



## **PENSIONS COMMITTEE**

**9 DECEMBER 2024**

<b>REPORT TITLE:</b>	<b>PENSION BOARD REVIEW 2023-24 AND WORK PLAN 2024-25</b>
<b>REPORT OF:</b>	<b>INDEPENDENT CHAIR OF PENSION BOARD</b>

### **REPORT SUMMARY**

This report reviews the work and performance of the Board and its Members between 1 April 2023 to 31 March 2024 and includes a proposed Work Plan for 2024-2025.

### **RECOMMENDATIONS**

That the Pensions Committee be recommended to consider and note the report.

## **SUPPORTING INFORMATION**

### **1.0 REASON FOR RECOMMENDATIONS**

- 1.1 Section 12.3 of the present Terms of Reference of the Local Pension Board of the Merseyside Fund states that *“The Board shall on an annual basis produce a report on both the nature and effect of its activities for consideration by the Scheme Manager. The contents of this annual report will be subject to consideration and agreement at a meeting of the Board...”*

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 Not relevant for this report as there is a requirement for the Pension Board to produce an annual report of its activities.

### **3.0 BACKGROUND INFORMATION**

- 3.1 Under its present Terms of Reference, the Board is required to produce, on an annual basis, a report for consideration by the Scheme Manager which is the Wirral MBC Pensions Committee. This review has been prepared by the Independent Chair of the Board for consideration by the Board at its meeting on 9 July 2024. Following consideration by the Board an approved version of this review will be presented by the Independent Chair to the Pensions Committee at its meeting on 9 December 2024.

#### **3.2 Purpose and Constitution of the Merseyside Local Pension Board**

- 3.3 Under its Terms of Reference, the purpose of the Merseyside Local Pension Board is to assist the Administering Authority (Wirral MBC) in its role as a Scheme Manager under the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations. The Board consists of nine members and is constituted of four Employer representatives, four Employee representatives and an Independent, non-voting Chair who has responsibility for the co-ordination and operation of the Board. The Board provides a specific forum for Employers and Employees to be actively involved in the governance of the Merseyside Fund on an ongoing basis.

- 3.4 The Board is fortunate in having had at every meeting since its creation in 2015, the presence of both the Director of Pensions and members of his Senior Management Team to advise and support the Board. Additionally successive Chairs of the Wirral Pensions Committee have been actively supportive of the work of the Board and have attended, on occasion, meetings of the Board.

#### **3.5 Summary of issues considered at Board Meetings 2023-2024**

- 3.6 Issues considered at each Board meeting, in addition to the Minutes of the previous meeting and Declarations of Interest are shown in the Table below:

	20/06/2023	27/09/2023	12/12/2023	27/03/2024
Risk Register	YES	YES	YES	YES
Pensions Administration Report	YES	YES	YES	YES
Working Party (IMWP/GRWP) Minutes	YES	YES	YES	YES
Investment Pooling/Northern LGPS Pool Update	YES	YES	YES	YES
LGPS Update	YES	YES	YES	YES
LGPS Investment Related Consultations	YES	YES		YES
Pension Board Review 2022-23 & Plan 2023-24	YES			
External Audit Plan 2022-23	YES			
External Audit Questionnaire & Responses 2022-23	YES			
Members Learning and Development Programme	YES			
(External) Audit Findings Report 2022-23		YES		
Internal Audit Annual Report 2022-23		YES		
Fund Annual Report & Accounts 2022-23		YES		
Establishment of Working Party			YES	
Revised Investment Strategy			YES	
Update on Catalyst Fund			YES	
Pension Fund Budget 2024-25				YES
Treasury Management Policy 2024-25				YES
Property Portfolio Rent Arrears & Write Offs				YES

3.7 The Pension Board Agenda has developed to comprise of five standing items which are of particular importance to both the good governance and operational effectiveness of the Merseyside Pension Fund. These are: **The Risk Register; The Pensions Administration Quarterly Report; The Fund Working Party Minutes (Investment Management Working Party & Governance and Risk Working Party); The Investment Pooling/Northern LGPS Update; the LGPS Update report.** During 2023-24 the Board actively considered and debated the reports and papers presented in respect of these items. Constructive questions were asked of the Fund Officers and, as appropriate, comments and suggestions made by Board Members.

3.8 There are also a number of other important issues where, for the promotion of good governance and assurance, the Pension Board receives reports on an annual basis. These include the External Audit Plan; the External Audit

Questionnaire and Management Responses; the Fund Budget; the Annual Report and Accounts; the Treasury Management Policy; Write offs; the Internal Audit Annual Report. Again during 2023-24 the Board actively considered and discussed the reports and Officer presentations. In addition (usually at the June/July meeting) the Independent Chair presents a review of Board activity for the previous year (April to March).

- 3.9 In addition to the above issues the Board considers as appropriate other issues of importance to the governance and operation of the Merseyside Pension Fund. These are normally identified well in advance and included in the Annual Work Plan which is jointly agreed by the Director of Pensions and Independent Chair and included towards the end of the Independent Chair's Annual Review for the consideration of the Pension Board. As appropriate items are (after consultation between the Director of Pensions and Independent Chair) added to or removed from the Work Plan during the year. Such other items which the Board considers from time to time include proposed revisions to the major Fund strategies/policies and Government Consultations (for example, in 2023-24 the Revised Investment Strategy and the Government Consultation "**Next steps on investments**"), and particular major Fund developments such as the establishment of the Responsible Investment Working Party which was considered at the Board meeting on 12 December 2023.
- 3.10 Additionally, the Administering Authority has granted Board Members the right of attendance at the Fund Working Party meetings where the decision makers of the Fund (the Pension Committee Members and Senior Officers of the Fund) meet with Fund Advisors to discuss a wide range of issues relating to both the strategy and operation of the Fund. This invitation enables the Board to not only observe the important presentations and discussions at these meetings but also to actively participate in them.
- 3.11 The Minutes of the Board Meetings are the official record of the meeting. Although these can only be approved by the whole Board at the following meeting the preparation of the draft Minutes is a vital task. Therefore, I would wish to thank Wirral MBC Committee Services for their support at Board meetings and for producing the initial draft Minutes. I would also wish to acknowledge that as Chair I am fully consulted and have the opportunity to input to the draft Minutes before they are presented to the whole Board at the following meeting.
- 3.12 In order to facilitate comparison of this Annual Review with that for 2022-23 I have kept so far as possible to the same headings and order of coverage as in the previous Annual Review.
- 3.13 Further commentary in relation to a number of the reports detailed in the table above is included below, in this Review. Firstly, however, I would wish to comment on the positive contribution of the Board Members, Officers of the Fund, and Chair of the Pensions Committee to the work and activity of the Board in 2023-24.

