



Pensions Committee

Date: Monday, 27 September 2010

Time: 6.00 pm

Venue: Committee Room 1 - Wallasey Town Hall

Contact Officer: Pat Phillips
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AGENDA

1. MEMBERS' CODE OF CONDUCT- DECLARATIONS OF INTEREST

Members are asked to consider whether they have personal or prejudicial interests in connection with any item(s) on this agenda and, if so, to declare them and state what they are.

2. MINUTES (Pages 1 - 6)

To receive the minutes of the meeting held on 28 June 2010.

3. ACCOUNTS 2009-2010

Report to be circulated separately.

4. DRAFT ANNUAL REPORT

Report to be circulated separately.

5. AC ANNUAL GOVERNANCE REPORT

Report to be circulated separately.

6. OCTOBER TRAINING EVENT (Pages 7 - 10)

7. ANNUAL EMPLOYERS CONFERENCE (Pages 11 - 12)

8. **LAPFF CONFERENCE BOURNEMOUTH (Pages 13 - 14)**
9. **PUBLIC SECTOR PENSIONS COMMISSION (Pages 15 - 28)**
10. **ALTAIR IT HARDWARE (Pages 29 - 32)**
11. **COMMITTEE MEMBERSHIP (Pages 33 - 34)**
12. **LGPS REFORM (Pages 35 - 44)**
13. **KNOWLEDGE AND SKILLS FRAMEWORK (Pages 45 - 46)**
14. **LGPS TRUSTEE TRAINING FUNDAMENTALS (Pages 47 - 56)**

15. **BANKING CONTRACT**

Report to be circulated separately.

16. **FRC STEWARDSHIP CODE**

Report to be circulated separately.

17. **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR
(PART 1)**

18. **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE
PUBLIC**

The following items contain exempt information.

RECOMMENDATION: 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.

19. **MANAGEMENT OF JAPANESE EQUITIES (Pages 57 - 64)**
20. **MANAGEMENT OF ASIA/PACIFIC EQUITIES (Pages 65 - 74)**
21. **MANAGEMENT OF EMERGING MARKET EQUITIES (Pages 75 - 84)**
22. **PROVISION OF PENSION ADMINISTRATION SERVICES TO LONDON BOROUGH OF BROMLEY (Pages 85 - 86)**

- 23. NON RECOVERY OF SUM ON CLOSURE OF ADMISSION BODY - GREEN APPRENTICES (Pages 87 - 90)**
- 24. MERSEYSIDE SPECIAL INVESTMENT FUND (Pages 91 - 100)**
- 25. TRANSFEREE ADMISSION BODY APPLICATION - COMPUTACENTER (UK) (Pages 101 - 102)**
- 26. ACQUISITION OF SUPERMARKET STORE (Pages 103 - 104)**
- 27. INVESTMENT MONITORING WORKING PARTY MINUTES**

Report to be circulated separately.
- 28. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 2)**

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PENSIONS COMMITTEE

Monday, 28 June 2010

Present: Councillor G Watt (Chair)

In attendance: Councillors P Johnson T Harney
D Knowles AER Jones
C Povall R Moon
G Davies H Smith

Councillors N Keats, Knowsley Council
A Ibbs, Sefton Council
Anderton, St Helens Council

Apologies Councillors Dean AR McLachlan

119 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members of the Committee were asked whether they had any personal or prejudicial interests in connection with any application on the agenda and, if so, to declare them and state the nature of the interest.

No declarations were made.

120 MINUTES

The Director of Law, HR and Asset Management submitted the minutes of the meeting held 23 March 2010 for consideration.

Resolved – That the minutes be agreed.

121 APPOINTMENT OF VICE-CHAIR

Members of the Committee were requested to appoint a Vice-Chair.

On a motion by Councillor Watts and seconded by Councillor Povall it was:

Resolved – That Councillor Denis Knowles be appointed Vice-Chair of the Pensions Committee.

122 MERSEYSIDE PENSION FUND ACCOUNTS - YEAR ENDED 31 MARCH 2010

The Director of Finance submitted a report which showed the accounts and financial statements which would in due course be contained in the Annual Report of Merseyside Pension Fund 2009/2010.

Gerard Moore, Merseyside Pension Fund, outlined the report and responded to members questions.

Resolved -

- (1) That the levels of materiality and triviality as set out in paragraphs 2.2 and 2.3 of the report be agreed.**
- (2) That the accounts and financial statements of Merseyside Pension Fund for the year ended 31 March 2010 be approved.**

123 AUDIT COMMISSION FEES

The Director of Finance submitted a report to inform Members of a reduction in the fee levels of the Audit Commission for MPF for the audit of the annual accounts for the financial years 2009-2010 through to 2012-2013.

The meeting was attended by Liz Temple-Murray, Audit Manager, who outlined the report to members.

Resolved - That the reduction in the Audit Commission fees for auditing the accounts from the financial year 2009-2010 onwards be noted.

124 AUDIT COMMISSION PROGRESS REPORT

The Director of Finance submitted the Audit Commission Progress Report that gave the Committee an update of ongoing work at the Council and informed Members of the risks arising from the audit, under International Standard on Auditing (United Kingdom and Ireland).

Liz Temple-Murray, Audit Manager, attended the meeting and outlined the key messages for members' attention.

Resolved – That the report be received and noted.

125 LOCAL GOVERNMENT CHRONICLE INVESTMENT CONFERENCE

The Director of Finance submitted a report that requested the Committee to consider if it wished to be represented at the Local Government Chronicle (LGC) Investment Conference to be held in Newport on 8 to 10 September 2010.

Resolved – That Councillors Watt, Knowles, McLachlan and Harney attend the Local Government Chronicle Investment Conference together with the independent advisor.

126 **ENGAGED INVESTOR TRUSTEE AWARDS**

The Director of Finance submitted a report that advised Members that Merseyside Pension Fund is a finalist at the Engaged Investor Trustee Awards and requested that the Committee consider attendance at the awards ceremony. The awards ceremony for shortlisted entries was to take place on 7 July 2010 at the Merchant Taylors' Hall in London.

Resolved – That Councillor Watts, Chair of the Pensions Committee, attend the Engaged Investor Trustee Awards on 7 July 2010 and that the names of other members wishing to attend be submitted to the Director of Finance.

127 **JUNE TRAINING EVENT**

The Director of Finance submitted a report informing Members of a training event at the Cunard Building arranged for 29 June 2010 and encouraged Members to attend.

Resolved – That members would attend the training event if possible - apologies being received from Councillors Anderton, Keats, Adrian Jones and Peter Johnson who had prior engagements.

128 **LGPS - REFORM UPDATE**

The Director of Finance submitted a report informing Members of developments and outstanding issues following the introduction of the revised New Look LGPS on 1 April 2008 by the Department for Communities and Local Government (DCLG).

Guy Hayton, Merseyside Pension Fund, outlined the key points of the report and responded to members questions.

Resolved – That the report be noted.

129 **REPRESENTATION ON OUTSIDE BODIES**

The Director of Finance submitted a report that requested the Committee to review positions held by Elected Members on external bodies on behalf of Merseyside Pension Fund.

Resolved –

(1) That Councillor Ann McLachlan continues to be an Executive Member of LAPFF until January 2011.

(2) That the Pensions Committee reviews this representation in November 2010.

(3) That Councillor Ann McLachlan continues as a LGA Labour Group appointment on the Local Government Pensions Committee.

130 TREASURY MANAGEMENT ANNUAL REPORT 2009/10

The Director of Finance submitted a report to the Committee that requested Members agree the annual report on Treasury Management within Merseyside Pension Fund for the 2009/10 financial year which complied with the reporting requirements of the Code of Practice for Treasury Management in Local Authorities.

Gerard Moore Merseyside Pension Fund outlined the report to Members.

Resolved – That the Treasury Management Annual Report 2009/2010 be agreed.

131 INVESTMENT PERFORMANCE 2009-10

The Director of Finance submitted a report that outlined the investment performance of Merseyside Pension Fund for the year ended 31 March 2010 as reported by the WM Company.

Resolved - That the investment performance for the year ended March 2010 be noted.

132 GOVERNANCE & RISK WORKING PARTY

The Director of Finance submitted a report that requested Members to consider establishing a Governance and Risk Working Party to allow a more detailed discussion of Governance and Risk arrangements than is normally possible at Pensions Committee.

