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PENSIONS COMMITTEE

Wednesday, 14 December 2022

Present:

Councillor	P Cleary (Chair)	
Councillors	C Povall	B Kenny
	G Davies	A Gardner
	H Collinson	J Bird
	S Percy	S Mountney
Councillors	J Aston, Knowsley Council	

1 WELCOME AND INTRODUCTION

The Chair welcomed everyone and read out the webcasting notice.

It was agreed that the order of the agenda would be amended, with Item 10 (Draft Funding Strategy Statement) being presented before Item 9 (Update on 2022 Actuarial Valuation), as the content of that report informed the latter.

2 APOLOGIES

Apologies for absence had been received from:

- Cllr Joe Walsh (Cllr Sue Percy was deputising)
- Cllr Jason Walsh (Cllr Jo Bird was deputising)
- Cllr Tom Anderson (Cllr Simon Mountney was deputising)
- Cllr Chris Carubia
- Cllr Karl Greaney
- Cllr Martin Bond, St Helens Council
- Cllr Paulette Lappin, Sefton Council
- Roger Bannister, UNISON Retired Member

3 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Councillor Jo Bird	Personal interest as her partner was a member of the Merseyside Pension Fund.
Councillor Helen Collinson	Pecuniary interest by virtue of her being a Deferred Member of Merseyside Pension Fund and her daughter was an active member of the Fund.
Councillor George Davies	Personal interest as his wife was a member of Merseyside Pension Fund.
Councillor Andrew Gardener	Pecuniary interest by virtue of being a Member of Merseyside Pension Fund.
Councillor Brian Kenny	Personal interest as his fiancée was a member of Merseyside Pension Fund.

Councillor Simon Mountney	Personal interest as his wife was a member of Merseyside Pension Fund.
Councillor Cherry Povall	Personal interest as daughter a member of the Merseyside Pension Fund.

4 **MINUTES**

Resolved – That the minutes of the Pensions Committee meeting held on 28 September 2022 be agreed as a correct record.

5 **PUBLIC QUESTIONS**

No questions, statements or petitions had been received.

6 **LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE**

The Senior Manager for Operations and Information Governance introduced a report of the Director of Pensions which provided members with an update on the National Pensions Dashboard programme and the associated impacts on the Fund's administration. Members were provided with an overview of recent developments and the aims of the dashboard project. Members were informed that work was being undertaken with the Fund's system supplier on software solutions which were required to securely connect to the dashboard at the required staging dates. It was noted that all LGPS Funds were required to connect and respond to data requests by September 2024, with a requirement to provide data detailing accrued and projected pension values by April 2025. However, the pensions dashboard would only be made publicly available when the security of the infrastructure and governance framework had been approved by the Money and Pensions Service, the IT providers and Government.

Resolved – That the legislative developments, required actions and timescale to connect to the pension dashboard infrastructure be noted.

7 **NORTHERN LGPS UPDATE**

The Director of Pensions introduced a report which provided members with an update on pooling arrangements in respect of Merseyside Pension Fund (MPF) and the Northern LGPS Investment Pool. Minutes of the previous Northern LGPS Joint Committee meeting were appended for noting. It was noted in relation to Item 20 of the minutes, that the consultation process for Direct Infrastructure Platform (GLIL) was underway (GLIL).

The Chair highlighted the work being undertaken by the Fund's Responsible Investment Partners PIRC in developing a new database of FTSE All Share companies covering 80+ workforce indicators.

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

8 **WIRRAL LOCAL PENSION BOARD MINUTES**

The Chair introduced a report of the Director of Pensions which provided members with the draft minutes of the previous meeting of the Wirral Local Pension Board.

The Committee placed on record their thanks to Geoff Broadhead for stepping in for the Chair of the Local Pension Board at the recent Annual Employers' Conference.

Resolved – That the minutes of the Wirral Local Pensions Board be noted.

9 DRAFT FUNDING STRATEGY STATEMENT

The Head of Pensions Administration introduced a report of the Director of Pensions which provided Members with MPF's Draft Funding Strategy Statement (FSS) for 2022. Members were asked to consider the actuarial assumptions adopted, deficit and surplus recovery plans and the policies within the FSS. Whilst it was noted that funding position at this valuation was considered positive, the key communication that had arisen from the valuation was for employers to balance contribution affordability versus sustainability given the global economic and inflationary outlook post valuation date. It was noted that a consultation with employers took place on the key changes to the FSS from 31 October to 2 December 2022.

Resolved – That

- 1. The Draft Funding Strategy Statement be approved**
- 2. Refinement of the final version be delegated to the Director of Pensions and the Fund Actuary within the statutory deadline of 31 March 2023, following due consideration of the employer consultation and final valuation results.**

10 UPDATE ON 2022 ACTUARIAL VALUATION

The Head of the Pensions Administration introduced a report of the Director of Pensions which informed Members of the Actuary's 2022 actuarial valuation based on membership and cashflow data provided by the Fund at 31 March 2022. It was noted that the market value of assets at the valuation date was around £11 billion, giving a funding level of 106% with an associated surplus of £639m and an average employer future service cost of 18.5% of pay. Alongside this, a comparison of valuation results in 2019 and analysis was provided. Members were asked to note that the final actuarial outcome will be certified following finalisation of the Funding Strategy Statement and Investment Strategy Statement.

