Colleges and Higher Education Corporations. This is notwithstanding measures already

introduced to reduce the risk from these Employers. Further engagement and security measures will be put in place to further mitigate risk as appropriate. This report demonstrated to the Board a proactive and positive approach by the Fund (working with the Actuary) to seek to reduce risk to all Employers and also assist those Employers with weaker Covenants to understand the need for action to be taken to protect both themselves and the Fund.

At the meeting held on 31 March 2021 the Board received a detailed briefing on the additions the Fund has made to the Funding Strategy Statement to implement the flexibilities introduced by the MHCLG in new Regulations which came in force from September 2020. These flexibilities allow LGPS Funds to exercise greater discretion in the case of exiting Employers. Potentially these new arrangements are beneficial to the Fund, the individual exiting Employer, and all Employers in mitigating the risk of financial default.

Investment Issues

While the Pension Board has no role in investment decision making, it has a clear role in reviewing the governance and operational arrangements relating to the investment activity of the Fund. An ongoing mechanism for this is receipt and examination of the Minutes of the Investment Monitoring Working Party (IMWP) and attendance by Board Members (as Observers) at meetings of this important working group.

The development and implementation of Asset (Investment) Pooling continued to be a high-profile development in the LGPS. It was therefore clearly positive, and reassuring to the Board, that the Internal Audit Review of 2019-20 (presented to the Board by the Chief Internal Auditor of the Wirral MBC on 14 September 2020) included details of a review of the Governance arrangements of the Northern LGPS Pool which indicated that good progress had been made in relation to their development. The Board continued to receive the Minutes of the Northern LGPS Joint Committee. The Minutes have been subject to questions and constructive challenge from the Board to the Director of Pensions. The Minutes have demonstrated to the Board that through their joint working the Merseyside, Greater Manchester and West Yorkshire Funds are continuing to develop both the operation of the Pool and its investment products positively and very actively.

The Northern LGPS Pool has committed to the appointment of three scheme member (Employee) representatives to its nine-person Joint Committee which is a very welcome approach to both Pool governance and diversity of perspective. The Merseyside Pension Board trusts that these three Employee representatives will be attending meetings of the Joint Committee of the Northern LGPS Pool in the very near future.

LGPS Updates and reports on Scheme developments

As had already become established practice, the Board received at each of its four meetings in 2020-21 a **LGPS Update** report covering national LGPS issues. These updates included coverage and developments relating to the major issues facing the LGPS at a national level. In 2020-21 these focussed on “McCloud” (Age Discrimination in the LGPS), the “Exit Cap,” Interim Consultation response – Changes to the Local Valuation Cycle & Management of Employer Risk (which resulted in amendments to

the LGPS Regulations granting Administering Authorities further flexibilities to review Employer contributions), the issuing of the final (Phase III) Good Governance report, the Pension Schemes Act 2021.

The LGPS Update presented to the Board on 31 March 2021 provided a very helpful update on the “Exit Cap” including the disapplication, by the Government, of the Restriction of Public Sector Exit Payment Regulations 2020 (which were introduced from 4 November 2020) on 12 February 2021, the consequences of this, and that the Government has announced that it will bring forward new proposals to restrict public sector exit payments which means revised “Exit Cap” provisions may be applied by the Government later in 2021. The 31 March 2021 Update also included coverage of the Phase III (final) Good Governance in the LGPS project report which includes a number of significant proposals for the enhancement of LGPS Governance. These were referred to MHCLG, in February 2021, by SAB, with a request that they be implemented by means of amendments to the LGPS Regulations/additional Statutory Guidance. These LGPS Update reports were expanded upon, further explained, and clarified by the Head of Pensions Administration in her presentations and resulted in supplementary questions from Board Members.

The resolution both nationally and locally of Age Discrimination (“McCloud” case) in the LGPS is one of the most important issues presently facing the Scheme. Therefore, it was extremely helpful that at the meeting held on 14 September 2020 the Board received a detailed paper on this issue from the Head of Pensions Administration.

