Minutes of IMWP held on 15 November 2022

Attendees

Name	Initials	Organisation
Councillor Pat Cleary (Chair)	PC	WBC
Councillor Cherry Povall (Vice Chair)	СР	WBC
Councillor Brian Kenny	ВК	WBC
Councillor Chris Carubia	CCa	WBC
Councillor George Davies	GD	WBC
Councillor Karl Greaney	KG	WBC
Councillor Paulette Lappin	PL	Sefton
Councillor Pat Maloney	PM	Pension Board
Donna Ridland	DR	Pension Board
Roger Bannister	RB	UNISON
Rohan Worrall	RW	Independent Adviser
Paul Watson	PWa	Independent Adviser
Keith Wade	KW	Schroders
Olivia Docker	OD	Schroders
Paul Myles	PMy	Schroders
Peter Wallach	PW	MPF
Adil Manzoor	AM	MPF
Greg Campbell	GC	MPF
Allister Goulding	AG	MPF
Daniel Proudfoot	DP	MPF
Joseph Hull	JH	MPF
Alan Robertson	AR	MPF
Elizabeth Barlow	EB	MPF

Owen Thorne	ОТ	MPF
Neil Gill	NG	MPF
Dragos Serbanica	DS	MPF
Emma Jones	EJ	MPF

1. Apologies

Cllr Hellen Collison

2. Minutes of IMWP held on 9 June 2022

Noted, no amendments.

3. Presentation: Keith Wade - Chief Economist, Schroders

Keith Wade (KW), Chief Economist at Schroders, presented the macroeconomic outlook for the UK and the US, covering topics such as inflation, unemployment rates, labour participation rates, interest rate expectations, new monetary policy regimes and geopolitical risks.

BK asked more clarifications on what the notion of China behaving more normally means and how could increased unemployment be a factor in ameliorating the inflation situation.

KW commented that in terms of China, despite the zero-covid policy used by Beijing, Chinese ports start to resume normal operations and thus work towards reducing the level of backlogs in terms of shipping traffic. The unemployment is needed to bring down inflation. When an economy is operating at high-capacity levels, with spending levels exceeding the economy's capacity to produce goods and services, it creates a situation that will eventually lead towards an economic slowdown and demand coming down. With central banks raising interest rates thus aiming to slowdown demand, inevitably it will lead in turn to a rise in unemployment.

PC asked whether there is any evidence of a permanent reduction in the labour force as a result of the covid pandemic and therefore a permanent impact on the base wage rates.

KW replied that there has been a substantial increase in the number of 16-64-yearolds in the UK that are either temporarily sick or long-term sick since January 2020, resulting in many workers being lost. Depending on how quickly the NHS backlogs are being delt with, these numbers could be reducing, with the potential however of becoming a long-run feature. RW asked whether there is any expectation for companies to start reallocating higher portions of their earnings to labour costs and maintaining this higher reallocation going forward.

KW commented that such eventuality it is quite likely and profit share as a percentage of the GDP is expected to start to slide downwards. Businesses are starting to rethink their supply chains with less reliance on outsourcing going forward and bringing more jobs back onshore.

RW asked what are the implications of reallocating more earnings to labour costs and the resulting decrease in profit share for equity valuations going forward?

KW commented that if the level of profit share decreases, ceteris paribus, it will exert some downward pressure on equity valuation.

PC asked how climate fits in the economic forecasts and climate related risk implications for equity values.

KW commented that the presented forecast did not consider climate risk factors.

4. Review

4.1. Market Commentary

RW provided an update on recent market developments within the UK, focussing on areas such as inflation, interest rates, fiscal policy, economic growth and geopolitical risks and their implications on the performance of equity, fixed income, currencies and alternative investments markets.

CP commented that her understanding was that the fund was not particularly exposed to the fluctuations in Gilts and asked for a clarification on this point.

PW commented that in relation to LDI, the liquidity squeeze on Gilts resulting as a consequence of the mini budget, did not present an issue for MPF, given the fund's relatively small LDI exposure. However, MPF has holdings of conventional Gilts, which as previously indicated, have fallen considerably over the past year, when compared to equities, as well as index-linked gilts, which despite their imbedded inflation protection, have also fallen considerably.

PC asked whether the market events over the last 12 months have shifted the investment climate and therefore what are the medium to long term impacts on the how the fund would manage its assets.

RW commented that the big change that occurred in terms of interest rates and bond yields coupled with lowering inflation expectations, several asset classes are expected to undertake a repricing exercise over the coming period.

4.2. Monitoring Report

PW provided an update on fund performance by asset classes and investment mandates for Q3 2022.

PM asked what the current funding level is, given the reduction in the asset valuation.

PW commented that at the end of March, the actuarial valuation was indicating a funding position of 106%. PW does not expect for the current position to deviate significantly from March position, given that as a result of the increase in interest rates, the liabilities figures are also expected to have reduced somewhat as well.

CP asked whether the fund has any exciting new infrastructure investments across Wirral in the pipeline, as there is a lot of activity going on at the moment and wondered whether MPF will participate as well.

PW commented that CBRE is continuing to explore opportunities for MPF across Wirral, however nothing was imminent.

5. Responsible Investments

5.1. Update

OT presented updates on climate risk and inbound LGPS regulations on climate reporting, how climate targets are being set and the progress made towards achieving them.

5.2. PRIC Quarterly Report

OT presented a recent newsletter produced by PIRC focussed on global workforce standards.

5.3. LAPFF Quarterly Engagement Report

OT presented the LAPFF engagement report. A particular theme that prevails across the report is how recent company level engagements have now been taken via the prism of global human rights, highlighting the increasing trend of treating human rights as a systemic risk.

https://lapfforum.org/engagements/q3-quarterly-engagement-report/

5.4. Carbon Footprint Analysis

A new provider, S&P Trucost, has been appointed at the beginning of the year to provide a more detailed and granular reporting on carbon climate metrics, which is also used by MPF's partners in the Northern LGPS, with the aim of moving towards a consolidated pool level reporting. OT presented a snapshot on what types of measurements are being used and how the analysis is being aligned with the Paris Agreement.

RW asked what sources were used in determining the Scope 3 data and in terms of the physical risk reporting, what did the sensitivity adjustment meant.

OT commented that Scope 3 data was primarily based on companies' own disclosures, however there is a widespread inconsistency in the level and quality of

Scope 3 disclosures across companies. For companies that do not currently report Scope 3 data, estimates are being used to fill in the gaps.