Considering both the Draft FSS and the 2022 Actuarial Valuation, Members discussed the long-term impact on costs, noting that fewer scheme members are opting to take a maximum lump sum payment when retiring. Members also praised the healthy position of the Fund despite recent challenges.

Resolved – That the valuation basis be approved and authorisation be given to the Fund Actuary to certify the final valuation report containing employers' contributions payable for the period 1 April 2023 to 31 March 2026.

11 MERSEYSIDE PENSION FUND'S RESPONSIBLE INVESTMENT POLICY AND HUMAN RIGHTS

The Director of Pensions introduced a report in respect of MPF's investments in companies that are alleged to be facilitating the construction and continued existence of Israeli settlements in the Occupied Territories of Palestine, which set out developments since consideration of previous report on the matter at Committee in February 2022, alongside several actions to develop ways to manage and respond more effectively to questions on responsible investment issues. Outlining the principal developments, members were asked to note the work of the National Scheme Advisory Board in meeting with the UN Special Rapporteur, ongoing engagement activity by the Local Authority Pensions Board Forum, and proposed legislation by Government in relation to Boycotts, Divestments and Sanctions. In addition, Members were informed that MPF had become a signatory to the UN's Principles of Responsible Investment (UNPRI) Advance initiative on human rights stewardship, and that the Fund had appointed Strategic Advisors, Redington, who, amongst other things, would be undertaking work on enhancing the Fund's Stewardship and Responsible Investment activities.

The Director of Pensions clarified that paragraph 9.3 of the report was incomplete and was too narrowly worded. Whilst it was important to recognise tensions when exploring controversial responsible investment issues, it was acknowledged this should have been done in general terms.

Members of the committee discussed how Pension Fund members could be consulted on issues of responsible investment and what a mechanism for consultation could look like in order to ascertain views of a representative sample of members. Whilst it was noted that the Pensions Committee was the democratic voice for the Pension Fund's various stakeholders, and there was provision for Trade Union representation on the Committee, there was an opportunity to develop greater engagement with Fund Members through the work with Redington. Members noted that it was important to develop a clear framework for addressing issues of responsible investment in order to make fully informed decisions. Members also discussed implications of responsible investment and investment in arms companies.

Resolved – That the activities and actions detailed in the report be supported.

12 **APPOINTMENT OF REDINGTON AS STRATEGIC INVESTMENT ADVISORS**

The Director of Pensions introduced a report that informed Members of the appointment of Redington as Strategic Investment Advisors to Merseyside Pension Fund. Members were informed of how Redington would be supporting the Fund's Strategic Objectives work, including a stakeholder survey to explore investment beliefs.

Members explored in greater detail the process for the survey, and how specific concerns on responsible investment and human rights were taken on board. The Director of Pensions clarified that it was proposed that the survey would be issued in early 2023, with a view for completion by the end of January. Analysis of the responses would then be fed back at the next Working Party meeting. It was noted the survey was to cover investment objectives and beliefs, including responsible investment, at a higher level, with an anticipated further survey on responsible investment beliefs exploring issues in greater detail.

Resolved – That the appointment of Redington as Strategic Investment Advisors to Merseyside Pension Fund be noted.

13 CONSULTATION ON GOVERNANCE AND REPORTING OF CLIMATE CHANGE RISKS IN THE LOCAL GOVERNMENT PENSION SCHEME

The Director of Pensions introduced a report that provided Members with MPF's response to a consultation by the Department for Levelling Up, Housing & Communities (DLUHC) which sought views on proposals for LGPS administering authorities in England and Wales to assess, manage and report on climate-related risks. Having given due consideration to the consultation in detail, the Fund were supportive of proposals as were pooling partners. Following consultation with the Chair of the Pensions Committee, a joint response was prepared and submitted by the Northern LGPS Investment Pool (NLGPS). The responses from the Scheme Advisory Board and the Local Authority Pensions Board Forum were also highlighted within the report.

The Chair discussed the need for Government to provide the necessary investment framework for Pensions Funds to make appropriate environmental investment decisions.

Resolved – That the report be considered and the response to the consultation be noted.

14 MINUTES OF WORKING PARTY MEETINGS

Due to the official mourning period following the death of the Queen, the September meeting of the Working Party had not taken place. However, Members were pointed to the PIRC Responsible Investment Report published within the pack and the link to the quarterly LAPFF report.

Resolved – That the report be noted.

15 EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC

Resolved – That, under section 100 (A) (4) 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 they involve the likely disclosure of exempt information as defined by the relevant paragraphs of Part I of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

16 APPOINTMENT OF REDINGTON AS STRATEGIC INVESTMENT ADVISORS EXEMPT APPENDIX

Resolved – That the exempt appendix be noted.

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