Peter Wallach, Head of Merseyside Pension Fund, outlined the report and noted that it was proposed to establish a Governance and Risk Working Party to provide a forum for more detailed discussion of administrative matters around governance and risk than is normally possible at Pensions Committee.

Resolved:

(1) That the establishment of a Governance and Risk Working Party be approved.

(2) That Councillor Geoff Watt be appointed Chair for the Working Party.

133 EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC

Resolved – That the public be excluded from the meeting on the grounds that the following matters to be considered contain exempt information by virtue of paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972.

134 TRANSFEREE ADMISSION BODY APPLICATION - GRAYSONS RESTAURANTS

The Director of Finance submitted a report that informed Members of his decision taken under delegation, to approve a second application from Graysons Restaurants for admission to Merseyside Pension Fund as a Transferee Admission Body. The Company had secured six separate catering service contracts at various Liverpool schools over a staggered time period from 28 October 2007 to 31 March 2009. Each of the six separate contracts was for a three year term.

He reported that the application was to provide pension provision for 19 transferred staff who wished to continue to be scheme members whilst employed at a number of Liverpool schools providing school meals for the duration of each of the contract periods the earliest commencing on 28 October 2007 with the final contract end date of 31 March 2012.

Resolved - That the second application for admission body status received from Graysons Restaurants be approved.

135 MANAGEMENT OF ALTERNATIVES PORTFOLIO

The Director of Finance submitted a report that requested Members to approve a restructuring of the alternatives portfolio and to appoint PAAMCO as a fund of hedge funds manager and adviser in a capacity similar to that provided by Capital Dynamics for the private equity portfolio.

The report outlined the reasons for reviews, the current position of the alternatives portfolio, the proposed restructuring and advisory services and made an analysis of the risks associated with the changes.

Resolved –

(1) That Members the restructuring of the alternatives portfolio be approved.

(2) That the appointment of PAAMCO for operational due diligence be approved.

136 INVESTMENT MONITORING WORKING PARTY MINUTES

The Director of Finance submitted a report that provided Members with the minutes of the Investment Monitoring Working Parties held on 14 April and 9 June 2010.

Resolved - That the minutes of the IMWPs be agreed.

137 **MERSEYSIDE SPECIAL INVESTMENT FUND**

The Director of Finance submitted a report that informed Members of action being taken to protect the investment in Merseyside Special Investment Fund. It was reported that these matters were currently being negotiated with the European Investment Fund.

The report outlined the background to MSIF, developments, the current financial position, proposed restructuring and recommendations.

Resolved – That Members confirm:

- **the crystallisation of the loan facility**
- **the appointment of Enterprise as portfolio realisation managers**
- **the appointment of PwC to conduct a portfolio transfer valuation.**

WIRRAL COUNCIL

PENSIONS COMMITTEE

27 SEPTEMBER 2010

REPORT OF THE DIRECTOR OF FINANCE

OCTOBER TRAINING EVENT

1. EXECUTIVE SUMMARY

- 1.1 This paper informs Members of the training event at the Cunard Building arranged for 5 October 2010.

2. BACKGROUND

- 2.1 On 13th January 2010, Pensions Committee was advised of the training events for 2010, which included two internal training days. The second event has been arranged for 5 October 2010.

3. THE TRAINING DAY

- 3.1 The agenda is attached as Appendix 1 to this report. Invitations are being extended to neighbouring Administering Authorities.
- 3.2 The focus of this training day will be on new and emerging ideas in the world of investments. It is thought that exposure to such ideas will help to broaden Members' investment knowledge and understanding. One of the central objectives of the internal training programme is to assist Members in keeping their investment knowledge and understanding fresh and relevant to the ever-increasing complexity of the investment strategy.
- 3.3 The first presentation will be an overview of behavioral economics and finance, delivered by Benjamin Kelly of BlackRock Investment Management. Benjamin recently completed a PhD in this field which, essentially, challenges traditional theories of market efficiency and includes cognitive and social factors in assessing the limits of rationality in economic and financial agency. The presentation will seek to explore the relevance of this to the issues considered by pension fund trustees.
- 3.4 The subsequent presentations will explore the investment case of two specific sectors that can be grouped together under the generic theme of sustainability infrastructure. A senior representative of Four Winds Capital Management will present on the investment opportunities in waste management. Likewise, Lyndon Bolton from Schroders will discuss investing in the global agriculture sector.

4. FINANCIAL AND STAFFING IMPLICATIONS

4.1 The costs of the programme are included in the training budget.

5. EQUAL OPPORTUNITY IMPLICATIONS

5.1. There are none arising from this report.

6. COMMUNITY SAFETY IMPLICATIONS

6.1. There are none arising from this report.

7. LOCAL MEMBER SUPPORT IMPLICATIONS

7.1. This report has no particular implications for any Members or wards.

8. LOCAL AGENDA 21 IMPLICATIONS

8.1. There are none arising from this report.

9. PLANNING IMPLICATIONS

9.1. There are none arising from this report.

10. BACKGROUND PAPERS

10.1 None were used in the preparation of this report.

11. RECOMMENDATION

11.1 That Members attend the training day.

IAN COLEMAN
DIRECTOR OF FINANCE

APPENDIX 1

MPF - Internal Training Day

Cunard Building, 6th floor Banqueting Suite

5 October 2010

Agenda

10.00 Coffee and registration

10.15 Opening remarks: investing in new ideas – *Leyland Otter, Senior Investment Manager MPF*

10.25 An overview of behavioural economics and finance – *Benjamin Kelly, BlackRock Investment Management*

11.15 Coffee break

11.30 Investing in waste management – *speaker TBC, Four Winds Capital Management*

12.15 Opportunities in the global agriculture sector – *Lyndon Bolton, Schroders*

13.00 Lunch

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WIRRAL COUNCIL

PENSIONS COMMITTEE

27 SEPTEMBER 2010

REPORT OF THE DIRECTOR OF FINANCE

ANNUAL EMPLOYERS CONFERENCE

1. EXECUTIVE SUMMARY

- 1.1 This report informs Members of the arrangements for the annual Employers Conference to be held on Thursday 18 November 2010.

2. BACKGROUND

- 2.1 The value of holding an annual conference was recognised following the successful re-introduction of this event in November 1997, with attending representatives appreciating the opportunity to hear presentations on topical issues, and receive reports on current activity and performance.
- 2.2 Previous conferences have taken as their themes; Control of Early Retirement Costs, Ill Health Retirement Procedures, Stakeholder Pensions and Pensions Sharing on Divorce, the Stocktake Review of the LGPS and the role of the Pensions Ombudsman.

3. DETAILS OF THE AGENDA

- 3.1 The 2010 conference will again be held at Aintree Racecourse on Thursday 18 November 2010.
- 3.2 In addition to the annual reports in respect of investment performance and administration of the Pension Fund over the previous year, a presentation will be given by Paul Middleman from Mercer, the Fund Actuary. The actuary will provide an update on the latest funding position and be in attendance to answer employers' questions on the outcome of the 2010 valuation and liability issues.
- 3.3 The draft programme commences with Coffee and Registration at 9.30 am, and a start time of 10am. There will be an open forum for questions and an anticipated finish time of 1.30pm. Lunch will be provided for delegates.
- 3.4 Members are invited to attend the Conference and further details will be circulated to all Members of this Committee as soon as arrangements are finalised.

4. FINANCIAL IMPLICATIONS

- 4.1 The cost of holding the Conference is estimated at £5,200, provision for which is contained within the budget.

5. STAFFING IMPLICATIONS

- 5.1 There are no staffing implications in this report.

6. EQUAL OPPORTUNITY IMPLICATIONS

- 6.1 There are none arising directly from this report.

7. HUMAN RIGHTS IMPLICATIONS

- 7.1 There are none arising directly from this report.

8. COMMUNITY SAFETY IMPLICATIONS

- 8.1 There are no specific implications arising from this report.

9. LOCAL MEMBER SUPPORT IMPLICATIONS

- 9.1 There are no specific implications for any Member or Ward.

10. LOCAL AGENDA 21 IMPLICATIONS

- 10.1 There are no specific implications arising from this report.

