

**Minutes of the Governance and Risk Working Party, 10.30, Thursday 9 March 2023.**

**Microsoft Teams meeting.**

***Present:***

<b>Name</b>	<b>Initials</b>	<b>Organisation</b>
Councillor Pat Cleary (Chair)	PC	WBC
Councillor George Davies	GD	WBC
Councillor Karl Greaney	LR	WBC
Peter Wallach	PW	Director of Pensions
Donna Smith	DS	Head of Finance & Risk
Guy Hayton	GH	Senior Manager of Operations & Information Governance

***Invited Guests:***

<b>Name</b>	<b>Initials</b>	<b>Organisation</b>
John Raisin	JR	Independent Chair of Local Pension Board

**Apologies were received from:**

<b>Name</b>	<b>Initials</b>	<b>Organisation</b>
Yvonne Murphy	YM	Head of Pensions Administration
Roger Bannister	RB	Unison
Councillor Tom Anderson	TA	WBC
Councillor Cherry Povall	CP	WBC
Councillor Brian Kenny	JB	WBC
Councillor Chris Carubia	CC	WBC

***In attendance: Emma Jones.***

## **1. Approval of Minutes & Introduction**

Minutes of GRWP, Tuesday 12 July 2022, were reported to Pensions Committee and have been approved.

PW introduced the meeting and reported that members of the Local Pension Board have been invited to observe proceedings.

## **2. Declarations of Interest**

PW advised that Declarations of Interest are reported on an annual basis but for noting purposes Councillor George Davies declared a personal interest that his wife is a member of Merseyside Pension Fund.

### **Noting/Action points**

Noted.

## **3. Business Plan**

PW reported that he has included a draft Business Plan in the pack to show the scope of activities and the key priorities of the Fund over the next 12 to 24 months. There are four sections which cover the Fund's principal activities, projects, horizon scanning and procurements. PW advised that the Priorities are reviewed on a monthly basis and Projects and Activities are reviewed on a quarterly basis at the Fund Operating Group (FOG).

PW ran through each of the sections of the Business Plan including the key statistics of the Fund and its current valuation. PW advised that although the valuation has fluctuated in recent months it has recovered since December 2022. PW noted that the Fund anticipates paying £395m over the next 12 months in pensionable payments and that the budget was agreed at the Pensions Committee on the 21 February 2023.

PW reported on the appointment of Redington and advised that the review of the investment strategy is one of the key items. The strategic asset allocation is being revised and sustainability and climate change scenario analysis is being integrated into the investment strategy. PW advised on further strands in the plan including developing an engagement policy, and staff recruitment, staff development, and succession planning.

PW reported that we continue to improve the service provided to members and employers. PW reported on other key areas within the Business Plan and hoped it was an assurance to Members, as recommended by the Pension Board, that the Pensions Committee is involved at an earlier stage in both the Fund's business planning and budgeting. PW concluded that it is also an opportunity to set out what Officers have in mind and allow Pensions Committee to introduce other matters and issues which may not be covered.

## **Questions**

A discussion developed with regard to improving the funding level of the Fund, stabilising employer contributions and reducing risk in the portfolio. PW advised this was discussed at the IMWP (2 March 2023) and formed part of the survey produced by Redington. PW assured Members it will remain an active area for the Fund and will be continued to be discussed with Redington and them going forward.

JR advised that the Government are now looking at ways to separate the Pension Fund Accounts from the Administrating Authority (as in Scotland and Wales) which will necessitate the Pension Committee being more involved with setting the budget plan.

PC asked if PW could expand on recruitment with regard to future planning. PW replied it is a problem which is being looked at closely and he is working with HR as experienced staff are required to enable efficiencies to be delivered. Although the Fund is successful in recruiting junior staff and can provide them with training, it takes time to gain experience and knowledge and the scope to access experienced staff is limited.

PW advised that benchmarking of remuneration is the other consideration, and it is reasonable that staff at the Fund are compensated in line with their counterparts at Greater Manchester and West Yorkshire Pension Funds. PW advised he is liaising with HR in regard to this. PW advised that there has to be a clear definition of roles and responsibilities staff are fulfilling and ensure that processes are in place for clarity and to build up resilience. PW is looking at ways of utilising the apprenticeship levy.

PW advised that there are staff who have been seconded to GLIL which is useful to both the Fund and to GLIL.

JR expanded on the fact that pension administration is far more complicated than is generally understood by HR and PW identified some of the complex areas that pensions administration have to undertake.

## **Action Points**

There were no action points, and the Business Plan was duly noted.

### **4. Administration KPI report**

PW advised that the KPI report is taken to the Pension Board on a quarterly basis and details the various activities that are ongoing. It is helpful as an overview for Committee and to reassure Members the Fund's administration performance is scrutinised on a regular basis by the Board.

