

PENSIONS COMMITTEE

Monday, 11 December 2023

Present:

Councillor J McManus (Chair)

Councillors A Ainsworth P Cleary
B Kenny R Molyneux
GJ Davies C Carubia
T Cox Lappin
A Gardner Bannister

R Bannister

29 **WELCOME AND INTRODUCTION**

The Chair welcomed everyone and read out the webcasting notice.

The Chair informed the audience and those watching from home that the recording and live broadcast of the meeting would be audio only, due to technical difficulties with the camera equipment. The Chair was content for the meeting to be recorded by members of the audience but asked that no photographs be taken during the debate

30 **APOLOGIES**

Apologies were received from Councillor Cherry Povall, deputised by Councillor Andrew Gardner, Councillor Brenda Hall, deputised by Councillor Ritchie Pitt, and Councillor Martin Bond (St Helens).

31 **MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST**

Usual declarations:

Councillor Julie McManus	Personal interest as her son is a member of Merseyside Pension Fund.
Roger Bannister	Pecuniary interest by virtue of being a Member of Merseyside Pension Fund.
Councillor Tom Cardwell	Personal interest as his mother is a member of Merseyside Pension Fund.
Councillor George Davies	Personal interest as his wife is 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 is a member

	of Merseyside Pension Fund.
Councillor Paulette Lappin	Pecuniary interest by virtue of being a member of Merseyside Pension Fund

32 **MINUTES**

Resolved – That the minutes of the Pensions Committee meeting held on 26 September 2023 be agreed as a correct record.

33 **PUBLIC QUESTIONS**

33.1 **Public Questions**

Four questions were received.

Greg Dropkin asked the following question. The arms industry is a major contributor to climate change, and the war on Gaza and ongoing siege is both an environmental and social disaster. How will the Responsible Investment Working Party of the Pensions Committee address these issues in relation to Merseyside Pension Fund investments in the arms industry in general, and in US and UK companies which supply components and weapons used on Gaza in particular?

Chair gave response. MPF takes its responsibilities as an asset owner seriously. Our policy of Responsible Investment (RI) arises from the belief that ESG factors can materially affect investment performance.

We place great importance on active ownership as our means of managing and shaping ESG matters and are mindful of the responsibility of investors to respect human rights as set out in the UN Guiding Principles on Business and Human Rights.

We seek to maximise our influence and finite resources through collaborative working; be that with other local government pension schemes through the Local Authority Pension Fund Forum (LAPFF), with our Northern LGPS partner funds (Greater Manchester & West Yorkshire) or wider investor groups such as the Institutional Investor Group on Climate Change (IIGCC).

Subject to agenda item 8 being considered and approved by this Committee, as set out in the draft terms of reference, the Responsible Investment Working Party will support Pensions Committee in the consideration and development of its responsible investment policy, climate change and stewardship activities. Under LGPS regulations and guidance, whilst the overriding duty of the Members of Pensions Committee is the pursuit of financial return within reasonable risk parameters in order to pay pensions, non-financial considerations may be taken into account provided that doing so would not

involve significant risk of financial detriment to the scheme and where Members have good reason to think that scheme members would support their decision. It is also worth noting that any pension shortfall arising from investment performance falls to Scheme employers to make up and not employees.

Any company with operations or interests in conflict-affected & high-risk area should undertake enhanced due diligence to assess the human rights risks and mitigation options. This approach is consistent with our developing stewardship policy, which considers human rights as a global systemic risk best managed collaboratively with other investors using an evidence-led outcomes-focused approach. MPF has endorsed the new Advance initiative from the UNPRI as part of this work, which brings together institutional investors to advance human rights and positive outcomes for people through investor stewardship. The Initiative will primarily seek change through investors' use of influence with portfolio companies.

All right-minded individuals deplore the loss of life arising from conflict. There is a wide range of opinion on the merits of investment in defence companies for Committee to balance. Recent events such as the Russian invasion of Ukraine have thrown into relief the necessity of armaments in upholding sovereignty and maintaining social stability by deterring states from carrying out acts of aggression against others. Peacekeeping forces also need to be suitably equipped. It is also the case that licences for the export of armaments are regulated and a matter of government policy.