11. PLANNING IMPLICATIONS

- 11.1 There are no specific implications arising from this report.

12. BACKGROUND PAPERS

- 12.1 No background papers were used, in preparing this report.

13. RECOMMENDATION

- 13.1. That Members note the arrangements for the annual Employers Conference.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/163/10

WIRRAL COUNCIL

PENSIONS COMMITTEE

27 SEPTEMBER 2010

REPORT OF THE DIRECTOR OF FINANCE

LAPFF CONFERENCE

1. EXECUTIVE SUMMARY

- 1.1. This report recommends the Committee to approve attendance by the Chair and Councillor Ann McLachlan at the Local Authority Pension Fund Forum (LAPFF) Annual Conference, organised by PIRC, to be held in Bournemouth on 1-3 December 2010.

2. THE CONFERENCE

- 2.1. MPF is a member of LAPFF and its Annual General Meeting and annual conference provides a forum for topical issues, affecting Local Authority Pension Funds, to be discussed and addressed.
- 2.2. Attendance at this seminar has traditionally been by the Chair of the Pensions Committee accompanied by an officer. Councillor Ann McLachlan is a member of the Executive Committee of LAPFF.

3. FINANCIAL IMPLICATIONS

- 3.1. LAPFF membership allows for two free conference places. Accommodation costs of £210 per person and travelling costs will be met from the existing budget.

4. STAFFING IMPLICATIONS

- 4.1. There are no staffing implications in this report.

5. EQUAL OPPORTUNITY IMPLICATIONS

- 5.1. There are none arising directly from this report.

6. COMMUNITY SAFETY IMPLICATIONS

- 6.1. There are none arising directly from this report.

7. LOCAL MEMBER SUPPORT IMPLICATIONS

- 7.1. There are no specific implications for any Member or Ward.

8. LOCAL AGENDA 21 IMPLICATIONS

8.1. There are none arising directly from this report.

9. PLANNING IMPLICATIONS

9.1. There are none arising from this report.

10. BACKGROUND PAPERS

10.1. None were used in the preparation of this report.

11. RECOMMENDATION

11.1. That attendance at the LAPFF conference by the Chair and Councillor Ann McLachlan be approved.

IAN COLEMAN
DIRECTOR OF FINANCE.

FNCE/159/10

WIRRAL COUNCIL

PENSIONS COMMITTEE

27 SEPTEMBER 2010

REPORT OF THE DIRECTOR OF FINANCE

PUBLIC SECTOR PENSIONS COMMISSION

1. EXECUTIVE SUMMARY

- 1.1. This report informs Members that the Government has created an independent Commission, headed by John Hutton, to undertake a “fundamental, structural review of public service pensions” and consider the case for short-term savings by September 2010 in time for the Government Spending Review.

2. BACKGROUND

- 2.1. The Public Sector Pensions Commission has been tasked with conducting a fundamental structural review of public service pension provision and has been asked to make recommendations to the Chancellor and Chief Secretary on pension arrangements that:

are sustainable and affordable in the long term,
are fair to both the public service workforce and the taxpayer
are consistent with the fiscal challenges ahead,
protect existing scheme members’ accrued rights

- 2.2. A copy of the letter dated 28 June 2010 from the Chair of the Commission John Hutton is attached for information at appendix 1.

- 2.3. In undertaking the review, the Commission is to have regard to:

- the growing disparity between public service and private sector pension provision, in the context of the overall reward package – including the impact on labour market mobility between public and private sectors and pensions as a barrier to greater plurality of provision of public services;
- the needs of public service employers in terms of recruitment and retention;
- the need to ensure that future provision is fair across the workforce;
- how risk should be shared between the taxpayer and employee;
- which organisations should have access to public service schemes; implementation and transitional arrangements for any recommendations;
- wider Government policy to encourage adequate saving for retirement and longer working lives.

2.4. The Merseyside Pension Fund has been asked by the Secretary to the Independent Public Service Pensions Commission to supply information to assist with the Hutton review. The Pensions Commission has requested both quantitative and descriptive information about the pension scheme.

2.5. The information required falls into five categories with scheme membership broken down by gender, age, and earnings:

- Scheme membership;
- Pensions in payment;
- Scheme rules;
- Financial information; and
- Scheme administration including governance.

2.6. A response to the consultation submitted to the Commission on behalf of the Merseyside Pension Fund is attached at appendix 2. All of the technical information requested by the Pensions Commission has been provided by the Fund.

2.7. As part of the review, the Commission has been invited to produce an interim report by the end of September 2010. This should consider the case for delivering savings on public service pensions within the spending review period – consistent with the Government commitment to protect those on low incomes – to contribute towards the reduction of the structural deficit. The Commission has been invited to produce the final report in time for the Budget 2011.

3. FINANCIAL IMPLICATIONS

3.1. The outcome of the Hutton review is likely to have significant financial implications for all stakeholders in the Local Government Pension Scheme and other public sector pension schemes should the Government accept and act upon the recommendations.

4. STAFFING IMPLICATIONS

4.1. There are no staffing implications.

5. EQUAL OPPORTUNITY/EQUALITY IMPACT ASSESSMENT

5.1. The Pension Commission is required to have regard to equal opportunity implications and equality impact assessment requirements as part of its work.

6. HEALTH IMPACT ASSESSMENT

6.1. Any proposals to reduce the value or scope of benefits available under the occupational pension scheme could have negative impacts upon individuals due to the links between income levels and the incidence of ill health.

7. HUMAN RIGHTS IMPLICATIONS

7.1. There are no human rights implications.

8. COMMUNITY SAFETY IMPLICATIONS

8.1. There are no community safety implications.

9. LOCAL MEMBER SUPPORT IMPLICATIONS

9.1. There are no Member support implications.

10. LOCAL AGENDA 21 IMPLICATIONS.

10.1. There are no agenda 21 implications.

11. PLANNING IMPLICATIONS

11.1. There are no planning implications.

12. BACKGROUND PAPERS

12.1 Letter from the Independent Public Service Pensions Commission – 28 June 2010.

12.2. The submissions made to the Pension Commission by:

- a. Local Government Employers Organisation (LGE) - 30 July 2010
- b. Hymans Robertson LLP Actuaries - July 2010
- c. Audit Commission - July 2010.

13. RECOMMENDATION

13.1 That Members note the report.

IAN COLEMAN
DIRECTOR OF FINANCE.

FNCE/151/10

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**Independent
Public Service**

Pensions Commission

1 Horse
Guards Road
London
SW1A 2HQ
0207 270 5186

28 June 2010

As you will no doubt be aware, the Chancellor of the Exchequer has invited me to conduct an independent review of public service pension provision and to make recommendations on provision that is sustainable, affordable and fair in the long term. The full terms of reference are attached.

In the first phase of my review ahead of my interim report in September I will be assessing the current provision, identifying problems and considering the objectives that should set the framework for any change. This represents a significant task and I would like to invite evidence and views from you by the end of July that will assist me with considering:

- Affordability, fairness, impact on mobility and plurality of current public service provision of the current public sector pension schemes and;
- The objectives that should guide public service pension in future.

In addition, as set out in the terms of reference, I have been asked to consider the case for delivering savings on public service pension ahead of the Government's spending review. I would welcome any thoughts or observations on whether given the long term nature of structural reform there is a case for more immediate action on public service pensions, in the

context of affordability and fairness, and if so, what options there might be to deliver savings within the spending review period.

After my interim report I will conduct a further round of evidence-gathering on what alternative pension provision should look like. This first round of evidence is designed to set about identifying the problem and establishing the framework for solutions.

I look forward to receiving your input by the end of July emailed to pensions.commission@hmtreasury.gsi.gov.uk.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Hutton', with a stylized flourish at the end.

John Hutton

Chair, Independent Public Service Pensions Commission

Independent Public Service Pensions Commission: terms of reference

To conduct a fundamental structural review of public service pension provision and to make recommendations to the Chancellor and Chief Secretary on pension arrangements that are sustainable and affordable in the long term, fair to both the public service workforce and the taxpayer and consistent with the fiscal challenges ahead, while protecting accrued rights.