GH reported that at each meeting of the Pension Board members are updated with reports that have been presented to earlier Pensions Committee meetings and is a

standing report of administration performance. GH advised that the full document is contained within the GRWP pack.

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

### **Questions**

JR commented that this report has been appreciated over the time it has been presented to the Pension Board. It receives a lot of comments and questions as the information is comprehensive and is a very positive report from a governance point of view.

GH thanked JR and iterated that the report has also grown as a result of the questions asked by the Pension Board and clearly demonstrates that it is this interaction between Board and officers that has enhanced the information contained within the current reports.

PC commented that it is fortunate that with the Cost-of-Living crisis the Fund has not experienced any significant increase to members leaving the pension scheme. GH explained why some members of the scheme do choose to leave and how the opting out process works. GH further advised that members who have opted out are automatically re-enrolled by their employer every 3 years and must make another decision to opt out of pension saving. GH advised on the 50/50 section of the Scheme and how it is an option to all members for them to consider as an alternative to opting out of pension saving.

### **Action Points**

There were no action points, and the KPI report was duly noted.

## **5. Contracts report**

DS presented the Contract report and reported that it is to inform Members of all the Fund's contracts which have been awarded and which have been subject to Waivers, breaches to CPR's, extensions and variations. It covers the period from July 2022 to December 2022 as detailed within the Corporate Procurement Unit's Register.

DS advised that the appendix is an extract from the Corporate Procurement Unit's Register which details the contract awards and includes exceptions which have been approved. DS further advised there have been no breaches for the period stated. DS summarised the appendix and stated that MPF comply with procedural rules and only seek exceptions when absolutely necessary.

### **Questions**

No questions were raised.

### **Action Points**

There were no action points, and the Contracts report was duly noted.

## **6. Risk Register**

PW presented the Risk Register and advised that according to the minutes of the 12 July 2022 Councillor Greaney had raised the issue that the register was not clear in some areas. PW reported that this has been addressed and the risk weighting of high, medium or low has been revised to relate to the net score. Further to that the report indicates that we have increased some of the scores since the last report in July 2022 and introduced a new risk around the audit which DS is managing.

PW advised that it is reported to the Pension Board on a quarterly basis and is brought to the GRWP to demonstrate that risks are kept under regular review.

GH added that there is a further IT Risk Register which is maintained and goes into technical detail about the IT infrastructure. GH informed Members that he intends to present Cyber Security into three distinct subject areas in future versions of the Fund's risk register; specifically the risk of 'external attack', the risk to the Fund's data and the risk to the IT systems that are essential to the operation and delivery of the Fund's functions and services.

### **Questions**

Councillor Karl Greaney (KG) raised concerns that there seem to be a high number of red and amber risks. PW responded that it could be a procedural issue where the Fund perceives risks are higher than they may be and this can be reviewed. PW explained that some of the risks are outside of the Fund's control for example investment risks such as the stock market and the economy which are difficult to mitigate. PW added that operational risks will be looked at to see whether risks to the Fund are overstated.

GH advised that some risks are sometimes outside of the Fund's control and the context of the risk should also be considered. GH expanded by giving the example Cyberattacks from external criminals, stating that the likelihood of an attack cannot be controlled, only a mitigation on the impact of such attacks. Consequently, in this example the net residual risk will always retain a level that is 'amber' rated.

JR commented that he has seen Risk Registers in other LGPS Funds, and it is not unusual to see high scoring. JR noted that Risk 9, the recruitment and retention of staff has been raised by the Pension Board but he is satisfied that the Fund are dealing with this adequately. JR emphasised the importance of addressing this risk. Again, JR raised the issue whether HR are aware of the complexities of certain areas such as internal and external management which involve activities outside normal Council experience.

### **Action Points**

The Risk Register was duly noted.

Operational risks are to be reviewed to see if risks are being overstated at the Fund.

## **7. Compliance Monitoring reports:**

- **Gifts & Hospitality**
- **Subsidised Business Events**
- **Overseas Travel**

DS stated the report provides Members with a summary of subsidised business events attended by officers of the Fund, it details gifts and hospitality offered and/or received and overseas travel undertaken from April 2022 to December 2022.

DS reported that the Pension Committee have previously approved guidance in relation to these areas and the guidance is reflected by Wirral in its overall governance arrangements and is set out in the Fund's Compliance Manual.

Attached to the report is a schedule of: -

- Gifts & Hospitality
- Subsidised Business Events
- Overseas Travel

DS summarised the declarations made under the period stated. DS reported that under the schedule for Overseas Travel some of the fees may appear to be low but there is a note to state that some of these trips are subsidised by the organisers who pay or contribute towards the costs incurred by Officers in attending these events.

### **Questions**

No questions were raised.

### **Action Points**

None.

### **Noting/Action Points**

**Date of Next Meeting – 5 October 2023 (TBC)**