It is intended that the Responsible Investment Working Party will allow Committee to develop further the framework within which ESG matters are considered and monitored. I do not have to hand information on whether the Pension Fund has investments in defence companies that sell arms to Israel or Saudi Arabia. It would depend upon how defence companies and their products were defined, and how one defined the buyers since supply chains can be complex.

I will ask the proposed Responsible Investment Working Party to look into the nature and extent of the Pension Fund's investments in companies connected with the trade. As well as seeking to mitigate the environmental impact of its investments, MPF seeks investments that provide positive environmental and social benefits. Item 9 on today's agenda gives a few examples of these types of investments and there are many other examples nationally and internationally.

I will ask the proposed Responsible Investment Working Party to look into the nature and extent of the Pension Fund's investments in companies connected with the defence trade. Merseyside Pension Fund publishes on its website a full list of its shareholdings across all markets and this list is updated on a quarterly basis.

This response was also the appropriate answer to the three following questions.

Greg Dropkin asked a supplementary question, had the committee considered the additional evidence he submitted?

The chair responded that a more in-depth response would be provided in writing.

Prue Stothard asked a question. Is the Committee aware that MPF funds are being invested in companies whose products are used to kill men, women and children in Gaza, the West Bank and in Yemen, and how does this knowledge affect your decisions on Responsible Investments?

Prue Stothard asked a supplementary question; who has decided who will make up the group of the responsible investments working party?

The Chair informed the questioner that the group had yet to decide its membership but it will be decided by this committee and it will contain members of this committee.

Tony Norbury asked a question. As Merseyside pensioner in receipt of the Merseyside pension fund I do not want my pension to be funded or to fund the arms trade in any shape or form. I would like to ask the councillors on the pensions committee to start the process to divest any funds from our Merseyside pensions fund investments from being used to support the arms trade anywhere in the world. We have seen in our lifetimes and particularly in recent times what slaughter weapons of mass destruction fired into civilian areas against United nations humanitarian law can do to innocent families particularly children. I do not want any part in that cowardly act of murder, I do not want my hard-earned deferred wages (my pension) invested in destruction. The human race has reached a cross roads in our humanitarian evolution, we are losing our planet and our ecosystems are breaking down because of the greed of the few. I am one of the many pensioners that wants to see our Merseyside pension invested in humanitarian projects , projects that will protect our planet not destroy it, projects that will give our children and their grandchildren a better future not slaughter them I ask the councillors who sit on the pensions committee to take the right road and lead us to sustainability and humanitarian longevity, people living in peace and harmony with our planet and each other ,for that's where I believe we need to evolve to because the other road does not bare thinking about.

Tony Norbury asked a supplementary question about ethical investments and asked the committee to consider more sustainable investments.

Helen Dickson asked a question. Do the Pensions Committee know that MPF investments contribute to civilian deaths in Gaza and Yemen and nuclear weapons systems?

Helen Dickson asked a supplementary question. Would the Merseyside Pension Fund commit to assuring that Members are aware of the facts surrounding investments.

The Chair assured all questioners that an in-depth answer would be provided in writing in response to their supplementary questions.

33.2 **Statements and Petitions**

Two Statements were received.

Mike Hogan gave the following statement; Over twenty thousand people have been murdered, of which ten thousand were children. They were killed using weapons provided by the companies which are listed as investments of this pension fund. We are seeing this news and questioning what can be done, there is something that can be done, cut off funding to the war machine that has been unleashed on Gaza, leaving thousands of people dead, injured or displaced. What is being created is an uninhabitable Gaza strip. A local nurse has testified that operations are now being performed without anaesthetic. We have the power to withdraw the money that funds the companies that cause this. One company highlighted, Caterpillar, creates the bulldozers that destroy civilian housing, which leads to homeless refugees.

Piara Miah gave the following statement; I am a Wirral resident who conducts outreach work within the community. The harrowing images coming from Gaza have captured the community. I have first hand experience of supporting refugees fleeing this crisis and know that we need dedicated people who can help these people settle after escaping a war torn country. By investing in the manufacturing and selling of weapons of mass destruction we are funding genocide. The pension fund should invest in building communities and not weapons of war. Make the members of the pension aware of how their money is being invested.