In reaching its recommendations, the Commission is to have regard to:

- the growing disparity between public service and private sector pension provision, in the context of the overall reward package – including the impact on labour market mobility between public and private sectors and pensions as a barrier to greater plurality of provision of public services;
- the needs of public service employers in terms of recruitment and retention;
- the need to ensure that future provision is fair across the workforce;
- how risk should be shared between the taxpayer and employee;
- which organisations should have access to public service schemes;
- implementation and transitional arrangements for any recommendations; and
- wider Government policy to encourage adequate saving for retirement and longer working lives.

As part of the review, the Commission is invited to produce an interim report by the end of September 2010. This should consider the case for delivering savings on public service pensions within the spending review period – consistent with the Government's commitment to protect those on low incomes - to contribute towards the reduction of the structural deficit. The commission is invited to produce the final report in time for Budget 2011.

Scheme coverage

- For civil servants:
 - Principal Civil Service Pension Scheme
 - Principal Civil Service Pension Scheme (Northern Ireland)
- Armed Forces Pension Scheme
- For NHS employees:
 - NHS Pension Scheme
 - NHS Superannuation Scheme (Scotland)
 - Health and Personal Social Services Northern Ireland Superannuation Scheme
- For teachers:
 - Teachers' Pension Scheme (England and Wales)
 - Scottish Teachers' Superannuation Scheme
 - Northern Ireland Teachers' Superannuation Scheme

- For Local Government:
 - Local Government Pension Scheme (England and Wales)
 - Local Government Pension Scheme (Scotland)
 - Northern Ireland Local Government Pension Scheme

- Police Pension Scheme (administered locally)
- Firefighters' Pension Scheme (administered locally)
- United Kingdom Atomic Energy Authority Pension Schemes
- Judicial Pensions Scheme
- Department for international Development – Overseas Superannuation Scheme
- Research Councils' Pension Schemes

In addition to the schemes mentioned above, there are a number of smaller schemes and many established to cover only one senior appointment which do not specifically need to form part of the review but which will be required to act on the recommendations.

Mr Joe Perkins
 Independent Public Service Pensions
 Commission
 1 Horse Guards Road
 London SW1A 2HQ

Our Ref: PS/PM

Your Ref:

Direct Line: 0151 242 1390

Please ask for: Peter Mawdsley

Date: 20 August 2010

Dear Mr Perkins,

LOCAL GOVERNMENT PENSION SCHEME INFORMATION

I refer your request to this Fund dated 6 August 2010 for information.

In response to the invitation from John Hutton dated 2 July 2010 for evidence and views to assist the Commission's independent review of public service pensions I submit the following on behalf of the Wirral Borough Council in its capacity as the Administering Authority of the Merseyside Pension Fund.

Background

Wirral Council is responsible for the administration of the Merseyside Pension Fund which is part of the Local Government Pension Scheme (LGPS). The Merseyside Pension Fund deals with the LGPS pension administration and investments on behalf of the 5 Merseyside District Councils, and over 100 other employers on Merseyside and elsewhere throughout the UK.

It has over 49,000 active contributing members, 41,359 pensioners and just over 34,000 deferred pensioners. It is responsible for the investment and accounting for a fund of £4.5 billion.

It is understood that you have already received many submissions from a variety of interested parties which have addressed the distinctive nature of the Local Government Pension Scheme in comparison to other unfunded public sector pension arrangements, and this response does not therefore dwell overly on the distinctive nature of the LGPS, but there are some points which we feel should be emphasised.

- As part of the funded LGPS scheme the Merseyside Fund had assets to meet 80% of its future liabilities at the last valuation in 2007 and has a positive cashflow.
- It pays on average lower pensions (£4,640 p.a. for pensioners and £2,496 p.a. for survivor pensioners) than other public sector schemes which cannot be regarded as "gold-plated" in comparison with many private sector pension schemes.

- It has a higher retirement age (65) than most other public sector schemes for existing and new members.
- Because of its funded nature it has a history of being subject to a high level of scrutiny and conscientious management by elected officials and council finance directors.
- It already delivers a high standard of administration and investment performance at a competitive and economic cost in comparison to private sector schemes.

Detailed Response

The view expressed in the Hymans Robertson LLP submission to you dated July 2010, which emphasised the dangers of “acting in haste and repenting at leisure” is strongly supported by this Fund. Quick fix cost saving measures may impact down the line in increased public spending on means tested benefits for the elderly if participation in and the benefits paid from public sector schemes are significantly reduced. They also bring with them additional administration costs as evidenced by the recent decision to move pension inflation indexing from RPI to CPI has shown across the pensions industry in both public and private sectors.

This Fund shares the opinion of many commentators that the LGPS is a model for how public sector schemes should operate, emphasising its funded nature and that it operates within most of the same restrictions and governance requirements of a private sector occupational pension scheme.

The LGPS has been subject to ongoing review and reform for many years and is currently under review again by the Department for Communities and Local Government separately from the work of the Commission.

In the recent past this has resulted in a new scheme being implemented in April 2008 which included a number of cost reducing measures:

restrictions on the right to retire before age 65 without any reduction in pension for all existing and new employees (subject to limited protection for those close to retirement age);

More stringent ill health retirement qualifications,

Changes to the employee contribution rate from a fixed 6% to an earnings related range between 5.5% and 7.5% (with current consultation on increasing the higher level of this range);

The LGPS provides for employee contribution rates to be increased on a risk sharing basis and it is currently awaiting the details of the outcome of this cost-sharing exercise following the 31 March 2010 triennial actuarial valuation.

Further reductions in the costs of the LGPS to employers have been made as a result of the current wage freeze in local government and by the reduction in the size of pension liabilities resulting from the move from RPI to CPI to measure inflation for pension indexation.

The current levels of past service deficit which have impacted negatively on employer contributions will be reduced considerably if and when as expected interest rates in the economy and the yield on bonds return to more normal levels.

Having regard to the above the Fund believes that the following should be taken into account in considering future changes to the LGPS. The following are considered the minimum requirements for a future LGPS: -

- That it should remain a funded defined benefit scheme. Experience in the private sector moving away from defined benefits has highlighted how little provision is being made for retirement, with lower pensions take up which will impact on the take up of means tested state benefits and increased incidence of ill health for those on low income.
- The value of any new LGPS should be comparable to other non uniformed public sector schemes to ensure it is competitive as regards being a tool for recruitment and retention of staff.
- In any change to the LGPS appropriate transitional arrangements need to be put in place to ensure accrued rights are adequately protected. Past experience has shown that insufficient attention to the protection of accrued rights creates anomalies and additional administrative costs to resolve them.
- A review should be undertaken to explore the potential for joint/partnership working within the current LGPS administering authorities to seek further efficiency improvements and economy of scale savings on investment management and administration expenses of the Funds.

Summary

The value of the LGPS as a good occupational pension scheme as part of the total remuneration package is widely recognised by many of the Scheme employers as an important aid to recruitment and retention, particularly in respect of professional and long serving staff.

The value placed on benefits provided by the pension scheme for members and their dependants is reflected in the high levels of take up amongst many groups of employees, although take up levels are lower amongst many younger and low paid employees on grounds of affordability.

The Fund believes that the LGPS serves its objectives well in encouraging and enabling large numbers of employees representing a substantial part of the local economic population to save to make adequate financial provision for their retirement.

The Fund is currently paying pensions to 41,359 pensioners and survivors with an average annual amount payable of £4,640. These mostly modest amounts will in many cases be substituting for means tested state benefits that would otherwise have been payable by the Government.

Please do not hesitate to contact me if you require any further information or assistance.

Yours sincerely

Director of Finance

Merseyside Pension Fund Statistical Information

Appendix

The detailed data that you requested has been provided separately. The table below sets out a summary of the Fund level data from the 31 March 2010 Actuarial Valuation exercise.

Category	Total Number	Male %	Female %
Actives	49,496	31.5	68.5
Deferreds	34,019	36.4	63.6
Pensioners inc survivors & depend	41,359	43.1	56.9
Total	124,874	37.0	63.0

The split between full time and part time active members was:

Full time actives	29,766
Part time actives	19,730
Total	49,496

The average full time equivalent annual salary for the active members at 31 March 2010 was £21,800 and the average actual annual salary figure was £18,400.

The average annual pension for pensioners at 31 March 2010 was £4,640 p.a. and for survivor pensioners was £2,496 p.a.

