

Minutes of the Governance and Risk Working Party, 10.30, Wednesday 4 October 2023.

Microsoft Teams meeting.

Present:

Name	Initials	Organisation
Councillor Julie McManus (Chair)	JM	WBC
Councillor Pat Cleary	PC	WBC
Councillor Cherry Povall	CP	WBC
Councillor Ann Ainsworth	AA	WBC
Councillor Brenda Hall	BH	WBC
Councillor Brian Kenny	BK	WBC
Councillor Jayne Aston	JA	Knowsley Council
Councillor Christopher Carubia	CC	WBC
Roger Bannister	RB	Unison Member Representative
Councillor Peter Norris	PN	LCC
Councillor Ruth Molyneux	RM	WBC
Peter Wallach	PW	Director of Pensions
Donna Smith	DS	Head of Finance & Risk
Guy Hayton	GH	Senior Manager of Operations & Information Governance
Owen Thorne	OT	Portfolio Manager – Monitoring Responsible Investment

Invited Guests:

Name	Initials	Organisation
Jill Davys	JD	Redington
Edina Molnar	EM	Redington

Apologies were received from:

Name	Initials	Organisation
Yvonne Murphy	YM	Head of Pensions Administration
Councillor Tony Cox	RB	Unison
Councillor Tom Cardwell	TA	LLC
Councillor Andrew Gardner	AG	WBC
Councillor Paulette Lappin	PL	

In attendance: Emma Jones.

1. Approval of Minutes & Introduction

Minutes of GRWP, Thursday 9 March 2023, were reported to Pensions Committee and have been approved.

PW introduced the meeting and reported that Redington will be providing a presentation updating Members with progress on an Engagement Framework.

2. Declarations of Interest

PW advised that Declarations of Interest are reported on an annual basis and only changes need to be notified.

Noting/Action points

Noted.

3. Update on development of an Engagement Framework

JD and EM presented the Engagement Framework and explained this will be the first of a series of papers developing an engagement framework for the Fund. It is a key step in formalising the Fund's Stewardship approach and will enable the Fund to obtain the Stewardship Code signatory status, which is one of the Fund's objectives towards sustainable investment.

JD also presented the key outcomes from the Responsible Investment survey which is the start of putting those outcomes into a framework for action.

It was noted that a significant portion of Investment Monitoring Working Parties were being devoted to Responsible Investment and Stewardship. Hence, a proposal was made to consider the establishment of working party to focus on responsible investment matters and Stewardship.

Questions

A discussion ensued regarding the form and membership of a 'Stewardship Group' and the importance for progress to be made. It was proposed that officers should bring report to the next Pensions Committee setting out draft terms of reference and representation for Members to consider.

A question was posed regarding the balance between the Stewardship Group's influence and Members fiduciary responsibility to members. PW answered that in terms of fiduciary duty the role of Members is to set aside personal preference and prejudices and to act in the best interests of the stakeholders of the Fund. As set out in the Engagement Framework, it is appropriate for Members to take into account factors that have material financial, legal or reputational risk to the Fund such as climate risk. PW advised there are short term and long-term implications to consider, but it is subjective nonetheless, and it can be difficult to determine what to prioritise.,. PW added this is only the start of the conversation, but the Fund is keen to engage members in the consideration of what these priorities should be.

OT advised that one of the activities that a Stewardship Group could provide is additional advice on how we set the materiality standards. There are frameworks which could be used to map this into the Fund's portfolio to see how it interacts with other investment decisions. There are also the strategic objectives which have already been set for example, climate targets and an additional working group of accountable members could provide input and address how this is put into policy.

OT advised that an additional working group would be well placed to do this as the issues are quite complex and quite broad ranging. OT further advised that the Group would not be starting from a blank page as there will be guidance that can be referred to, but it would be useful to have direct input from members with the process.

JD advised that as a Pensions Committee Member, a key responsibility is to ensure that the pension liabilities are met but part of that is reflecting on the risks and opportunities which are present in every investment and issues such as climate and human right risks which can impact the value of your investments over time. The Group would take the environmental and social factors into account to see how they may impact on an investment and take actions to address this.

Party Spokespersons to look at what direction and size this Group should take with guidance taken from PW and Redington.

In principle, the Stewardship Group should consist of members from each party and across the region.

PW advised on the process to put arrangements in place.

Action Points

It was recommended that a report be taken to Pensions Committee on the 11 December 2023, for consideration, setting out the terms of reference and who should be represented on the group.

4. Administration KPI report

GH reported on the Administration KPI report which provides the Governance & Risk Working Party with monitoring information on the key performance indicators in respect of work undertaken by the MPF administration team during the period. This report was presented to the Pension Board on 27 September 2023.