Roger Bannister made the following statement, which was permitted at the Chairs discretion as no prior notice of the statement was given; Unison and I agree with the aims represented by the public present at the meeting. Detailed discussions have taken place in the past with Councillor Jo Bird around the Fund's attitude to investments in Israel and Israeli companies and time has been wasted by deferring a decision. I support the establishment of the working party and the view that the decision must be taken with haste before decision-making abilities are removed by the current government.

34 **LOCAL GOVERNMENT PENSION SCHEME (LGPS) UPDATE - THE MCCLLOUD REMEDY**

The Head of Pensions Administration introduced the report to Members. The report provided an update on legislation related to the 'McCloud Remedy', and the guidance that had been published to support implementation by the Fund's Administration Team.

Resolved – that the committee note the legislative change to remove the age discrimination from the Local Government Pension Scheme (LGPS), and that implementation of the revised regulations is a major resource intensive project to ensure the Fund's continued compliance in delivering the 'McCloud Remedy'.

35 **ESTABLISHMENT OF WORKING PARTY**

The Director of Merseyside Pension Fund introduced the report to Members. The purpose of the report was to seek approval from Members for the establishment of an additional Working Party to consider responsible investment issues and stewardship activities. Core Members would be the Chair and the Party Spokespersons (or their deputies), but all Members would be invited to attend and participate since the main purpose of the Working Party was to spread knowledge amongst Members of the important issues raised by responsible investment so that informed decisions can be made by Members at Committee

Members requested that members of the Local Pension Board should also be included in invitations to the working party, discussed ways in which to reflect the views of the public such as those that attended the meeting with their questions, the need to keep in mind the speed in which issues are progressed, and were conscious of the difficulty in changing long term investments.

Councillor Cleary moved, seconded by Councillor Molyneux; that the Responsible Investment Working Party be established as discussed and that it consider the issue of Merseyside pension fund investments in arms companies and bring a report to the committee within the next six months.

Councillor Ainsworth moved the following amendment, seconded by Councillor Kenny; that the Responsible Investment Working Party submit to the Pensions Committee a programme of work within the next 6 months and that those words be substituted for that part of Councillor Cleary's motion that required it to consider and produce a report on the Fund's investments in arms companies within that period of time. Members voted for the amendment (11:2). The amendment was passed and became the substantive motion which was passed unanimously.

Resolved – that the establishment of the Responsible Investment Working Party be approved with the membership as discussed and that it submit to the Pensions Committee a programme of work within the next six months.

36 CATALYST FUND UPDATE

The Director of Merseyside Pension Fund introduced the report to Members. The report provided Members with an update on the progress of the Fund's local investment activities.

Resolved – That the report be noted.

37 WIRRAL LOCAL PENSION BOARD MINUTES

The Chair introduced this report which provided Members with the draft minutes of the previous meeting of the Wirral Local Pension Board.

Resolved - That the minutes of the Wirral Local Pension Board be noted.

38 MINUTES OF WORKING PARTY MEETINGS

The Chair introduced this report which provided Members with the minutes of meetings of Working Parties held since the previous Committee meeting.

Members appreciate the variety of considerations undertaken.

Resolved - That the minutes of the working parties be approved.

39 NORTHERN LGPS UPDATE

The Director of Pensions introduced the report to the Committee. The report 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.

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

40 REVISED INVESTMENT STRATEGY

The Director of Merseyside Pension Fund introduced the report to Members. The purpose of the report was to seek approval from Members for a revised investment strategy for Merseyside Pension Fund (MPF) which had been the subject of consideration and discussion at recent Investment Monitoring

Working Parties. The expectation was that the revised strategy would deliver superior risk adjusted returns and a higher level of income.

Members thanked the officers for their work, noting it had been very constructive, and had evolved into a sensible strategy. In response to a member query in regard to information about when the responsible investment and climate risks workstreams would be brought to Committee, officers advised Members that the additional working party should allow the Committee more time to consider and expedite these issues.

Resolved - That the investment strategy and strategic asset allocation and the actions and recommendations set out in appendix 1 be approved.