### **3.14 Members of the Pensions Board**

- 3.15 Since 2015 the Merseyside (Wirral) Local Pensions Board has been extremely fortunate with regard to the genuinely active role played by the Members of the Board. 2023-24 was, again, no exception to this. Eight of the nine Members who served throughout 2022-23 continued to serve throughout 2023-24. Therefore, again the Board benefitted from the input of highly experienced and knowledgeable representatives of both Employers and Employees. The Board membership comprises representatives from a diverse range of backgrounds and organisations with extensive experience of (for example) human resources, finance, information technology (including cyber risk), pensions in general and the LGPS in particular.
- 3.16 During the year 2023-24 overall attendance at Board meetings was 82% with four of the eight members who served throughout the year achieving 100% attendance. While attendance levels are clearly relevant, the actual value and impact of the Board Members is demonstrated more by their active and constructive participation at Board meetings than by simple reference to attendance statistics. In this respect the Board was again most fortunate.
- 3.17 I wish to place on record my personal thanks to each Member who served throughout 2023-24: Donna Ridland, Lyn Robinson, Pat Maloney, Peter Fieldsend, Robin Dawson, Roger Irvine, and Stephan Van Arendsen. There can be no doubt that the Merseyside Fund has a clearly knowledgeable and positively engaged group of Pension Board Members seeking, without exception, to actively and genuinely interact with the Fund on behalf of both Employees and Employers and to assist the Pensions Committee to achieve not only compliance with relevant legislation, regulations, and guidance but also to achieve effective and efficient governance and administration of the Merseyside Pension Fund. The deep knowledge, understanding and extensive experience of individual Board members is absolutely clear. This applies equally to both Employee and Employer representatives which further strengthens the Board's ability to effectively fulfil its role of assisting the Wirral MBC Pensions Committee. This is further enhanced by their backgrounds across local government, the wider public sector, and the private sector.
- 3.18 During 2023-24 it was very pleasing for the Board to welcome Ian Williams, Corporate Director of Finance and Resources and S151 Officer of Liverpool City Council. Ian filled the vacancy for an Employer Representative resulting from the resignation of Geoff Broadhead (to which I referred to in my 2022-23 Annual Review).
- ### **3.19 Support for the Board by the Fund Officers during 2023-24**
- 3.20 The requirement, under the LGPS Regulations 2013 for each LGPS Fund to establish a Pension Board, comprised of equal numbers of Employer and Employee representatives to assist the Pensions Committee provides a genuine opportunity to significantly enhance the involvement of stakeholders in LGPS Fund governance.

- 3.21 That the Pension Board can provide effective input and genuinely contribute to the ongoing development, activity, and monitoring of a LGPS Fund is, however, not in any way guaranteed or even facilitated by the fact that there is a regulatory requirement to establish a Pension Board. A fundamental requirement for a Board to be effective is genuine and extensive input by and support from the Fund Officers.
- 3.22 During 2023-24 the Board received the same exemplary and positive support, advice, and guidance from the Fund Officers as in previous years, going back to the creation of the Board in 2015. Meetings of the Board were supported and attended by the Director of Pensions and the senior members of his team responsible for Pensions Administration/IT and the Finance/Risk Management of the Fund. This Officer support at meetings is the same as that provided to the Pensions Committee and reflects the importance and value the Fund has continuously placed on the Board since its creation.
- 3.23 Not only, as in previous years, did the Board receive quality written reports but the standard of oral presentation and responses to questions/observations was also of a very high standard thereby further facilitating positive contribution by the Board to the governance (in its broad sense) of the Merseyside Pension Fund. On behalf of the Board, I would like to place on record my appreciation of the individual and collective support provided by the Director of Pensions (Peter Wallach), the Head of Pensions Administration (Yvonne Murphy), the Head of Finance and Risk (Donna Smith) and the Senior Manager Operations and Information Governance (Guy Hayton). Additionally, I must thank Emma Littler (Personal Assistant to the Director of Pensions) for her valued contribution to the functioning of the Board.
- 3.24 During 2023-24 there were, again, frequent discussions between Board meetings, involving myself and in particular the Director of Pensions and also the Head of Pensions Administration. These covered a range of issues and were initiated by both the Officers and myself. The willingness of senior Fund Officers to genuinely engage with the Independent Chair between Board meetings is not only very positive and appreciated but necessary to facilitating effective Pension Board activity and input to the Merseyside Pension Fund. I would wish to place on record my appreciation to the Director of Pensions both for his timely and efficient responses to my queries and for his activism in contacting and communicating with me throughout the year.
- 3.25 **Support for the Board by the Chair of the Pensions Committee during 2024-25**
- 3.26 Another important factor in both the nature and effectiveness of the relationship between the Pension Board and the Fund is the approach of the Chair of the Pensions Committee to the Board.
- 3.27 From May 2023 Councillor Julie McManus became Chair of the Pensions Committee. It is pleasing to report, that as with the two previous Pensions

Committee Chairs, Councillor McManus engaged positively with me as Chair of the Pensions Board. I had positive and constructive discussions with Councillor Julie McManus particularly with regard to the recruitment and retention of staff by the Merseyside Pension Fund and would wish to place on record my appreciation to her for her approach in respect of those issues I raised.

3.28 From May 2024 Councillor Julie McManus has been appointed Chair of the Wirral MBC Adult Social Care and Public Health Committee. Therefore, the Pension Board looks forward to continuing its constructive and positive relationship with the Pensions Committee under its new Chair Councillor Stephen Bennett.