GH ran through the salient points and outlined the KPI report, its key performance indicators, the internal controls which are in place within each specific area and issues which have been raised.

Questions

JM asked if there is a certain group of people who leave the scheme, and could more information be provided to see if it is more female or part time workers. Also, is there any service the Fund could provide to help them during that time.

GH advised that whilst there is not a breakdown of demographics for the optant outs within the report as it stands, it is a suggestion that he will take forward as it will improve the KPI report. GH took members through the opt out process, explaining how the opt-out forms reinforce the LGPS benefits being given up and how employees with three months of membership need to phone the Fund and speak to the communications team to obtain the relevant form. The 50/50 section of the scheme is explained as an alternative to opting out of the scheme entirely. GH also explained that every 3 years employees who have previously opted out of pension savings, are re-enrolled back into the scheme by the employer.

PN asked “what is the rate of attrition, for employees withdrawing their benefits early and is it best for them to do so?”. GH answered that a ‘rate of attrition’ is not a measure that is used by the Fund, as there are numerous reasons why an employee could be accessing their benefits prior to normal pension age.

GH advised that the Fund are not allowed to offer financial advice, but we do communicate and provide a lot of information to members when they come to access their benefits so they can make informed decisions. GH explained that although we can pull together data in regards members accessing their pensions early, it would have to be viewed carefully to avoid making assumptions.

JA asked about the Pension Fund’s liabilities. PW advised that the Fund does receive income from investments, but this is not meeting the pensions that are paid out. Assets are being sold which is not a problem in itself, but we are reviewing out investment strategy with Redington and reorientating the assets that we hold to assets which produce a greater level of income, but this has to be managed carefully to avoid selling assets which are falling in value.

JA asked are we aware how many employees are not in the scheme and could we ask the local authorities to have a push to invite their staff into the pension scheme.

GH advised that opportunities do arise, and he is visiting one statutory employer who have agreed to put on several events for non-members to explain the scheme

and its benefits to them. GH further advised that it is a collaborative process, as it does need the engagement of the employer to communicate to those staff who are not members. GH advised that recently a virtual approach to delivering overview sessions has worked really well, and we do extol the virtue of scheme membership and will continue to do so.

AA stated that she agrees with JM's points on having a breakdown of members who leave the scheme and whether this is an equality issue as we do know that there are people who are living in poverty, so it is important we have that equality break down. AA continued that sometimes members do not understand the value of the employer's contribution and what they lose. AA added that it is hoped that this is emphasised and members who are in a vulnerable position are signposted to other opportunities of help. AA asked if there are sessions given to new starters on the benefits of the scheme.

GH answered that joining members and those members wishing to opt out of the scheme are informed of the employer's contribution. The Fund produces induction materials for employers including a series of short videos which explain the scheme in an easily digestible format. Employers do have a responsibility to provide information to eligible employees about the LGPS, and the Fund communications team do endeavour to work with employers in this area.

JM suggested that a current pensioner could be asked to attend inductions and explain their experience in regards the benefits of being in the scheme.

RM stated that one of the problems faced by some employees is the burden of student loans and could act as a barrier of for certain employees to join the scheme.

Action Points

GH will include a breakdown of demographics for optant outs in future Pension Board reports.

GH advised that all suggestions for engaging with non-members are welcome and will be considered.

5. Risk Register

PW presented the Risk Register and advised that it is regularly monitored and is taken to the Pension Board on a quarterly basis. Over the last quarter there were no new risks identified. The scores have been revised on a number of existing risks and no risks have been taken off.

PW added that Wirral have introduced a new format which the Fund adopted. It is provided to Members to provide assurance that the Fund does manage risks and they are kept under regular review.

Questions

PC asked about the risk around staff retention and how this is moving forward. PW replied that he is in conversation with Wirral HR and it is progressing constructively.

PW is hoping for positive indications from HR by the end of the year. PW reported that there has been a restructure on the administration side which is nearing completion and the next phase will be to look at the Finance and Investment teams.

PN asked if the Fund's Risk Register is benchmarked against other authorities so that risks specific to the Fund could be identified. PW advised it is a private document as some of the risks and mitigations that are in place are not shared as a matter of public record. PW advised that in terms of benchmarking, he is not aware of any opportunities to compare against other risk registers. although there are some investment risks which are captured in the Funding Strategy Statement which are a matter of public record. PW explained that the Risk Register concentrates on operational and the financial controls which have been put in place.

Action Points

The Risk Register was duly noted.

Noting/Action Points

There were no noting or action points.

Date of Next Meeting – TBC.