From the statistics shown above it is evident that females form a substantial majority of all of the membership groups including 68.5% of the current actives.

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WIRRAL COUNCIL

PENSIONS COMMITTEE

27 SEPTEMBER 2010

REPORT OF THE DIRECTOR OF FINANCE

ALTAIR IT HARDWARE

1. EXECUTIVE SUMMARY

- 1.1 This report details the procurement of replacement computer hardware in relation to the Pensions Administration IT system (called 'altair').

2. BACKGROUND

- 2.1 As agreed on 14 February 2009, the provider for the Pensions Administration IT system is Heywood on a five year contract from 1 January 2010.
- 2.2 Procurement of the Pensions Administration IT system took place under the advice of the Procurement Team as a Restricted Tender Procedure in line with European Union procedures.
- 2.3 The contract includes the managed migration from the current IT system of AXISe to the new system from Heywood called 'altair' by 2011.
- 2.4 In adopting 'altair' as the strategic platform for Pensions Administration, a review and appropriate replacement of the current IT hardware provision is required.

3. PC REPLACEMENTS

- 3.1 Implementation of the 'altair' IT system necessitates the replacement of 67 computers. Current computers are six years old and are scheduled for replacement in 2010.
- 3.2 All hardware is to be purchased and installed by Wirral IT Services within the agreed IT strategy.

4. SERVER HARDWARE

- 4.1 Implementation of 'altair' requires the purchase of new servers to replace the existing server infrastructure in use at the Pension Fund.
- 4.2 The main server will be IBM equipment running the Oracle database software. This will be procured by inviting specialist resellers to submit quotations in line with Corporate Procurement guidance.

- 4.3 There are two Windows support servers required to complete the infrastructure for implementing 'altair'. These will be purchased and installed by Wirral IT Services within the agreed IT strategy.
- 4.4 All data will be stored within the Storage Area Network (SAN) and will form part of the overall strategic plan for IT systems with regard to system availability, backups and disaster recovery.
- 4.5 In regards to disaster recovery and business continuity at an appropriate future date there will be the need to make further arrangements for a 'mirrored' server environment for the 'altair' environment. This will provide the opportunity to allow approximately 10 users access to the Pensions Administration system in a disaster or main system failure.

5. FINANCIAL IMPLICATIONS

- 5.1 The estimated cost for replacement PCs is £50,943. A lease arrangement for this PC equipment over a four year period will present the opportunity to place hardware into a revenue stream at an annual cost of **£13,500**.
- 5.2 The IBM server has an estimated capital cost of **£25,500**.
- 5.3 The required Windows support servers have an estimated capital cost of **£10,000**.
- 5.4 Provision for the costs outlined is contained within the existing budget.

6. STAFFING IMPLICATIONS

- 6.1 There are no staffing implications in this report.

7. EQUAL OPPORTUNITY IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

- 7.1 There are none arising directly from this report.

8. HUMAN RIGHTS IMPLICATIONS

- 8.1 There are none rising directly from this report.

9. COMMUNITY SAFETY IMPLICATIONS

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

10. LOCAL MEMBER SUPPORT IMPLICATIONS

- 10.1 There are no specific implications for any Member or Ward.

11. LOCAL AGENDA 21 IMPLICATIONS

11.1 There are no specific implications arising from this report.

12. PLANNING IMPLICATIONS

12.1 There are no specific implications arising from this report.

13. BACKGROUND PAPERS

13.1 No background papers were used in preparing this report.

14. RECOMMENDATION

14.1. That Members agree the procurement of IT hardware, at an estimated cost of **£35,500** and the ongoing lease charge over four years of approximately **£13,500**. Provision is contained within the existing budget.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/167/10

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WIRRAL COUNCIL

PENSIONS COMMITTEE

27 SEPTEMBER 2010

REPORT OF THE DIRECTOR OF FINANCE

COMMITTEE MEMBERSHIP

1. EXECUTIVE SUMMARY

- 1.1 This report informs Members of the outcome of the recent ballot for a representative from the non district council employers on the Pension Committee.

2. BACKGROUND

- 2.1 Having come to the end of her four year term of office as the representative from the non district council employers on the Committee Mrs Jayne Brown of Liverpool John Moores University relinquished the role after the 23 March 2010 meeting of the Pensions Committee.
- 2.2 Nominations for this vacancy were sought from the non district council employers in the Pension Fund in May 2010 and two nominations were received as shown in the table below:

Nominated Person	Employing Organisation
Mr Michael Jones Partnership Director	Arvato Government Services (Sefton)
Mr Patrick McCarthy Deputy Chief Executive	Wirral Partnership Homes

- 2.3 Details of the two nominations received and a ballot paper were circulated by post to the non district council employers at the end of June 2010 to be returned by Noon on 19 July 2010 with each employer within the Pension Fund other than the five district councils having one vote.
- 2.4 The candidate with the most votes was Mr Patrick McCarthy of Wirral Partnership Homes and he was duly elected to the Pensions Committee to serve for a term of four years.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications

4. STAFFING IMPLICATIONS

4.1 There are no staffing implications.

5. EQUAL OPPORTUNITY/ EQUALITY IMPACT ASSESSMENT

5.1 There are no equal opportunity implications or equality impact assessment requirements.

6. HEALTH IMPACT ASSESSMENT

6.1 There are no health implications

7. HUMAN RIGHTS IMPLICATIONS

7.1 There are no human rights implications.

8. COMMUNITY SAFETY IMPLICATIONS

8.1 There are no community safety implications.

9. LOCAL MEMBER SUPPORT IMPLICATIONS

9.1 There are no Member support implications.

10. LOCAL AGENDA 21 IMPLICATIONS

10.1 There are no agenda 21 implications.

11. PLANNING IMPLICATIONS

11.1 There are no planning implications.

12. BACKGROUND PAPERS

12.1 No background papers were used in producing this report.

13. RECOMMENDATION

13.1. That Members note the election of Mr Patrick McCarthy as the representative of the non district council employers to the Pensions Committee.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/160/2010

WIRRAL COUNCIL

PENSIONS COMMITTEE

27 SEPTEMBER 2010

REPORT OF THE DIRECTOR OF FINANCE

LGPS REFORM UPDATE

1. EXECUTIVE SUMMARY

- 1.1. This report informs Members of recent developments following the introduction of the revised LGPS on 1 April 2008 by the Department for Communities and Local Government (DCLG).
- 1.2. The Pensions Committee last considered legislative developments affecting the LGPS regulations on 28 June 2010 (Minute 128 refers).

2. LETTER FROM DCLG DATED 4 JUNE 2010

- 2.1. Terry Crossley the Head of the Pensions Division within the DCLG wrote to the Local Government Employers Organisation (LGE) with replies to a number of matters raised over the last year including the following:

a. **Deferred benefits v Refund of contributions.**

In response to requests from a number of Pension Funds including Merseyside, the LGE had asked the DCLG to amend the regulations to move back to a two year minimum vesting period for benefits in line with the LGPS in Scotland and most other public sector schemes instead of the three months period introduced for the LGPS in England and Wales on 1 April 2004.

The reply from DCLG is that they prefer to retain the three month vesting period until future pension policy becomes clearer.

b. **Salary Sacrifice**

In response to requests from a number of employers LGE had requested clarification of whether the increased flexibility of expanded salary sacrifice arrangements in local government was permissible and if so with what impact in terms of contributions and benefits payable under the LGPS Regulations.

The reply from DCLG is that it is too early in the life of the Coalition Government to be clear about this matter but that support for the potential loss of tax revenue was unlikely.

c. Cost of Flexible Retirement

The LGE had written to DCLG asking that consideration be given to consulting on a change to the LGPS Regulations which would make flexible retirement cost neutral for employers from a pension perspective, and permit scheme members to agree to have their benefits actuarially reduced where they are seeking agreement to voluntary retirement (or early release of a deferred benefit) prior to age 60.

The DCLG reply is that it would be sensible to await expected guidance to be issued shortly by the Government Actuary (GAD) on the matter and that employers need to give greater thought to the total business case for flexible retirement before considering further changes to the pension regulations.

3. LGPS (MISCELLANEOUS) REGULATIONS 2010

3.1. The above mentioned statutory instrument was laid in Parliament on 25 August 2010 to enact the draft provisions reported to Members at the last meeting of the Committee on 28 June 2010.

