

PENSIONS COMMITTEE

Monday, 23 January 2017

Present:

Councillor	P Doughty (Chair)	
Councillors	AR McLachlan	B Kenny
	G Davies	G Watt
	AER Jones	C Povall
	T Jones	P Cleary
	E Boulton (dep for Cllr T Anderson).	
	Mr P Cleary, Unison (Active Member)	

Apologies

Councillors	T Anderson
	J Fulham, St Helens Council
	P Lappin, Sefton Council
	T Byron, Knowsley Council

142 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked if they had any pecuniary or non-pecuniary interests in connection with any application on the agenda and, if so, to declare them and state the nature of the interest.

Mr P Cleary (Unison) declared a pecuniary interest by virtue of being a member of the Merseyside Pension Fund.

Councillor George Davies declared a pecuniary interest by virtue of his wife being a member of Merseyside Pension Fund.

Councillor Paul Doughty declared a pecuniary interest by virtue of his wife being a member of Merseyside Pension Fund.

Councillor Tony Jones declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund.

Councillor Geoffrey Watt declared a pecuniary interest by virtue of a relative being a member of Merseyside Pension Fund.

143 MINUTES

Resolved – That the accuracy of the Minutes of the Pensions Committee held on 15 November, 2016 be approved as a correct record.

144 **LGPS UPDATE**

A report of the Managing Director for Delivery provided Members with an update on a recent legal view as to the administering authority's regulatory requirements in respect of the LGPS under the Financial Services and Markets Act 2000 ("FSMA").

The report also provided an overview of the Chancellor's Autumn Statement in relation to pensions; along with a number of industry wide pension issues affecting the administration and funding of the LGPS.

Members were informed that on 28 November, 2016 HM Treasury had commenced a consultation that had proposed options for the indexation of GMP elements for members of public service pension schemes who would reach SPA on and after 6 December 2018.

The consultation document could be accessed from the following link: -

<https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes>

The consultation period would end on 20 February 2017 and Yvonne Caddock, Principal Pension Officer, informed the Committee that she would share the Fund's response with the Chair prior to submission and keep Members informed of the outcome.

Resolved – That;

- 1. the report be noted.**
- 2. the officers involved be thanked for their hard work.**

145 **POOLING UPDATE**

Members gave consideration to a report of the Managing Director for Delivery that provided an update on pooling arrangements relating to MPF and the Northern Pool.

At Pensions Committee on 15 November, Members had been advised that the Minister for Local Government wished to meet representatives of each pool separately over the next month or so to respond to their final proposals and to set out his expectations for the rest of the programme. A meeting between the Minister and the Northern Pool had taken place on 19 December at which the Chair and Director of Pensions were present. A formal response from DCLG, following the meeting, was awaited. It was reported that since November's report, MPF had completed its due diligence and had formally joined the GLIL infrastructure LLP. Members were informed that the Fund's officers continued to work with pooling partners, particularly in relation to collaboration on Alternative investments.

Peter Wallach, Director of Pensions informed the Committee that Pooling would result in fundamental changes to oversight and management of LGPS assets. It was therefore essential that appropriate governance arrangements were put in place to ensure that Pensions Committee could exercise its responsibilities in accordance with the Council's constitution.

A formal response from the Minister had been received on 11 January and it was proposed to hold a workshop on 23 March 2017 to discuss in detail the implications of Pooling. This would be held in Tameside, Greater Manchester and the Chair of the Committee indicated that this would be an opportunity for Members to be involved and all Members were welcome to attend.

Resolved – That;

- 1. the report be noted.**
- 2. officers be thanked for a positive report.**

146 **PENSION FUND BUDGET**

A report of the Managing Director for Delivery requested that Members approve the budget for the financial year 2017/18.

It was reported that the headline figures were that during the financial year 2017/18, it was estimated that MPF would pay £283m in pensions and receive £286m in contributions from employers and employees. The Fund had a value of £7.7bn at 30 September 2016. The proposed administration costs of £21.0m including £14.1m of investment management charges to external managers represented a cost of £160.29 per member of the scheme or £0.27% of assets under management. Taken separately the external investment management costs were approximately £107.80 per member or 0.18% of assets under management.

The budget for 2017/18 was higher at £21.0m to £19.2m in 2016/17 primarily due to higher external investment management fees.

The budget for 2017/18 was attached as appendix 1 to the report.

Resolved – That;

- 1. Members the budget for 2017/18 be approved. (Subject to review of charges from the administering authority for support services and changes in recharges for pension deficit recovery)**
- 2. a further report on the outturn for 2016/17 with finalised estimates in particular for salary overheads and departmental & central support charges for 2017/18 be presented to Pensions Committee Members in June.**

147 **MIFID CONSULTATION**

Members considered a report of the Managing Director that provided members with background information on MIFID II, a European Union Directive that regulated firms who provide services to clients such as the LGPS with a range of financial instruments such as shares, bonds, and units in collective investment schemes which was currently the subject of a consultation exercise.

