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PENSIONS COMMITTEE

Tuesday, 30 July 2024

<u>Present:</u>	Councillor	B Hall (Chair)	
	Councillors	S Bennett JE Green C Carubia B Kenny GJ Davies	H Cameron T Cox R Molyneux J Bird M Sullivan
	Councillors	Loneragan, Knowsley Council Rae, None District Representative (LGA)	

59 WELCOME AND INTRODUCTION

The Chair welcomed everyone and read out the webcasting notice.

The Chair led a minute's silence following news of a fatal knife attack in Southport, Merseyside.

60 APOLOGIES

Apologies for absence had been received from:
Cllr Ann Ainsworth - Cllr Mike Sullivan deputising
Cllr Pat Cleary – Jo Bird subbing
Roger Bannister, retired members
Ruth Bennett, Liverpool Council
Christine Howard, Sefton Council

61 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked to declare pecuniary or non-pecuniary interests in items on the agenda. The following declarations were made:

Councillor George Davies	Personal interest as his wife was a member of Merseyside Pension Fund.
Councillor Brian Kenny	Personal interest as his wife is a member of Merseyside Pension Fund.
Councillor Stephen Bennett	Personal interest as his wife is a member of Merseyside Pension Fund.
Councillor Jo Bird	Personal interest as her partner is a member of Merseyside Pension Fund
Councillor Mike Sullivan	Personal interest as a member of Merseyside Pension Fund
Councillor Brenda Hall	Personal interest as a member of

	Merseyside Pension Fund and her husband is a deferred member
Jon Rae	Personal interest as a member of Merseyside Pension Fund

62 **MINUTES**

Resolved – That the minutes of the Pensions Committee meeting held on 19 March 2024 be agreed as a correct record.

63 **PUBLIC QUESTIONS**

There are no statements or petitions, but one question has been received from Greg Dropkin, which he read out. The question related to the draft Responsible Investment Policy and referred to a UN-linked press release urging an end to arms transfers to Israel or risk responsibility for human rights violations and naming companies who are involved in the supply of components or products to Israeli forces. He asked if the Pensions Committee would act in line with the UN and authorise divestment from firms supplying weapons used on Gaza, and banks financing the illegal settlements in the illegally occupied West Bank.

The Chair read out an answer stating the Responsible Investment Working Party was continuing to look into the nature and extent of the Pension Fund’s investments in companies connected with the trade, progressing the Fund’s stewardship work and exploring considerations in respect of the Fund’s investments in defence companies. It also stated that the Local Authority Pension Fund Forum (LAPFF), of which the Pension Fund was a member, was participating in the Investor Alliance for Human Rights pilot project on conflict-affected and high-risk areas to understand better how to support LAPFF members.

Mr Dropkin asked a supplementary question asking if the Working Party were making use of the information he had supplied.

The Chair promised to respond in writing.

(post meeting note: The answer supplied was:

The Fund and its advisors have collated information on the performance and the activities of the companies listed by Liverpool Friends of Palestine cited in questions to Committee in December 2023 and, additional to that list, any other aerospace & defence companies held by Merseyside Pension Fund. Also, LAPFF has initiated engagement with several defence and manufacturing companies such as Thales, Lockheed Martin, BAE, RTX and Caterpillar regarding humanitarian and human rights impacts in high-risk and conflict-affected areas such as Gaza. Further information is provided in the LAPFF quarterly updates which can be found on our website under Responsible Investment.

As set out in my answer at Committee on 30th July, in setting a policy regarding the case for ongoing stewardship, divestment or exclusion, Committee needs to have regard to the implications not only for the Israeli-Gaza conflict but for all conflict-affected areas and, indeed, existing and potential controversies of whatever ilk.)

64 **EXTERNAL AUDIT PLAN MERSEYSIDE PENSION FUND 2023-24**

Representatives of the Council's appointed auditors, Grant Thornton, presented the report of the Director of Pensions which detailed the plan for the external audit of the Merseyside Pension Fund's statutory financial statements for 2023/24. The audit was to take place during Summer 2024 with the results reported back to the Committee.

Members discussed the risks identified, including the migration of data within the Oracle Fusion software and liability estimates.

Resolved - That the external audit plan for 2023/24 as prepared by Grant Thornton be noted.

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

The Senior Manager, Operations, presented the report of the Director of Pensions which provided an overview of changes affecting governance of the Local Government Pension Scheme (LGPS). These included a new General Code of Practice.

Members queried aspects of the Code and thanked officers for the amount and quality of work done and for following the best practice.