### 3.29 **The Risk Register**

3.30 Risk Management is fundamental to effective Pension Fund governance and operations across the Pensions Administration, Finance, and Investment functions. Therefore, the management of Risk is clearly a key responsibility of those charged with the Governance and management of an LGPS Fund. While the ultimate responsibility at the Merseyside Fund lies with the Wirral MBC Pensions Committee the Pension Board clearly also has an important role in Risk Management. The Foreword to the CIPFA publication on Managing Risk in the LGPS (2018) states *“As part of their governance processes funds should be regularly reporting all risks to committee and the local pension board, embedding a robust risk management approach and processes which link to all key strategic documents as well as recording risks and progress on an active risk register.”*

3.31 One important element of Risk Management is examination, active consideration, and as appropriate constructive questioning of the Risk Register by the Pension Board. This was a prominent activity of the Board during 2022-23 although given the nature of the discussions it was appropriate that these took place in the Exempt Agenda of each meeting. The Director of Pensions, as in previous years highlighted elements of the Risk Register to meetings of the Board and he, and other senior Officers, responded constructively to our questions and observations.

3.32 As in 2022-23 Recruitment and Retention remained the highest risk on the Risk Register throughout the year. The Board continued to constructively discuss and clearly support the need for the Fund to be able to both recruit and retain suitable staff, at all levels and in all parts of the organisation. Board Members made positive observations including the suggestion that in appropriate cases “market supplements” should be utilised. The Board was (pleased to be) made aware, during the year, of progress in discussions between the Director of Pensions and Wirral HR on this issue. The Board will, however, maintain an active and ongoing interest in this issue going forward as it remains acutely aware of the challenges facing the Fund in relation to recruitment and retention.

3.33 It was clearly positive to observe the reduction (reported at the June 2023 meeting) in the risk score and then the removal of the risk (reported in March

2024) in relation to the implementation of the new Enterprise Report Planning (ERP) system which had been a matter of concern to the Board in 2022-23. Thanks, are clearly due to both the Merseyside Fund Officers and the (wider) Wirral MBC Officers who enabled the successful implementation of the new system.

3.34 Cyber risk is clearly a major issue facing all Pension Funds. For example, The Pensions Regulator (TPR) has included very clear expectations in relation to cyber risk and controls in it's new "**General code of practice**" (see pages 115 to 117) which came into effect on 28 March 2024. Furthermore, TPR updated its (more detailed) "**Cyber security principles for pension schemes**" in December 2023 ahead of the publication of the new General code of practice. The issue of Cyber risk was a matter to which the Board paid particular attention to and undertook extensive constructive questioning in respect of throughout 2023-24. The experience of some Board Members in this respect was particularly helpful. While acknowledging the positive work of both the Fund Officers and the Wirral Council IT Team the Board emphasised and remains concerned regarding the challenges of assessing the effectiveness of security measures in light of increasingly sophisticated attacks. Officers confirmed to the Board that this would continue to be a matter of active discussion and interaction with the Wirral Council's IT Team.

### 3.35 Pension Administration Reports

3.36 Effective Pensions Administration is absolutely fundamental to the Merseyside Pension Fund. Ultimately the Pension Fund (only) exists to provide pension benefits to those entitled to them as determined by the LGPS Regulations. Therefore, Pensions Administration was, as in previous years an area of particular interest and focus for the Board. Interest in, and examination of Pensions Administration is of particular relevance to the Board as this is the most immediate and important direct interface between the Merseyside Pension Fund and both Employers and Employees who are the two groups equally represented on the Board.

3.37 The Pension Administration Monitoring Report presented to each Board meeting during 2023-24 was detailed and wide ranging and provided a broad range of both statistical data and commentary. The report includes, for example ongoing reporting of Membership Trends, Workflow Statistics, Pensions Administration resourcing, Employer Engagement and activity, "McCloud" preparations and progress, Complaints, Internal Dispute Resolution Procedure, Member Web Portal (MyPension) and Cybersecurity. Again, as in previous years, each Quarterly Report was considered in detail by the Board and constructive questions raised with officers. For example, at the September 2023 meeting there was a considerable discussion between Members of the Board and Officers in relation to Cyber security.

3.38 These reports also consider national issues/developments including in the context of the Merseyside Fund. For example, the June 2023 report included commentary on the Scheme Advisory Board Gender Pay Gap Report of March



2023 and provided some high level comparisons regarding the situation nationally across the LGPS with that experienced by that of the Merseyside Fund membership. Reporting on other such issues included, in March 2024, the National Pensions Dashboard, the Scheme Advisory Board (SAB) Surpluses Working Group, and the Pensions Regulator (TPR) revised Cyber security principles for pension schemes.

3.39 At the September 2023 meeting the Board commended the Fund on the provision of the *“Pay your pension some attention”* sessions run as part of Pensions Awareness week during September 2023.

#### 3.40 **Working Party (IMWP/GRWP) Minutes**

3.41 The consideration of and focus on overall Fund governance was, facilitated by consideration of the Minutes of the two standing Elected Member led working groups – the Investment Management Working Party (IMWP) and the Governance and Risk Working Party (GRWP) which are also attended by a broad range of Officers/Advisors. As in previous years Pension Board Members attended some Working Party meetings as Observers but with the facility to ask questions and engage in the discussions. The open invitation to Board Members to attend both these groups is a very clear example of the positive approach of the Administering Authority to the Board. Having attended Working Party meetings I can also definitively state that Pension Board Members can, in practice, actively contribute in the same way as Pension Committee Members to the important discussions and deliberations that occur at these meetings.

3.42 These Minutes also evidenced the wide range of issues not merely covered, but actively considered and discussed. Examination of the Minutes supplemented by attendance by Board Members at some Working Party meetings provided evidence and (some) assurance in relation to both the positive governance and operation of the Fund. I would wish to thank those Members of the Board who attended Working Party meetings in March 2023 and during 2023-24 and to encourage attendance in 2024-25.

#### 3.43 **Investment Pooling and the Northern LGPS Pool**

3.44 Board Members in 2023-24 as in previous years actively and positively considered and supported the development, as proposed by the three relevant Administering Authorities/ Funds (Wirral/Merseyside, Bradford/West Yorkshire, and Tameside/Greater Manchester) of the Northern LGPS Investment Pool. The Board considers that this approach genuinely meets the four criteria as set out in the Government’s Pooling Guidance **“Local Government Pension Scheme: Investment Reform Criteria and Guidance”** of November 2015. Examination of the Minutes of the **Northern LGPS Joint Oversight Committee** presented to the Board during 2023-24 provided assurance as to the genuine and proactive development of pool wide private market solutions across all of Infrastructure, Private Equity and Property.