3.2. A significant number of changes have been introduced either correcting or amplifying regulations in order to make clear the original intention of the 2007 and 2008 Regulations. Provisions of particular note include the following:-

- Changes that deal with the new 3 tiers of ill health retirement and related regulations such as permitting a 3rd tier member to access their 'suspended' benefits before age 65 with an actuarial reduction, and some clarifications to improve the overall ill health framework;
- Scheme members' spouses and civil partners who are awarded a share of LGPS retirement benefits in their divorce settlement, are now permitted to receive such benefits from age 60, rather than age 65, provided that appropriate actuarial reductions are made;
- New rules about aggregating periods of membership when members are re-employed; and
- Changes enabling certain educational establishments to be treated as Scheme Employers in the Pension Fund - i.e. Academy Trusts and City Technology Colleges and dealing with the impact of the Academies Act 2010 to include new and converter academies;

3.3. In addition amendments have been made in response to requests made and issues which arose during the course of the consultation:-

- charging of pensions increases relative to 2008 LGPS membership;

- providing an administration process to enable better handling of pensions for Incapacitated Pensioners unable to manage their affairs.

4. THE EMERGENCY BUDGET – PENSIONS IMPLICATIONS

- 4.1. On 22 June, 2010 the Chancellor of the Exchequer presented the Emergency Budget to the House of Commons. The key points from the Emergency Budget in respect of pensions are set out below.

(1) That Public service pensions including the LGPS are to increase in line with the Consumer Price Index (CPI) instead of the Retail Price Index (RPI).

“Indexation - The Government will use the CPI for the price indexation of benefits and tax credits from April 2011. The CPI provides a more appropriate measure of benefit and pension recipients’ inflation experiences than RPI, because it excludes the majority of housing costs faced by homeowners (low income households are subsidised separately through Housing Benefit, and the majority of pensioners own their home outright), and differences in calculation mean it may be considered a better representation of the way consumers change their consumption patterns in response to price changes.

This will also ensure consistency with the measure of inflation used by the Bank of England. This change will also apply to public service pensions through the statutory link to the indexation of the Second State Pension. The Government is also reviewing how the CPI can be used for the indexation of taxes and duties while protecting revenues.”

From April 2011 pensions in payment and deferred pensions will be increased by the Pensions Increase (Review) Order which will take account of the rise in the CPI.

The impact of this change will be to reduce the value of pension scheme liabilities which will be taken account of by the Actuary from the 2010 actuarial valuation and to reduce the value of pensions payable to scheme members in relation to future increases in RPI over time.

(2) Public sector pay will be frozen for two years unless the worker earns less than £21,000 per annum – this also has implications for LGPS funds’ future liabilities as future benefits payable will be lower than anticipated and the 31 March 2010 valuation will take this into account.

(3) The Government has created an independent commission, headed by John Hutton, to undertake a “fundamental, structural review of public service pensions” and consider the case for short-term savings by September 2010 in time for the Spending Review. (A separate report on this matter is to be considered by the Committee).

(4) That the link to increases in average earnings will be restored to increases in the Basic State Pension from April 2011. The increase in Basic State Pension will be the highest of the increase in average earnings, the increase in RPI and 2.5%.

(5) That the Government is going to review when the State Pension Age (SPA) will increase to age 66. This will under new proposals be no earlier than 2016 for men and 2020 for women.

(Under current legislation SPA will increase to 66 by 2026, to 67 by 2036 and to 68 by 2046).

(6) The Government is going to consult shortly on how quickly after April 2011 it will remove the default retirement age at which employers can normally require employees to retire.

(7) The Government is going to consult on the details of the removal of the requirement for individuals to buy annuities by age 75. (From 22 June 2010, individuals will have until age 77 to purchase an annuity).

(8) The Government announced that it wished to consider the reform of pensions tax relief as it had reservations about the approach adopted by the previous administration in the Finance Act 2010. The Government has been consulting with pension schemes, industry experts etc on an alternative way of recouping the £3 billion cost to HM Treasury.

At the moment, it is proposed to substantially reduce the annual allowance to somewhere in the range of £30,000 to £45,000. The anti-forestalling measures, however, will remain in place. The HM Treasury document; "Restricting Pensions Tax relief" provides further information.

A technical response on the consultation paper has been submitted and a copy of this is attached for information as an Appendix.

5. OTHER MATTERS

5.1. 31 March 2010 Actuarial Valuation

Discussions have been taking place with the Actuary on possible changes to be considered to the assumptions to be used to determine individual employer contribution rates. Consultation meetings are to be arranged with Scheme employers to consider any amendments necessary to the Funding Strategy Statement (FSS) to enable the Actuary to finalise work on the recommended new rates.

5.2 **Cost Sharing**

Regulation 36A (future costs) has been amended to confirm that the assumptions used in carrying out a valuation of future costs to be shared shall be determined by the Secretary of State after consultation with the Government Actuary and such other persons that appear to him to be desirable.

5.3 **Future of the Scheme**

Further consideration by the Policy Review Group of possible changes to the Scheme regulations can now realistically only be considered once Lord Hutton has reported on his review of public sector pensions and DCLG has decided in the light of that report what reforms, if any, should be made to the Scheme.

6. **FINANCIAL IMPLICATIONS**

6.1 The decision to change the future indexation of benefits from the Retail Price Index (RPI) to the Consumer Price Index (CPI) is expected to reduce scheme liabilities and the future level of benefits payable to scheme members.

6.2 The impact of pay restrictions for many scheme members is also expected to result in a long term reduction in scheme liabilities and this together with the indexation change will be considered by the Actuary in completing the 31 March 2010 actuarial valuation and setting future employer contribution rates.

7. **STAFFING IMPLICATIONS**

7.1. There are none directly arising from this report.

8. **EQUAL OPPORTUNITY /EQUALITY IMPACT ASSESSMENT**

8.1. There are none arising from this report.

9. **COMMUNITY SAFETY IMPLICATIONS**

9.1. There are none arising from this report.

10. **HUMAN RIGHTS IMPLICATIONS**

10.1. There are none arising from this report.

11. **LOCAL AGENDA 21 IMPLICATIONS**

11.1. There are none arising from this report.

12. PLANNING IMPLICATIONS

12.1. There are none arising from this report.

13. MEMBER SUPPORT IMPLICATIONS

13.1. There are none arising from this report.

14. BACKGROUND PAPERS

14.1. DCLG letters dated 4 June 2010 and 25 August 2010.

13. RECOMMENDATION

13.1 That Members note the report.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/158/2010

Pensions Tax Relief
Room 2/E2, HM Treasury
1 Horse Guards Road,
London,
SW1A 2HQ

Our Ref: PS/PM

Your Ref:

Direct Line: 0151 242 1390

Please ask for: Peter Mawdsley

Date: 26 August 2010

Dear Sirs,

**RESTRICTION OF PENSIONS TAX RELIEF: CONSULTATION ON
ALTERNATIVE APPROACH**

I refer to the above mentioned discussion document dated July 2010 and am responding to the invitation for comments on behalf of Wirral Council in its capacity as the Administering Authority of the Merseyside Pension Fund.

Wirral Council is responsible for the administration of the Merseyside Pension Fund which is part of the Local Government Pension Scheme (LGPS). The Merseyside Pension Fund deals with the LGPS pension administration and investments on behalf of the 5 Merseyside District Councils, and over 100 other employers on Merseyside and elsewhere throughout the UK.

The Fund has over 50,000 active contributing members, 41,359 pensioners and just over 34,000 deferred pensioners. It is responsible for the investment and accounting for a pension fund of £4.5 billion. The LGPS is a defined benefit, final salary public sector occupational scheme.

Whilst the Fund welcomes the Government's acceptance that the measures currently due to come into force next April to limit tax relief on pensions contributions have serious technical flaws and will result in unacceptable and inequitable tax charges for some high earners, it is nevertheless concerned that any alternative system does not introduce other equally undesirable consequences and difficulties, for much larger numbers of members of defined benefit schemes, their employers and those running the Funds.

After a prolonged period of discussion with experts within the pensions industry the previous Administration introduced the current simplified tax regime for pensions from 6 April 2006 (A day), including the concepts of the Annual and the Lifetime Allowance which were set at what was agreed to be maximum reasonable levels for an individual to make pension provision with tax relief over a working life.