At the meeting on 8 June 2020 the Board received a paper and oral commentary from the Director of Pensions in respect of the long-awaited Supreme Court Judgment (delivered in April 2020) concerning the Statutory Guidance on Preparing and Maintaining an Investment Strategy Statement issued by the MHCLG in 2016.

Climate Change is now widely, and correctly, recognised as an investment risk. Therefore, it was informative to the Board to receive the report, at its meeting on 31 March 2021, entitled “***Taskforce on Climate-Related Financial Disclosure (TCFD) Reporting***” which explained to the Board the requirements on Pension Funds under the Pensions Schemes Act 2021 but in particular that there will need to be a MHCLG Consultation on the application of TCFD in the LGPS which will be specific to the Scheme. The Director of Pensions report also outlined to the Board the primary, overall, “pillars” of the TCFD reporting approach.

Attendance by Chair of the Pensions Committee

The Board was pleased to welcome Councillor Pat Cleary Chair of the Wirral MBC Pensions Committee to the Board meeting held (remotely) on 31 March 2021. Councillor Cleary addressed the meeting both near its beginning and at the end. It was very pleasing that the Chair of the Pensions Committee commented positively on the conduct of the meeting. Councillor Cleary also commended the diligence and attention to detail of the Board and thanked all Board Members.

I hope that the Chair will be able to join us again, at a Board meeting once these recommence in Liverpool.

Training and Development

Sufficient and effective Training and Development are clearly essential for Board Members to properly discharge their responsibilities. Furthermore, knowledge and understanding/skills are specifically required of Pension Board Members by the Public Service Pensions Act 2013.

The LGPS Updates referred to previously are, in my view, very helpful to Board Members in fulfilling our knowledge and understanding (Training and Development) obligations under the Public Service Pensions Act 2013. Notwithstanding COVID-19, in 2020-21 Board Members also attended (remotely) various external training events, which included events facilitated by the Local Government Association, CIPFA, the PLSA and one of the major asset management firms.

At the March 2021, meeting the Director of Pensions provided details of a number of learning and development opportunities available in 2021 and I would urge all Board Members to consider attendance at those events which they feel are likely to be most helpful in further building their knowledge and understanding. I would also draw attention to the events which the Director of Pensions (through his Personal Assistant) periodically draws to the attention of Pension Board Members. In 2020-2021 some Board Members, including myself, attended the Pension Board update sessions provided by CIPFA and I would particularly commend these as especially topical, current, and relevant in 2021.

During 2020-21 only one member of the Board attended the major Fund Working Parties (the IMWP and the GRWP) which was understandable given the extraordinary events of the year. I would however urge all Board Members to (recommence) the practice of regular attendance, as Observers, by (some) Board Members at the Fund Working Group meetings. These are excellent opportunities to obtain knowledge and understanding, and additionally to gain a greater appreciation of the governance processes of Merseyside Pension Fund. Furthermore, at our meeting on 31 March 2021, the Chair of the Wirral Pensions Committee personally invited and encouraged attendance by Board Members at Working Party meetings.

Finally, I would wish to commend Merseyside Pension Fund, and in particular those individual Members of both the Pensions Committee and Pension Board who completed the assessment, for taking part in the National (LGPS) Knowledge Assessment which was facilitated by Hymans Robertson and which aimed to present participating Funds with an insight into the level of knowledge of their Committee and Board Members both individually and as collective groups. This was a huge opportunity for all LGPS Funds but, unfortunately, the majority did not participate (there were only 18 participants out of over 80 Funds in England and Wales). Merseyside did however take part and the results were relayed to the Board at its meeting on 14 September 2020.

The assessment which was open to each Member of the Pensions Committee and Pensions Board was, in the words of Hymans Robertson a “*challenging...assessment of participants knowledge and understanding...*” The assessment comprised of 47 questions across 8 subject areas. I am pleased to report that 8 Board Members

responded to the assessment a participation rate of 89%. The results of the assessment indicated a clearly good overall performance by Board Members.