- 3.45 In particular the Board has been very supportive of the governance and decision making arrangements of the Pool which are invested in the Northern LGPS Joint Oversight Committee which consists of six Elected Member representatives from the Administering Authorities and three from the Trade Unions. This means that the Pool can act in the genuine interests of and to the genuine benefit of the three LGPS Funds which participate in the Northern LGPS Pool while also providing meaningful representation to the Scheme membership. Trade Union representatives have attended the Joint Oversight Committee since April 2023 and it is pleasing to note the level of their attendance, as recorded in the Committee Minutes included in this Board's Agenda papers during 2023-24.
- 3.46 During 2023-24 the Government issued both a Consultation and a subsequent Consultation Outcome which were primarily focussed on Investment Pooling, and which will be referred to further later in this review.
- 3.47 **LGPS Update reports.**
- 3.48 The quarterly LGPS Updates received at each Board meeting are both a source of valuable information on a broad range of national issues with a particular focus on latest developments, and also very useful to Board Members in helping to fulfil their knowledge and understanding obligations under the Public Service Pensions Act 2013 which refers to Board Members been "*conversant*" with the "*rules*" and documents relating to the "*scheme*." The word "*conversant*" includes, in my view, within its general meaning, to keep up to date and this is exactly what the quarterly LGPS Updates enable the Board both individually and collectively to achieve in terms of their knowledge and understanding of the LGPS at a national as well as local (Merseyside Fund) level.
- 3.49 During 2023-24 issues on which the Board received updates included "McCloud" with a particular focus at the December 2023 meeting), the Pensions Dashboard, Annual and Lifetime Allowance changes, the State Pension Age Review 2023, the Cost Control Mechanism, The Pensions Regulator "*General Code of practice*." I would, as in previous years, wish to thank the Head of Pensions Administration for her presentations of the LGPS Update reports which were most helpful in illuminating the implications of national developments in the specific context of the Merseyside Pension Fund.
- 3.50 The broad knowledge, understanding and experience of the Board Members to which I referred earlier was very clearly demonstrated at the 12 December 2023 meeting where the LGPS Update focussed particularly on "McCloud" (Age Discrimination in the LGPS). The report included a clear explanation from the Head of Pensions Administration of the actions of and implications for the Merseyside Pension Fund of "McCloud" including the financial and resource (staff, ICT, and assets). Board Members were clear that "McCloud" had occurred because the then Government had failed to take account of equalities legislation (primarily the Equality Act 2010) when the public service pension schemes were reviewed and amended during the period 2010 to 2013. This issue and its consequences had been caused wholly by Government not the

LGPS or any Scheme Employer. Consequently, a Board Member, applying experience of local government, and in particular Adult Social Care, suggested that the costs to the Fund of remedying McCloud could fall within the New Burdens Doctrine. Therefore the Board resolved ***“To note that the legislative change to remove the age discrimination from the Local Government Pension Scheme (LGPS), and implementation of the revised regulations is a major resource intensive project...That officers write to the Scheme Advisory Board as the liaison body, representing LGPS fund views to the Department for Levelling Up Housing and Communities (DLUHC), with regard to the costs of implementing McCloud and requesting reimbursement under the New Burdens Doctrine.”***

3.51 I would wish to thank the Head of Pensions Administration for producing a draft letter to the Scheme Advisory Board (SAB) the following day (13 December 2023) and for consulting with Donna Ridland and myself and requesting any suggested amendments. The final version was submitted to SAB on 14 December 2023. I am also pleased to record that the Head of Pensions Administration forwarded this letter to the Chair of the Pensions Committee and Group Leads on 15 December 2023.

### 3.52 **Internal Audit Report 2022-23**

3.53 At its September 2023 meeting the Board received, as it does annually, a presentation and the most recent Merseyside Pension Fund Internal Audit Annual Report which on this occasion covered 2022-23. The reviews undertaken by Internal Audit provide an important source of assurance, or otherwise, regarding both the overall governance of the Fund and the governance/operation of specific areas of Fund activity. For 2022-23 following an assessment of risks a decision was made to continue with 150 audit days input. The reason for this was to *“ensure there was sufficient and wide-ranging coverage in order for Internal Audit to provide a robust assessment of the MPF control environment...”* Audits undertaken during 2022-23 covered aspects of all of Investment, Pensions Administration, and Finance.

3.54 It was reassuring to note the (positive) results of the completed audits undertaken during 2022-23 and the comment in the Chief Internal Auditor’s report that *“...There has been positive engagement with management throughout the year...”* Most important the Chief Internal Auditor’s overall Opinion included (as it had similarly in the previous years) that *“The assessment found that in all of the systems audited in 2022/23 there is a sound system of control in place, those controls are consistently applied and fully effective. In some cases, the work undertaken did identify a number of actions to improve the systems in operation and strengthen the control environment, although none of these were significant.”*

3.55 After considering the Report and hearing from the Chief Internal Auditor the Board was pleased to approve a resolution *“That it be noted that in 22/23 internal audit work undertaken found that there was an adequate and effective level of control, and this was a positive outcome for the Fund.”* I would also

wish to record, on behalf of the Board, our appreciation for the broad and extensive work of Internal Audit in relation to the Fund.

