

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

Microsoft Teams meeting.

Present:

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

Invited Guests:

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

Apologies were received from:

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

In attendance: Emma Jones.

1. Approval of Minutes & Introduction

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

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

2. Declarations of Interest

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

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

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

Noting/Action points

Noted.

3. Custodian update (NT to present)

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

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

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

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

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

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

Questions

None

Action Points

None.

4. Risk Register

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

Questions

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

Action Points

Risk Register format to be reviewed.

5. Business Plan

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

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

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

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

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

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

Questions

None.

Action Points

None.

6. Administration KPI report

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

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

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

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

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

Questions

No questions were asked.

Action Points

None.

7. Contracts report

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

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

Questions

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

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

Action Points

None.

8. Gifts & Hospitality

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

Questions

None.

Action Points

None.

9. Overseas travel

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

Questions

None were asked.

Action Points

None.

Noting/Action Points

Date of Next Meeting - TBC