Reporting Breaches of the Law to the Pensions Regulator

The Pension Board does not itself have decision making powers. In respect of the Reporting of Breaches of the Law to the Pensions Regulator (TPR), the Administering Authority has determined (Pensions Committee of 16 November 2015) that the Board should be consulted by Officers when considering whether or not to report a specific breach (or likely breach) to TPR. This is an important role granted to the Board in terms of ensuring the good governance of the Fund and appropriate interpretation of TPR guidance and Merseyside Fund's policy on reporting Breaches of the Law.

During the period covered by this report there were no occasions when the Board was asked to give their view as to whether or not a Breach of the Law should be reported to the Pensions Regulator (TPR) or alternatively recorded in the Breaches Log. There were no occasions when the Board, or any Member, believed that they themselves needed to directly report any Breach to TPR.

Members of the Pension Board

Notwithstanding the excellent support the Board receives from the Director of Pensions and his Senior Officers the Board could not function effectively and fulfil its role under the LGPS Regulations of "*assisting*" the Administering Authority without good Members. In this regard I am of the view that the Pension Board was in 2020-21, as in previous years, was very fortunate. The Members of the Board, both Employer and Employee representatives, brought a clear diversity of perspectives coupled with extensive experience and understanding of both pensions and the Employer/Employee perspective. Given the difficulties of 2020-21 the attendance of 94% and the level of actual engagement by Board Members at meetings were clearly commendable.

Both Employer and Employee representatives actively discussed, commented upon, and constructively challenged the reports received by the Board and the presentations by Officers. There was genuine and active engagement across the members of the Board. I would wish to place on record my personal thanks to each member individually – Geoff Broadhead, Peter Fieldsend, Roger Irvine, Pat Moloney, Donna Ridland, Lynn Robinson and Stephan Van Arendsen (who joined the Board in 2020 as an Employer representative).

Support for the Board by the Administering Authority during 2020-21

Despite all the difficulties and extra burdens upon the Fund Officers resulting from the COVID-19 pandemic the Board received the same exemplary and positive support, advice, and guidance from the Fund Officers as in previous years. Meetings of the Board were supported and attended by the Director of Pensions and the senior members of his team responsible for Pensions Administration/IT and the Finance/Risk Management of the Fund. This Officer support is the same as that provided to the Pensions Committee and reflects the importance and value the Fund has continuously placed on the Board since its creation in 2015. On behalf of the Board, I would like to

place on record my appreciation of the work of the Officers in relation to both the Fund itself and the Board.

The genuine interest of the Administering Authority in the Board was demonstrated by the attendance of the Chair of the Pensions Committee at our meeting on 31 March 2021 and his active participation in that meeting. Again, as in previous years, my Annual Review to the Pensions Committee, on 2 November 2020, was positively received by the Members.

Despite the pandemic there continued to be frequent discussions between Board meetings, involving myself and the Director of Pensions/ Head of Pensions Administration. These covered a range of issues and were initiated by both the Officers and myself.

Recommendations made to the Scheme Manager (Pensions Committee)

There were no formal recommendations made by the Board to the Pensions Committee during 2020-21. The Minutes of each Pension Board are however included on the Agenda of the Pensions Committee and these, of course, include coverage of notable Board discussions and Resolutions passed by the Board.

Pension Board Review 2019-20 and presentation to the Pensions Committee

The Pension Board Review 2019-20 and Work Plan 2020-21 was considered and approved by the Board on 14 September 2020. This was then considered by the Pensions Committee at its meeting held on 2 November 2020. Unfortunately, due to COVID-19 restrictions this meeting had to be held remotely and, with sincere regret, I had to present my report by link from Bedford rather than in person on the Wirral. Councillor Pat Cleary Chair of the Pensions Committee thanked me for a positive and comprehensive report to the Committee.

Pension Board Costs of Operation 1 April 2020 to 31 March 2021

Conferences	£
Travel	£
Allowances	£
Other	£
Total	£

Proposed Pension Board Work Plan 2021-22

The proposed Work Plan for 2020-21 is detailed below and has been prepared jointly by the Director of Pensions and Independent Chair. This maintains an overall emphasis on Fund Governance. Pensions Administration will remain a particular area of focus given that this is an area of direct relevance to both Employers and individual Employees. Investment Pooling will also be an area of focus given this represents a fundamental change to and development of the Governance of the LGPS and further draft Statutory Guidance on this issue is promised from Central Government in 2021. The Work Plan will be updated as necessary during 2021-22.