### 3.56 **Financial related reporting**

- 3.57 During 2023-24, as in previous years, the Board received a broad range of reports and documents which have a significant financial emphasis, but which are also clearly relevant to the overall governance and wider operation of the Fund. These included the External Audit Plan 2022-23; External Audit Questionnaire and (Fund) Responses 2022-23; (External) Audit Findings Report 2022-23; Fund Annual Report and Accounts 2022-23, Pension Fund Budget 2024-25; Treasury Management Policy 2024-25. As in previous years these reports and documents and the informative presentations made at the actual meetings (primarily by the Head of Finance and Risk), gave the Board clear opportunity to understand, review and ask questions regarding the overall planning and operation of the Funds' activities, as well as its financial processes and controls. The Board (at its meeting on 27 September 2023) commented positively on the presentation and readability of the Annual Report and Accounts 2022-23.
- 3.58 The Board has in previous years been very clear as to its support for resourcing and additional resourcing to ensure that the Fund can continue to offer a good level of service to both Employers and individual members of the Scheme going forward. This remains a clear area of focus for the Board. Therefore, the Board was pleased to receive the report **Merseyside Pension Fund Budget Financial Year 2024-25** at its meeting held on 27 March 2024 and to observe the developments and ongoing developments particularly in relation to staffing. To emphasise the importance of this issue and the Board's commitment to the resourcing of the Merseyside Pension Fund it resolved that ***"The Local Pension Board noted the report and considered the best practice requirement for Local Government Pension Schemes (LGPS) funds to set budgets sufficient to fulfil resourcing requirements and meet regulatory requirements."***
- 3.59 Before commenting on the Pension Fund Statement of Accounts and related matters I would wish to note the positive efforts and positive achievement of the Director of Finance, all Finance staff and indeed all relevant employees of the Wirral MBC in relation to the entire Annual Accounts 2022-23 of the Wirral MBC. In the present national situation relating to the preparation and approval of Council Annual Accounts the fact that the External Auditor has issued (in April 2024) an unqualified opinion on the Financial Statements in respect of the entire Wirral MBC 2022-23 Annual Accounts (including the Pension Fund Accounts and a (completed) Audit Certificate is a clear and noteworthy achievement. Nothing else I say in this report should in any way be construed as in any way as critical of the Director of Finance, his staff, or the Wirral MBC itself. All are to be congratulated in relation to the 2022-23 Financial Statements.

- 3.60 The Pension Fund is required to prepare an annual Statement of Accounts (see for example Regulation 57 of the LGPS Regulations 2013 and Regulation 7 of the Accounts and Audit Regulations 2015). The Statement of Accounts is required to present fairly the financial position of the Fund at 31 March and its income and expenditure for the year ended 31 March. The accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. The Statement of Accounts includes extensive Notes including in respect of the valuation and analysis of investments.
- 3.61 The Fund's approach to and ability (or otherwise) to prepare and submit the Pension Fund Statement of Accounts in a manner which is both timely and accurate is a clear indication of the quality not only of the Pension Fund Finance function but of the whole Pension Fund in terms of not only the robustness of financial related activity but all activity and the overall governance of the Pension Fund. It was pleasing to observe that the 2022-23 Pensions Statement of Accounts, including Notes, were prepared and available for audit by 1 June 2023 (and that the Fund's Annual Report was available for Audit in August). The Pension Board received the External Audit Plan together with the External Audit Questionnaire and Fund responses at its meeting held on 20 June 2023, and both the 2022-23 Fund Annual Report and Accounts, and the (External) Audit Findings Report 2022-23 at its meeting held on 27 September 2023.
- 3.62 At the 27 September 2023 meeting it was pleasing to observe from the External Audit Findings Report, and the covering Officer report to the Annual Report 2022-23 that *"The accounts were prepared and submitted for external audit on 1 June 2023. The external auditors, Grant Thornton, subject to outstanding work, have indicated there will be an unqualified opinion. The audit work has not identified any adjustment to the financial statements' financial position; a small number of changes to the disclosure notes have been made. At the time of preparing this report, the Fund has agreed to these amendments and there are no recommendations..."* Recognising both the complexity of the Pension Fund Accounts, together with the extent of the examination and scrutiny to which Pension Fund Accounts are now subjected to by External Auditors the positive content of the Audit Findings Report for 2022-23 is noteworthy.
- 3.63 Notwithstanding that on 26 September 2023 the Pensions Committee had resolved that *"The Audit Findings Report, the amendments to the accounts, the Letter of Representation and the audited Statement of Accounts for 2022/23 be approved."* And *"The recommendations above be referred to the Audit and Risk Management Committee."* And *"The Annual Report of Merseyside Pension Fund for 2022/23 be approved for publication"* Officers, informed the Board that the Pension Fund Accounts could only be approved by the External Auditor once the entire Wirral MBC Accounts were approved and hence there was likely to be a delay. This is because at present in England, unlike in Scotland and Wales, the Pension Fund Accounts form part of the overall Accounts of the Administering Authority and therefore the External Auditor cannot issue a separate Certificate of Completion in respect of the Pension Accounts. The

Pension Fund Accounts can only receive a Certificate of Completion once the External Auditor has completed all their work on the whole of the Administering Authority Accounts and all their work on Value For Money Arrangements.

- 3.64 This resulted in questions and observations from both Employee and Employer representatives on the Board. Officers further explained that the Scheme Advisory Board had been seeking separation of Pension Fund Accounts in England from those of the (remainder of) their Administering Authority but that although the Local Government Minister had indicated his support the change requires Legislation which has not yet been forthcoming. It is noteworthy that it was not until 30 April 2024 the External Auditor issued a Certificate of Completion covering the 2022-23 Pension Fund Accounts, the (other) Accounts of the Wirral MBC, and the Value for Money review. Given the position regarding the Pension Fund Accounts as at 27 September 2023 I would suggest that if the Pension Fund Accounts could have been approved separately by the External Auditor, then they may well have been approved well ahead of the statutory deadline for publishing the 2022-23 Pension Fund Annual Report and Accounts which was 1 December 2023. If this had been the case the Annual Report could have been issued with approved rather than draft Accounts.
- 3.65 The present situation regarding Pension Fund Accounts in England is causing a number of significant issues which are burdensome to both LGPS Funds and individual Employers. As the Scheme Advisory Board stated to DLUHC on 6 March 2024:
- 3.66 *“All LGPS pension funds are multi-employer schemes, with a typical single fund having over 200 different employers participating in the LGPS. Over 18,000 separate employers participate in the LGPS, and an increasing feature of the scheme is the extent to which almost two thirds of these employing bodies are commercial companies, not for-profit entities and academy schools/Multi-academy trusts, rather than local authorities. These employing bodies are subject to a wide range of different financial reporting frameworks which all require that LGPS pension liabilities should be recognized.”*
- 3.67 *Where the pension fund audit has not been signed off simply due to the delay in clearing the administering authority’s audit, then the auditor of the scheme employers’ accounts will need to do additional work to gain assurance that the pension liability figures that have been provided by the pension fund to the employer can be relied on. Any uncertainty over the value of the pension liabilities may be material to a scheme employer, depending on a range of factors particular to that employer. This is avoidable and unnecessary additional cost for the employer as well as being a significant additional administrative burden for the pension fund in responding to queries and requests for information from the scheme employer’s auditor.”*
- 3.68 As far back as August 2022 the Chair of the Scheme Advisory Board (SAB) wrote to the Minister responsible for the LGPS to urge that the Government separate the Pension Fund Annual Accounts in England from those of their

Administering Authority as had already happened in both England and Wales. Consequently, in February 2023 the Minister sent a response stating that DLUHC was actively considering the SAB recommendation to completely separate the Pension Fund Annual Accounts of English LGPS Funds. As at March 2024 there had however been no progress in respect of the separating of Pension Fund Accounts from those of their Administering Authority. On 6 March 2024 SAB again raised this issue by issuing a formal response to the DLUHC Consultation “**Addressing the local audit backlog in England.**” However, by the time the General Election was announced, on 22 May 2024, DLUHC had made no announcement regarding the separation of Pension Fund Accounts from those of their Administering Authority. This is a matter of urgency and importance, and it is to be hoped the new Government takes rapid action to resolve this easily resolvable issue.

