



PENSIONS COMMITTEE

30 JULY 2024

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| REPORT TITLE: | MINUTES OF WORKING PARTY MEETINGS |
| REPORT OF: | DIRECTOR OF PENSIONS |

REPORT SUMMARY

The purpose of this report is to provide Members with the minutes of meetings of Working Parties held since the previous Committee meeting.

Appendix 6 to this report contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of Local Government Act 1972 i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information).

RECOMMENDATION/S

That the Pensions Committee be recommended to:

1. Approve the working party minutes.
2. Approve the implementation of the interim strategic asset allocation set out in appendix 6.
3. Approve that the Fund's Investment Strategy Statement be updated to reflect the interim strategic asset allocation

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The approval of working party minutes by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not relevant for this report. The approval of working party minutes by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

3.0 BACKGROUND INFORMATION

- 3.1 The Investment Monitoring (IMWP), Governance & Risk (GRWP) and Responsible Investment (RIWP) Working Parties enable Members and their advisors to consider pension matters relating to Merseyside Pension Fund in greater detail. They are not decision-making bodies but minutes and action points arising are reported to Committee.
- 3.2 At December's Committee meeting, Members approved a revised strategic asset allocation. Officers have been working with the Fund's strategic and independent advisors regarding the implementation of the proposed asset allocation. As set out in the original report, the reallocation of private market investments will take time in view of their illiquidity and the need for a gradual realignment as capital is returned and new investments are drawn down. Also, it is recognised that it would not be prudent to undertake the entirety of the reallocation of public market assets in a short timeframe in view of the significant value of the assets involved and the potential unintended consequence of adverse market moves.
- 3.3 With this in mind, an interim strategic asset allocation has been developed by officers in conjunction with the Fund's independent advisors and Redington. This was presented by Redington at the investment monitoring working party in May and a summary is set out in appendix 6. It is recommended that this transition to the interim benchmark is completed over the next 18-24 months subject to market conditions.

4.0 FINANCIAL IMPLICATIONS

- 4.1 As set out in the report of 11 December 2023, the revised investment strategy is forecast to provide MPF with improved risk adjusted returns.
- 4.2 The need to reallocate assets geographically and between asset classes will incur transition costs; these principally relate to explicit costs such as transaction fees, brokerage, taxes and exchange fees; and implicit costs such as spread, FX and market impact. These will be mitigated to the greatest extent possible by the internal investment team.

- 4.3 By retendering mandates and increasing assets under internal management, management fee savings are anticipated. Nonetheless, performance is generally a much more significant consideration relative to fees.

5.0 LEGAL IMPLICATIONS

- 5.1 Under the Fund's governance arrangements, minutes of working parties are reported to Committee for approval.
- 5.2 Regulation 7(1) requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

- 6.1 Although the investment strategy review and change programme is being supported by the Fund's strategic investment advisors and its independent advisors, it is placing considerable demands on officer time and resources. The working parties ensure the oversight of the Fund's activities by elected members.

7.0 RELEVANT RISKS

- 7.1 A failure to provide Pensions Committee with information on legislative changes and the Fund's activities could hinder the Committee in fulfilling its statutory requirements.
- 7.2 The revised investment strategy is forecast to provide MPF with improved risk adjusted returns.
- 7.3 The continuing work on sustainability and climate risk is being undertaken with a view to informing and developing the Fund's Net Zero ambitions which are the subject of a separate report to this Committee.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 There has been no consultation planned or undertaken for this report. There are no implications for partner organisations arising from this report.

9.0 EQUALITY IMPLICATIONS

- 9.1 There are no equality implications arising from this report.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 Environmental, Social and Governance matters are a standing item on the IMWP and RIWP agendas.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 The revised investment strategy includes aspirations and ambitions in relation to investments in levelling up, local and impact opportunities.

REPORT AUTHOR: Peter Wallach
(Peter Wallach, Director of Merseyside Pension Fund)
telephone:
email: peterwallach@wirral.gov.uk

APPENDICES

Appendix 1-5 Working Party minutes/Responsible Investment/Stewardship reports.
Appendix 6 – EXEMPT Equity change programme

BACKGROUND PAPERS

CIPFA: Managing Risk in the Local Government Pension Scheme

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with Section A of its Terms of Reference:

(a) To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance of the Fund.

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|--|-------------|
| Minutes of all IMWP, GRWP and RIWP meetings are brought to the subsequent Pensions Committee. | |