One of the stated aims of successive Government's has been to encourage people to save towards adequate financial provision for their retirements with the benefit of the incentive of tax relief on pension contributions in the knowledge that this would reduce the amount of means tested State welfare benefits payable in the long term.

The Fund is concerned that the potential for increased complexity, confusion, compliance costs, and perceived unfairness in the latest proposals for changes to the system of calculating tax relief will only further undermine support for pensions savings from employees and employers as a whole, leading to less pensions saving and as a result increased future costs in terms of State welfare provision.

The Fund is therefore particularly concerned that any new system of tax relief takes account of the characteristics of defined benefit schemes like the LGPS and would ask you to properly consider whether using age related factors to convert defined benefit accrual into an equivalent "contribution" which would treat all employees fairly may be better than the use of flat rate factors.

The Fund would support the view that the Annual Allowance charge should be calculated on current accrual only and should not be applied retrospectively.

The Fund's actuary has suggested that under the latest proposals employees on incomes just above the higher rate tax threshold could inadvertently become liable for tax charges greater than the amount of pension they have accrued. The proposals would also appear to risk encouraging the current generation of senior management to drop out of pension provision, undermining enthusiasm for the whole pensions saving regime.

In its submission dated 23 August 2010 the Head of Pensions of the Local Government Employers Organisation (LGE) has illustrated a number of significant difficulties with the impact that the latest proposals would have on large numbers of members of defined benefits schemes such as the LGPS and the administrators of these schemes, these include:

- The fact that the statement made that "the approach of restricting tax relief through existing allowances would affect the highest pension savers" is not true in relation to members of defined Benefit Schemes as a result of the method of valuing benefit accrual in such schemes as the LGPS.
- Concerns about the ability of the new proposals to ensure fairness of treatment between members of defined benefit and defined contribution schemes a problem which the Fund does not believe has been resolved.

- Problems of potential indirect age discrimination in a defined benefit scheme because older employees are more likely to have longer periods of pensionable membership they are more likely to suffer a tax charge than younger employees as illustrated in the examples set out in the LGE response.
- Problems of potential indirect sex discrimination in a defined benefit scheme because significantly more women than men work part time, therefore proportionately more men than women are likely to become subject to a tax charge (See example in LGE response).

The Fund does not support the change proposed to apply the revised annual check in the year of retirement and in particular believes that all ill health retirements should continue to be exempt from such checks.

Alternative Approaches for consideration to delivering savings

If the Government believes that reductions in the value of tax relief which are currently allowed under the existing system are necessary the Fund would suggest that consideration be given to reintroduction of a mandatory maximum pensions earnings cap for future benefits accrual.

Prior to 6 April 2006 there was a maximum permitted pay to be used for calculation of tax approved pension benefits and on which contributions and tax relief could be calculated (Section 590C of the Income and Corporation Taxes Act 1988). If such an earnings cap was reintroduced, coupled with a maximum contribution limit (calculated as a specified percentage of the earnings cap figure) the required cost savings could be delivered much more simply and cheaply in terms of administration. Restricting the pay eligible for tax relief in the first instance would eliminate the need for complex annual calculations, monitoring and compliance and individuals being faced with unexpected tax charges after the event.

Alternatively it could be argued that another simpler and more equitable way of delivering the policy objective of cost savings would be to limit tax relief on employee contributions to basic rate (20%) for all employees either on all pay or on an annual maximum amount related to the current or revised annual and lifetime allowances.

With the planned timescales for change being April 2011 as set out in the discussion document, the timescales for consultation or even communication of the outcomes with scheme employers and members and changes to computer systems and literature would appear virtually impossible.

If you require any further information or assistance please do not hesitate to contact me.

Yours sincerely

Deputy Head of Pension Fund

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WIRRAL COUNCIL

PENSIONS COMMITTEE

27 SEPTEMBER 2010

REPORT OF THE DIRECTOR OF FINANCE

KNOWLEDGE & SKILLS FRAMEWORK

1. EXECUTIVE SUMMARY

- 1.1 This paper informs Members of progress made in implementing the requirements of the Knowledge & Skills Framework (the Framework), the availability of an assessment tool developed by the CIPFA Pensions Network and a request that a training needs analysis be undertaken by all Members.

2. BACKGROUND

- 2.1 On 23 March 2010 Pensions Committee accepted CIPFA advice that it would represent good practice for the Committee to demonstrate that it is actively managing the development of Members and agreed to adopt the Framework to achieve this end.
- 2.2 In July 2010, the CIPFA Pensions Network announced the availability of a web-based knowledge and skills self-assessment tool (K&SF tool) linked to a repository of knowledge sources.

3. PROPOSALS

- 3.1 MPF intends to adopt the K&SF tool as a part of officer development. The tool will also be available to Members. It is suggested that it is used by all Members to undertake a training needs analysis. This self-assessment will enable Members to plan their development and measure progress. Members can continue to avail themselves of events provided in the annual training programme to achieve their objectives. However, for those Members' unable to attend training and other events, it is hoped that the availability of on-line training modules will provide an accessible and convenient method of development.

4. FINANCIAL AND STAFFING IMPLICATIONS

- 4.1 The Framework tool costs £1900 p.a. and provides access for an unlimited number of users.

5. EQUAL OPPORTUNITY IMPLICATIONS/HEALTH IMPACT ASSESSMENT/EQUALITIES IMPACT ASSESSMENT

- 5.1. There are none arising from this report.

6. COMMUNITY SAFETY IMPLICATIONS

6.1. There are none arising from this report.

7. LOCAL MEMBER SUPPORT IMPLICATIONS

7.1. This report has no particular implications for any Members or wards.

8. LOCAL AGENDA 21 IMPLICATIONS

8.1. There are none arising from this report.

9. PLANNING IMPLICATIONS

9.1. There are none arising from this report.

10. BACKGROUND PAPERS

10.1 CIPFA: Knowledge and Skills Framework. Technical guidance for elected representatives and non-executives in the public sector.

11. RECOMMENDATION

11.1 That Members undertake a training needs self-assessment in order to assist in planning training and development needs.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/164/10

WIRRAL COUNCIL

PENSIONS COMMITTEE

27 SEPTEMBER 2010

REPORT OF THE DIRECTOR OF FINANCE

LGPS TRUSTEE TRAINING 'FUNDAMENTALS'

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide Members with details of the 2010 'Fundamentals' training course.

2. BACKGROUND

- 2.1 The Statement of Investment Principles emphasises the importance of Member training as a crucial underpinning to effective decision-making and governance. The annual training programme seeks to deliver this training to Members through a series of training events and access to a bespoke LGPS training course.
- 2.2 The Local Government Pensions Committee (LGPC) has provided the Fundamentals course since 2002. LGPC aims to provide training to Elected Members (and co-optees) that covers all aspects of the LGPS, including the benefits, governance and investments dimensions of the Scheme. It is recommended that new Members of the Pensions Committee attend this course, but it is also designed to provide refresher training for longer serving Members.
- 2.3 The Pensions Committee has approved the adoption of the CIPFA Knowledge & Skills Framework for the LGPS. This will provide a benchmarking and reporting apparatus for both self-assessment and for providing broader assurance that decision-makers at all levels of the governance structure are suitably competent to perform their roles. It is considered that completion of the 'Fundamentals' course would be compatible with meeting the standards set for Elected Members in the CIPFA Knowledge & Skills Framework

3. COURSE DETAILS

- 3.1. The full course is of three days duration, spread over October to December 2010. The course is delivered at three locations as follows:

Leeds	Day 1	14 October
	Day 2	11 November
	Day 3	02 December
Cardiff	Day 1	19 October
	Day 2	16 November
	Day 3	14 December
London	Day 1	20 October
	Day 2	09 November
	Day 3	07 December

The course content is identical for each of the days at each of the locations. Therefore, it is possible for participants to select the dates and locations that are the most convenient.