### 3.69 **LGPS Investment Related Consultations**

3.70 The 20 June 2023 Meeting the Board received a report from the Director of Pensions that reminded the Board that there were a number of investment related issues where a Consultation was anticipated from DLUHC. This included the future development of Investment Pooling, which had been awaited since 2019.

3.71 On 11 July 2023, the DLUHC issued a Consultation “**Local Government Pension Scheme (England and Wales): Next steps on Investments.**” The period for responses to the Consultation closed on 2 October 2023. The Consultation included the long awaited Government proposals on the further development of Investment Pooling.

3.72 The Consultation also included proposals relating to four other issues:

- Levelling Up
- Private Equity
- Investment Consultancy Services to the LGPS
- Definition of Investments

3.73 The Merseyside Pension Fund has incorporated into the Terms of Reference of the Pension Board that the role of the Independent Chair includes providing comment and input in respect of Government Consultations. In respect of the above Consultation there were positive interactions between myself and the Director of Pensions which began well ahead of the submission of the final draft to the Pensions Committee and the Pensions Board.

3.74 The Merseyside Fund’s draft final response was presented to the Pension Board on 27 September 2023. This resulted in significant observations and comments from Board Members. The Pension Board was concerned about any Government initiated (forced) merger of Pools. The Board was also concerned by the active encouragement in the Consultation for LGPS Funds to invest in venture capital. Investment decision making should primarily be determined by the circumstances of each individual LGPS Fund.

3.75 At the Board Meeting on 27 March 2024 a report by the Director of Pensions included a copy of the Northern LGPS Pool response to the Consultation and also a summary of the **Consultation outcome** issued by DLUHC on 22 November 2023. As stated in the Director of Pensions Report the measures the Government proposed to adopt included to *“revise pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation”* Based on his discussions with DLUHC the Director of Pensions further commented in his report that *“Whilst it is clear that DLUHC’s preferred model of pooling will be very different to NLGPS, indications are that Government will take more of a ‘comply or explain’ approach to this than seeking to use its direction powers under the LGPS Investment Regulations.”*

3.76 As at the time the General Election was called, on 22 May 2024, DLUHC had issued no Regulations or Statutory Guidance to implement the Investment Pooling arrangements detailed in the **Consultation outcome**. With regard to the approach of the new Government to Investment Pooling I would repeat the statement I made in my 2022-23 Review when I stated *“In my view investment Pooling should not result in any dilution of the ultimate decision making role of Elected Members nor should it reduce the consultative role of Scheme members. The Northern LGPS Pool proves that investment Pooling can be effectively implemented while maintaining both the full and proper sovereignty of Elected Members, and also genuinely meaningful Scheme member representatives involvement. This model of Pool governance is, I suggest, exemplary...”*

### 3.77 **Merseyside Pension Fund Investment Issues**

3.78 Under its Terms of Reference, the Pension Board has no role in investment decision making which is in accordance with the role of the Board as set out in the LGPS Regulations. However, in line with the LGPS Regulations, the Board has a clear role in reviewing governance and operational arrangements relating to any activity including the investment activity of the Fund. As indicated in the section of this Review above entitled **“Working Party (IMWP/GRWP) Minutes”** an ongoing mechanism for the Board to examine the governance and operational arrangements relating to Investment matters is through consideration of the Investment Monitoring Working Party (IMWP) minutes and attendance at the IMWP.

3.79 Also as already indicated in this report, the Board was pleased, as in previous years, to receive written updates on Investment Pooling/the Northern LGPS Pool and for the opportunity to ask questions of the Director of Pensions and make to constructive observations on this important issue.

3.80 At the December 2023 meeting a report on the **Revised Investment Strategy** was presented to the Board which contained the Fund’s new Investment Strategy and Strategic Asset Allocation (SAA). This is an early element of the Fund’s overall Investment Change Programme. The revised SAA is intended to assist the Fund in maintaining a full funding position, reducing risk, and



achieving investment returns consistent with the actuarial assumptions. There was clear evidence available to the Board that the new Investment Strategy and SAA had been carefully developed and considered and that there had been extensive debate with the Pensions Committee (which Board Members could also participate in) as evidenced by IMWP Minutes. Given however the nature and extent of the changes to and resultant from the new SAA there were challenging but constructive observations and questions to the Director of Pensions from Employee representatives, Employer representatives and the Independent Chair. In addition, a Board Member raised a query regarding the risks of modern slavery occurring in supply chains. Officers confirmed that this is an important consideration in the Fund's Responsible Investment approach. Also, on behalf of LAPFF (which includes the Merseyside Fund) PIRC are engaging with a range of businesses on this matter. Modern slavery is an issue of genuine concern to the Board, and we urge the Fund to do all it can to counter this scourge.