Resolved – That

**(1) the administration and governance changes to the LGPS, to ensure continued compliance with legislation, statutory guidance, and industry codes of practice, be noted;
the excellent work of the team and progress made be noted.**

66 **MERSEYSIDE PENSION FUND BUDGET OUT-TURN 2023/24 AND FINAL BUDGET 2024/25**

The Director of Merseyside Pension Fund presented his report which detailed the budget outturn for the 2023/24 financial year and presented the budget for the 2024/25 financial year.

The out-turn was £19.1m, which was lower than the original budget of £21.3m approved on 11 July 2023. The underspend was largely due to lower investment management fees, planned projects and areas of work being deferred to 2024/25, and the assumptions used for staffing. The 2024/25 budget had been reviewed with departmental & central charges, external audit fees and lease and rent reviews updated, and was £22.7m. It was higher than the 2023/24 budget primarily due to higher investment management fees and increased staffing costs being forecast.

Members queried some figures and reasoning provided.

Resolved – That

**1. the out-turn for 2023/24 be noted;
2. the finalised budget for 2024/25 be approved.**

67 **LETTER FROM MINISTER**

The Director of Merseyside Pension Fund introduced his report which provided a copy of the letter received from the former Minister of the Department for Levelling Up, Housing and Communities in relation to efficiencies in local government and the management of Local Government Pension Scheme (LGPS) funds and the Fund's response.

Members questioned the change in Government which had resulted in abolition of the Department but noted that its duties would continue within another Department and the new Government had made it a priority to engage with Local Government Pension Schemes.

Resolved – That the letter and the Fund's response be noted.

68 **DRAFT RESPONSIBLE INVESTMENT POLICY**

The Director of Merseyside Pension Fund introduced his report which provided a draft of the Fund's Responsible Investment (RI) policy. The Policy had been the subject of discussion and development with the Fund's Investment Advisors, Redington, at a number of Investment Monitoring and Responsible Investment Working Parties. The investment beliefs were last reviewed in 2019 and were reflected in the pool RI policy. Elected Members, Board members and other stakeholders were surveyed. The Working Party identified a need for greater transparency so that had been incorporated as an element.

Members questioned the survey and reporting back processes.

Councillor Jo Bird proposed an additional recommendation that 'when a court with jurisdiction in Merseyside finds that there may be breaches of national or international law with large scale fatalities, a report on the relevant Merseyside Pension Fund investments and related issues shall come to the soonest possible Pensions Committee. This was seconded by Councillor Ruth Molyneux.

The amendment was put to the vote and declared lost.

Resolved – That the policy be approved.

69 **NET ZERO INVESTMENT TARGETS**

The Director of Merseyside Pension Fund presented his report which set out shorter-term net zero investment targets for Merseyside Pension Fund (MPF) in accordance with its longer-term goal for the Fund's assets to be net zero by 2050.

Members queried the scope of the goals and investment in renewable technologies.

Resolved – That the setting of the following interim climate targets be approved:

1. **A reduction of 50% in the Fund's carbon footprint (Scopes 1 & 2) by 2030 compared to a 2019 baseline;**

2. **Maintain alignment to the goals of the Paris Agreement and target 100% of assets in scope to be aligned to a below 2° temperature trajectory by 2030;**
3. **A high-level goal to increase investments in climate solutions.**

70 **MEMBERS' LEARNING AND DEVELOPMENT**

The Director of Merseyside Pension Fund presented his report which reminded Members of their learning and development responsibilities and provided them with a copy of the updated training policy.

Resolved – That the report and the recommended areas of learning and development be noted.

71 **NORTHERN LGPS UPDATE**

The Director of Merseyside Pension Fund presented his 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.

Resolved - That the Committee note the report and the minutes of the Joint Committee meeting.

72 **WIRRAL LOCAL PENSION BOARD MINUTES**

The Merseyside Pension Fund presented his report which provided the Committee 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.

73 **MINUTES OF WORKING PARTY MEETINGS**

The Director of Merseyside Pension Fund introduced his report which presented the minutes of meetings of Working Parties held since the previous Committee meeting. It was noted that there was an exempt appendix 6 in addition for which approval was sought.

Councillor Jeff Green noted that he had given apologies for the meeting of the Investment Management Working Party on 5 June 2024 but they were not recorded.

Resolved – That

1. **subject to Councillor Jeff Green's apologies for 5 June 2024 meeting of IMWP the working party minutes be approved.**
2. **the implementation of the interim strategic asset allocation set out in appendix 6 be approved.**
3. **the Fund's Investment Strategy Statement be updated to reflect the interim strategic asset allocation.**

74 **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.

75 **NET ZERO INVESTMENT TARGETS EXEMPT APPENDIX**

Resolved – That the exempt appendix be noted.

76 **WIRRAL LOCAL PENSION BOARD MINUTES EXEMPT APPENDIX**

Resolved – That the exempt appendix be noted.