- 3.2 The outline programme is given in the appendix to this report. There is some flexibility built in to the programme to allow any major developments in the LGPS to be covered. Each of the topics covered is presented by experienced practitioners from the LGPS and the wider investment industry. In brief, Day 1 covers the benefits and investment frameworks of the LGPS and provides an overview of traditional asset classes and basic investment concepts. Day 2 looks at actuarial valuations and funding strategies, corporate governance, communications strategies and more complex investment concepts and strategies. Day 3 focuses on scheme governance and the role of Elected Members, the selection of investment managers and discusses the future of the LGPS.
- 3.3 The delegate rate for each session, inclusive of lunch, refreshments and all delegate materials is £210 plus VAT, making the cost of the three-day course £630 plus VAT. These costs will be met from the provision for training expenses included in the budget. Travel and overnight accommodation costs will also be met. Early booking is essential as places are limited.
- 3.4 Wirral Councillors are reminded that before attending this course, they should complete and return the new training request and monitoring form. This form is included as an appendix to this report.

4. FINANCIAL AND STAFFING IMPLICATIONS

- 4.1 All training related costs can be met from the existing budget.

5. EQUAL OPPORTUNITY IMPLICATIONS

5.1. There are none arising from this report.

6. COMMUNITY SAFETY IMPLICATIONS

6.1. There are none arising from this report.

7. LOCAL MEMBER SUPPORT IMPLICATIONS

7.1. This report has no particular implications for any Members or wards.

8. LOCAL AGENDA 21 IMPLICATIONS

8.1. There are none arising from this report.

9. PLANNING IMPLICATIONS

9.1. There are none arising from this report.

10. BACKGROUND PAPERS

10.1. There were none used in the preparation of this report.

11. RECOMMENDATION

11.1. That attendance at the LGPS Fundamentals 2010 course be approved for any Member who believes they would benefit from it.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/168/10

Fundamentals 2010 – Day 1

- 9.30 Registration and Coffee**
- 9.50 Introduction to the Programme**
- 10.0 The Benefits Framework ‘Past and Present’**
- The changing LGPS 1922 – 1997; how the scheme developed over the years
 - Interaction with State provision; the impact of National Insurance, SERPS and S2P
 - The 2008 Scheme – a core scheme plus discretions; a look at the comprehensive benefit structure of the scheme
- 11.00 Coffee Break**
- 11.15 The Benefits Framework ‘Past and Present’ Continued**
- Differences in the 2009 Scheme in Scotland
 - Administering Authority and Employing Authority Discretions – how many are there and who is responsible for them
 - Pensions for Councillors
- 11.45 The Investment Framework**
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 – the statutory framework for investments
 - CIPFA Principles – a look at the six investment principles
 - Statement of Investment Principles
 - Interaction with the Funding Strategy Statement
- 12.30 Lunch**
- 1.30 to 4.00 (Break at 2.45)**
- BACK TO BASICS – Traditional Asset Classes**
An explanation of:
- UK Equities, Overseas Equities
 - UK Gilts, UK Index-Linked Gilts
 - Corporate Bonds, Property
- Including a look at :
- Why invest in Fixed Income and Equity Markets?
 - Long term investment performance of Equities and Fixed Income
 - Benchmarks used
 - Cashflows
 - The Bond Market
 - Return / Risk Profiles
- 4.00 Close**

Fundamentals 2010 – Day 2

- 9.30 **Registration and Coffee**
- 9.45 **Valuations**
- How are valuations done? What assumptions are used?
 - What are the inputs and outputs?
 - What things can affect the results?
- Funding Strategy Statements**
- The requirements
 - Funding targets
 - Smoothing including Amortization periods and Stepping
 - Constructing and Monitoring the Statement
- 11.15 **Break**
- 11.30 **Corporate Governance**
- Approach to Corporate Governance
 - Voting, Activism and Engagement
 - Institutional Shareholders Committee principles
 - Socially Responsible Investment
- 12.30 **Lunch**
- 1.30 **Communication Strategies/Policies**
- Policy Statement Requirements
 - LGPS – valuable part of employment package
 - Purpose and effect – Changes and Choices
 - Vehicle for satisfying disclosure
 - A look at some good practice initiatives
- 2.00 to 4.00 **(Break at 2.45)**
- BACK TO BASICS 2 – Established Alternative Investments**
- An explanation of:
- Private Equity, Commodities, Hedge Funds
 - Emerging Markets, Currency Funds, High Yield Bonds and Overlays
- Including a look at:
- The market evolution of Alpha and Beta
 - Private Equity sectors
 - Commodities – what do they cover and why include them in a portfolio?
 - The Hedge Fund universe
 - The background to Emerging Markets
 - The value of Currency Funds and Currency Overlays
 - How High Yield Bonds fit into the Bond market
- 4.00 **Close**

Fundamentals 2010 – Day 3

- 9.30 **Registration and Coffee**
- 9.45 **Duties and Responsibilities of Committee Members**
- The LGPS in its legal context
 - General local authority legal issues
 - LGPS specific duties and responsibilities
 - Wider duties and responsibilities
 - What happens when things go wrong?
- 11.15 **Break**
- 11.30 **The Future for the LGPS?**
- 3 serious questions:
 - Is the Scheme affordable?
 - Is it sustainable?
 - Can and should it survive?
 - Cap and Share Mechanism
 - 2011 and beyond.....
- 12.30 **Lunch**
- 1.30 **Managers and Manager Selection**
- Selecting the right manager
 - Managing manager relationships
 - What to ask for in a manager?
 - Manager de-selection
- 2.00 to 4.00 **(Break at 2.45)**
- BACK TO BASICS 3 – Bringing it all together**
- The evolution of LGPS benchmarks
 - Portfolios and Portfolio Construction
 - Portfolio Concepts
 - Combining Assets in your Portfolio
 - Risks and Efficient Frontiers
 - Standard Deviation
 - Correlation
 - Diversification
 - Three things to remember!!!
- 3.55 **Course Review and Further Information**
- 4.00 **Close**

Elected Member Training Pro-Forma

SECTION ONE – To be completed in full by the Elected Member	
Name	
Contact No.	
Title of event	
Event dates	
Venue or location	
Duration of event	
Total cost	
<p>Please tick one the following to indicate which budget will be paying for the event</p> <p>Request made by an individual (Members Training Budget) <input type="checkbox"/></p> <p>Request made by a Committee (Please state which Committee) <input type="checkbox"/></p>	
<p>The completion of this form does not guarantee that we will be able to support your request*. Please attach any relevant information in support of your request. Contact the Elected Member Development Officer if you are unsure of what information is required.</p>	
How was this training need identified?	
What alternatives are available for learning in this area?	
Please list below other training you have received in the last 12 months. Please state if any of these events are related to the event that you are requesting to attend.	
Please explain why you want to attend this event. What specific skills or knowledge are you expecting to improve as a result of your attendance? i.e what are your learning objectives.	

How does your attendance to the event contribute to Wirral's priorities?	
How are you going to transfer what you have learnt at the event to your role as an Elected Member?	
<p>Your commitment</p> <ul style="list-style-type: none"> ▪ To complete any pre-course work or reading prior to the event. ▪ To participate fully during the course and attend the session(s) in full. ▪ To disseminate information obtained at the event to other interested parties if appropriate. ▪ To participate in a post event evaluation report with the Elected Member Development Officer ready for review with Member Training Steering Group. 	
<p>*Call In</p> <p>All requests for training are subject to the requirements under Call In deadlines. To ensure we are able to meet these deadlines we will require a minimum of 1 months notice prior to the start of the event. For those requests where these deadlines will not be met, an explanation must be provided regarding the reasons for the late application. Consideration may be given for such requests subject to the explanation given.</p>	
Elected Member's Signature:	Date:
SECTION TWO	
Supported by Member Training Steering Group	Date:
Approval by Cabinet Member	Date:

SECTION THREE

Event booking made	Name:	Signature:	Date:
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Please return the completed form to Elected Member Development Officer: michellemarch@wirral.gov.uk

If you have any questions or need support with completing this form please speak to the Elected Member Development Officer – Michelle March 0151 691 8542 or to your Member Training Steering Group Member as follows:

Labour Group	Councillor Ann McLachlan	☎ 0151 630 1550	✉ annmclachlan@wirral.gov.uk
Conservative Group	Councillor Chris Blakeley	☎ 0151 677 9040	✉ chrisblakeley@wirral.gov.uk
Liberal Democrats Group	Councillor Tom Harney	☎ 0151 327 2416	✉ tomharney@wirral.gov.uk

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