- 3.81 As part of its ongoing development of Investment which includes appropriate consideration and incorporation of Responsible Investment the Fund has been considering the creation of an additional Pension Committee Member led Working Party – the “**Responsible Investment Working Party**” (**RIWP**). This will increase the capacity for consideration of Responsible Investment issues. Consequently, a report **Establishment of Working Party** was presented to the December 2023 Board meeting. While Board Members were very supportive of this development the Board sought, and received, assurance from the Director of Pensions that the RIWP would enhance but in no circumstances override the considerations of the Investment Monitoring Working Party.
- 3.82 The December Board meeting also received an **Update on the Catalyst Fund**. This report updated the Board on the Catalyst Fund which seeks to support development and refurbishment projects in Merseyside while (crucially) providing a commercial return for the Merseyside Pension Fund. The report contained details of a range of local investments. The Board Members emphasised their support for investments which provide commercial returns, but which are also local, and provide very clear social and/or environmental benefits.
- 3.83 **Training and Development, and the MPF Annual Employers Conference**
- 3.84 Sufficient and effective Training and Development are clearly essential for Board Members to properly discharge their responsibilities. Furthermore, knowledge and understanding/skills are specifically required of Pension Board Members by the Public Service Pensions Act 2013. The Board's Terms of Reference also include requirements and guidance in this respect.
- 3.85 At the 20 June 2023 Board Meeting the Director of Pensions presented a report **Members Learning and Development Programme**. This both reminded Board Members of their statutory learning and development responsibilities and provided a detailed update on developments relating to CIPFA Pensions Knowledge and Skills guidance and the Merseyside Fund response to this.

- 3.86 The LGPS Online Learning Academy (LOLA) developed by Hymans Robertson was made available to all Members of the Pension Board during 2023-24 as in 2022-23. This provides a helpful broad overview of the LGPS. This programme is a very useful specific LGPS introduction/update/reminder. However, I would stress that completion and updating of LOLA is additional to and not an alternative to attendance at Working Party/external training events.
- 3.87 As in previous years, some Members of the Pension Board attended the Elected Member led Merseyside Pension Fund Investment Management Working Party (IMWP) and the Governance and Risk Working Party (GRWP) during March 2023 and 2023-24. Both these bodies, which are also attended by Fund Officers and Advisors, receive detailed papers, and actively consider a broad range of issues across Fund Governance, Risk, Pensions Administration, and Investment. Attendance at these Working Parties is an excellent opportunity for Board Members to further develop their knowledge and understanding of both the LGPS in general and especially the Merseyside Pension Fund in particular. Pension Board Members are invited to the new Responsible Investment Working Party (RIWP) which provides another valuable opportunity for training and development, in addition to participation in the considerations of the Merseyside Pension Fund.
- 3.88 The **Merseyside Pension Fund Annual Employers Conference** held on 16 November 2023 provided an important training and development opportunity for both Employers and those Pension Board Members who were able to attend. This included broad ranging updates and briefings from senior Fund Officers across Governance, Investment, Administration (including Cyber security and the Digital Transformation Programme). I was pleased to provide a briefing on the activity of the Board and also on LGPS developments including emphasising the crucial role of Employers in working proactively with the Fund to implement the "McCloud" remedy. The Conference also included three extremely informative presentations from the Fund Actuary (including an update on the Funding position), Ted Frith the Chief Operating Officer of GLIL the Infrastructure vehicle partly owned and controlled by the Merseyside Pension Fund, and Jeremy Hughes the Deputy Secretary of SAB who provided a briefing on the Scheme Advisory Board and its wide ranging activity. I would strongly urge all Board Members to attend, if at all possible, the November 2024 Employers Conference.
- 3.89 During 2023-24 Board Members also attended a range of external training events. I am grateful to those Members who attended the LGA Fundamentals training and provided constructive feedback, at the December 2023 Board meeting, suggesting improvements.
- 3.90 The quarterly LGPS Update reports, presented at each Board meeting, are also very useful to Board Members in helping to fulfil their knowledge and understanding obligations as these are focussed on both national developments which relate specifically to the LGPS (for example the LGPS Cost Control Mechanism) and wider pension related developments as they affect the LGPS

(for example Annual and Lifetime Allowance Changes). Those Board Members who attended Fund Working Party meetings during March 2023 and 2023-24 also obtained knowledge and understanding in respect of Investment, Administration and Governance issues with a particular focus on the Merseyside Fund.

**3.91 Reporting Breaches of the Law to the Pensions Regulator**

3.92 The Pension Board does not itself have decision making powers. In respect of the Reporting of Breaches of the Law to the Pensions Regulator (TPR) the Administering Authority has determined (Pensions Committee of 16 November 2015) that the Board should be consulted by Officers when considering whether or not to report a specific breach (or likely breach) to TPR. This is a significant role granted to the Board in terms of ensuring the good governance of the Fund and appropriate interpretation of TPR guidance and the Merseyside Fund’s policy on reporting Breaches of the Law.

3.93 During the period covered by this report there were no occasions when the Board was asked to give their view as to whether or not a Breach of the Law should be reported to the Pensions Regulator (TPR) or alternatively recorded in the Breaches Log. There were no occasions when the Board, or any Member, believed that they themselves needed to directly report any Breach to TPR.

**3.94 Recommendations made to the Scheme Manager (Pensions Committee)**

3.95 There were no formal recommendations made by the Board to the Pensions Committee during 2022-23 The Minutes of each Pension Board are however included on the Agenda of the Pensions Committee and these, of course, include coverage of notable Board discussions and Resolutions passed by the Board.

**3.96 Pension Board Review 2022-23 and presentation to the Pensions Committee**

3.97 The Pension Board Review 2022-23 and Work Plan 2023-24 was considered and approved by the Board on 20 June 2023. This was then considered by the Pensions Committee at its meeting held on 26 September 2023 which I attended in person.

**3.98 Pension Board Costs of Operation 1 April 2023 to 31 March 2024**

<b>Conferences</b>	<b>£ 3,082</b>
<b>Travel &amp; Subsistence</b>	<b>£ 1,342</b>
<b>Allowances</b>	<b>£ 20,995</b>
<b>Total</b>	<b>£ 25,419</b>

### 3.99 Proposed Pension Board Work Plan 2024-25

3.100 The proposed Work Plan for 2024-25 is detailed below and has been prepared jointly by the Director of Pensions and Independent Chair. This maintains an overall emphasis on Fund Governance. Pensions Administration will remain a particular area of focus given that this is an area of direct relevance to both Employers and individual Employees. Investment Pooling will also be an area of focus given this represents a fundamental change to and development of the Governance of the LGPS. The Work Plan will be updated as necessary during 2024-25.