Agenda item	23/6/21	22/9/21	1/12/21	24/2/22
LGPS update	/	/	/	/
Pensions Administration Report	/	/	/	/
Northern LGPS Pooling update	/	/	/	/
IMWP/GRWP Minutes	/	/	/	/
Risk Register	/	/	/	/
Statement of Accounts	/			
External Audit Plan	/			
Bond review & Employer Covenant	/			
Fund Budget	/			/
Draft Board Review & Work Plan	/			
Appointment of Independent Chair	/			
CEM (Pensions Administration) Benchmarking		/		
Fund Annual Report & Accounts		/		
Audit Findings Report		/		
Internal Audit Report		/		
Good Governance project			/	
Investment Strategy Statement			/	
Pooling Consultation			/	
Member Learning & Development				/
Treasury Management				/
Catalyst Fund update				/

Compliance Manual				/
Complaints Policy				/
Property Arrears				/
Pension Overpayments				/

Conclusion and Going Forward – the Merseyside Pension Fund and the development of the LGPS in 2021-2022 and beyond

The Merseyside Pension Fund operates within the overall regulatory/governance framework as defined in the LGPS Regulations LGPS Statutory Guidance and other relevant regulatory and guidance requirements. Reports and presentations made to the Pension Board in 2012-2021 very clearly indicate, as they did in previous years, that Merseyside Pension Fund (MPF) understands and takes very seriously its present obligations. This is pleasing to report.

However, to fulfil its obligations and deliver an effective service to Employers and in particular the 140,000 individual members, the MPF will need to prepare very carefully for the future. The Phase III (final) report of the Good Governance in the LGPS project was published by the Scheme Advisory Board (SAB) in February 2021. In addition to receiving the final Phase III report the SAB, at its meeting on 8 February 2021, also considered and approved an Action Plan based on the final report. It was agreed that the Board's Chair (Councillor Roger Phillips) would write to the Local Government Minister Luke Hall MP inviting him to consider the Board's Action Plan.

The SAB Action Plan *“consists of formal requests from the SAB to MHCLG...to implement the project...”* Given that the MHCLG were represented on both the Phase II Working Groups and the Phase III Implementation Group it would seem highly likely that the Action Plan will be positively received by the MHCLG.

The Good Governance in the LGPS proposals, when implemented by LGPS Funds across England and Wales, should significantly enhance the overall Governance of the LGPS. From my involvement both as a member of the Working Groups that were involved in the preparation of the Good Governance in the LGPS reports and as Independent Chair of the Merseyside Pension Board I am aware that this Fund has already implemented to some clear degree the proposals of the Good Governance in the LGPS project.

There is however still significant further work for the Fund to undertake. Good Fund Governance will be enhanced if as much of this is undertaken as soon as possible and ahead of formal MHCLG requirements which may still be some considerable time off. In particular, and core are, I suggest, the enhancements to Fund Business Planning and Budgeting I referred to earlier. These relate particularly to the active participation of the Pensions Committee in the actual development and preparation of these vital documents before any formal Committee approval and also the genuine involvement, in an assisting role, of the Pension Board.

John Raisin

**Independent Chair
Merseyside (Wirral) LGPS Local Pension Board**

4.0 FINANCIAL IMPLICATIONS

4.1 There are none arising directly from this report.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising from this report.

6.0 RESOURCE IMPLICATIONS: STAFFING; ICT AND ASSETS

6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

7.1 A failure to prepare a report as required under Section 12.3 of its present Terms of Reference (where the Board is required to produce, on an annual basis, a report for consideration by the Scheme Manager) could result in incomplete information being provided to Wirral MBC.

8.0 ENGAGEMENT/CONSULTATION

8.1 The Director of Pensions and Head of Pensions Administration have both been consulted in the preparation of 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 carbon usage implications, nor any other relevant environmental issues arising from this report.

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APPENDICES

None

BACKGROUND PAPERS

CIPFA: the guide for local pension boards

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