<b>Agenda item</b>	<b>09/07/2024</b>	<b>24/09/2024</b>	<b>10/12/2024</b>	<b>18/03/2025</b>
Risk Register	YES	YES	YES	YES
Pensions Administration Report	YES	YES	YES	YES
Working Party (IMWP/GRWP/RIWP) Minutes	YES	YES	YES	YES
Investment Pooling/Northern LGPS Pool Update	YES	YES	YES	YES
LGPS Update	YES	YES	YES	YES
Pension Board Review 2023-24 & Plan 2024-25	YES			
External Audit Plan 2023-24	YES			
External Audit Questionnaire & Responses 2023-24	YES			
Pension Fund Outturn 2023-24 & Budget 2024-25	YES			
Member Learning & Development Programme	YES			
Responsible Investment Policy	YES			
(External) Audit Findings Report 2023-24		YES		
Internal Audit Annual Report 2023-24		YES		
Benchmarking Report (by CEM)		YES		
LGPS Consultation? /Outcome?		YES		
Net Zero Targets		YES		
Good Governance (in the LGPS) Project			YES	
TCFD Reporting			YES	
Fund Annual Report & Accounts 2023-24			YES	
Revised Investment Strategy Statement			YES	

Compliance Manual			YES	
Pension Fund Budget 2025-26				YES
Treasury Management Policy and Report				YES
Catalyst Fund update				YES
Property Write Offs/Pension Overpayments				YES

**3.101 Conclusion and Going Forward – the Merseyside Pension Fund and the development of the LGPS in 2024-2025 and beyond.**

3.102 The Merseyside Pension Fund operates within the overall regulatory/governance framework as defined in the LGPS Regulations, associated Statutory Guidance and other overriding legislation and recommended principles of best practice. Reports and presentations made to the Pension Board in 2023-2024 very clearly indicate, as they did in previous years, that the Merseyside Pension Fund (MPF) understands and takes very seriously its present obligations. This is pleasing to report.

3.103 There is no doubt that the new Government will continue to propose changes to the LGPS. In particular it is to be hoped that any new Pooling Guidance will enable the further development of the Northern LGPS Pool (of Merseyside, West Yorkshire, and Greater Manchester) in its present form which has so positively progressed investment pooling and achieved cost savings while also operating a governance framework which ensures that ultimate decision making truly rests with Elected Members (as it absolutely should) together with meaningful representation of the Employees (through the Trade Unions) as the LGPS only exists to provide benefits the individual members of the Scheme.

3.104 It is to be hoped that the new Government will finally introduce mandatory Climate Risk Reporting into the LGPS. It is however pleasing to note (as I did last year) that *“each Administering authority within the Northern LGPS has voluntarily reported under the TCFD framework.”* I would (again) also wish to place on record my own personal endorsement of the Merseyside/Northern LGPS view as to the need to genuinely consider and incorporate (to use LAPFF’s words) the *“social risks associated with the transition”* and (to use SAB’s words) *“to support a just transition.”*

3.105 A simple, long overdue, but highly advantageous change that the new Government could easily make is to wholly separate the Accounts of LGPS Funds in England from those of their Administering Authority. It is to be hoped that this will be an early action of the new Government.

3.106 The LGPS is becoming ever larger and more complex in terms of its Governance, Funding, Administration, and Investment functions. In this context additional resourcing will inevitably continue be required to ensure that the Fund can continue to offer a good level of service to both Employers and individual

members of the Scheme going forward. The issue of appropriate resourcing and in particular in relation to recruitment and retention was an area of particular focus for the Board in 2023-24 and will, in support of the Pensions Committee, all Employers, and individual Scheme members, continue to be in 2024-25.

3.107 In this respect I would urge the Administering Authority to carefully consider the Terms and Conditions and in particular the remuneration of posts from that of the Director of Pensions and right across and throughout all the functions of the Merseyside Pension Fund. Where appropriate the Board would urge that (pensionable) “market supplements” are applied to salaries.

**John Raisin**  
**Independent Chair**  
**Merseyside (Wirral) LGPS Local Pension Board**

#### **4.0 FINANCIAL IMPLICATIONS**

4.1 There are none directly arising from this report.

#### **5.0 LEGAL IMPLICATIONS**

5.1 Section 12.3 of the present Terms of Reference of the Local Pension Board of the Merseyside Fund states that *The Board shall on an annual basis produce a report on both the nature and effect of its activities for consideration by the Scheme Manager. The contents of this annual report will be subject to consideration and agreement at a meeting of the Board...*

#### **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

6.0 There are none directly arising from this report. The Pension Board assists the administering authority in its role as Scheme Manager in the scrutiny of the performance of Fund’s administration function.

#### **7.0 RELEVANT RISKS**

7.1 A failure to provide the Board with information on legislative and statutory changes in the LGPS could hinder the Board in the discharge of its activities.

#### **8.0 ENGAGEMENT/CONSULTATION**

8.0 The Director of Pensions and Head of Pensions Administration were consulted in the preparation of this report.

#### **9.0 EQUALITY IMPLICATIONS**

9.1 The content and/or recommendation contained within this report have no direct implications for equality.

## **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

10.1 There are none directly arising from this report.

## **11.0 COMMUNITY WEALTH IMPLICATIONS**

11.1 There are none directly arising from this report.

**REPORT AUTHOR: JOHN RAISIN**  
**Independent Chair**  
**Merseyside (Wirral) Local Pension Board**  
**20 June 2024**

## **APPENDICES**

None

## **BACKGROUND PAPERS/REFERENCE MATERIAL**

The Public Service Pensions Act 2013

LGPS Regulations 2013 (As amended)

LGPS (Management and Investment of Funds) Regulations 2016

Guidance on the Creation and Operation of Local Pension Boards in England and Wales, (LGPS) Scheme Advisory Board, 2015

## **TERMS OF REFERENCE**

This report is being considered by the Pensions Committee in accordance with Section 12.3 of the Board's Terms of Reference:

The Board shall on an annual basis produce a report on both the nature and effect of its activities for consideration by the Scheme Manager. The contents of this annual report will be subject to consideration and agreement at a meeting of the Board, but should include as a minimum:

- a. Details of the attendance of members of the Board at meetings,
- b. Details of the training and development activities provided for members of the board and attendance at such activities;
- c. Details of any recommendations made by the Board to the Scheme Manager and the Scheme Manager's response to those recommendations;
- d. Details of the costs incurred in the operation of the Board

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
<b>Local Pension Board review</b>	<b>26.9.23</b>
<b>Local Pension Board review</b>	<b>28.9.22</b>