It was reported that a major and contentious element in the proposals for MIFID II was the reclassification of local authorities as “retail investors” which would fundamentally change the way in which local authority pension funds conduct investment business with their counterparties in relation to all asset classes.

Members were informed that the changes were currently set to take effect from 3 January 2018, with the new legislation being known as MiFID II - this included a revised MiFID and a new Market in Financial Instruments Regulation (MiFIR).

It was reported that the implementation would allow local authorities to opt up to professional status, and it was likely that the vast majority of local authorities, and certainly all pension funds, would want to do this. However, as outlined in the appendix, the tests proposed by the FCA to enable opt up were so difficult that they would prevent many, if not all, local authorities from opting up.

The Committee was informed that the FCA was consulting on the implementation of the directive, not on the directive itself. A letter of the Director of Pensions ‘Markets in Financial Instruments Directive (MIFID II) Implementation –Consultation Paper III Director of Pensions 21 December 2016’ was included as an appendix to the report. The Chair of the Committee indicated that the implications of MIFID had been discussed at LAPFF and a presentation would be made to the Government Minister.

Resolved – That the Committee notes it has been informed of the potential implications of MIFID II and the ongoing consultation process.

148 **PROCUREMENT OF PENSIONS ADMINISTRATION SYSTEM**

A report of the Managing Director of Delivery informed the Pensions Committee of the procurement of a pension administration system under delegated authority by the Director of Pensions.

The procurement for a Pension Administration and Pensioner Payroll system had last been awarded as a five year contract from 1 January 2010 to 31 December 2014. The contract had been awarded to Heywood.

In September 2012, the Fund had exercised the option to extend the contract for a further two years, from December 2014 to 31 December 2016.

It was reported that Northumberland County Council (NCC) had established a framework agreement as part of a major procurement exercise that had been completed according to EU and other procurement legislation. One company had responded to the tender following a successful evaluation and NCC had appointed Heywood as the single supplier.

Fund officers had worked with legal and corporate procurement colleagues in ensuring the suitability of the NCC framework agreement.

An options appraisal had been carried out by Fund officers and Corporate Procurement to ensure value for money and other considerations in identifying the NCC framework agreement as the most appropriate route to market.

Members were informed that commercial arrangements had been confirmed with Heywood for the period 1 January 2017 to 31 December 2021.

The call-off contract under the framework agreement had been mutually agreed and sealed/signed on 19 December 2016.

Resolved – That the procurement of the Heywood Altair System for a period of five years, via a call-off contract from the Northumberland County Council Framework Agreement, in accordance with EU and other procurement legislation be noted.

149 **MEMBER DEVELOPMENT PROGRAMME**

A report of the Managing Director of Delivery provided Members with an outline of the proposed programme for member development in 2017.

The outline training programme was attached as an appendix to the report. It comprised of a series of internal and external training events throughout the year. The Director of Pensions noted that the heading should read 2017 and not 2016 as should the recommendation to the report.

Resolved – That the proposed training and development plan for 2017 be noted and approved.

150 **TREASURY MANAGEMENT STRATEGY**

A report of the Managing Director for Delivery requested that Members approve the treasury management policy statement and the treasury management practices and annual plan for Merseyside Pension Fund (MPF) for the year 2017/18.

Members were informed that the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services required the Pensions Committee to receive an annual report on the strategy and plan to be pursued in the coming year. The plan and strategy had last been approved by the Pensions Committee on 25 January 2016.

It was reported that the Fund's cash flows for dealings with members had moved negative with outflows to pensioners more than income from contributions. In an environment where a significant proportion of investment income was directly re-invested, the levels of liquid resources held needed to be adequate and daily cashflows and regular reporting was essential.

The policy statement was attached as Appendix 1 to the report. There were no changes to the policy followed for 2016/17.

Resolved – That the treasury management policy statement and the treasury management annual plan and strategy for Merseyside Pension Fund for the financial year 2017/18 be approved.

151 LGC INVESTMENT SEMINAR

Members gave consideration to a report of the Managing Director for Delivery that requested nominations for members to attend the Local Government Chronicle (LGC) Investment Conference, to be held in Chester from 2 to 3 March 2017. The conference would be themed "2017: Implementing the changes".

It was reported that 2017 would be a year of fundamental change for all the LGPS funds. During the year all funds would decide how much of their funds will be pooled and most, if not all, would have begun to pool. Alongside this funds would be deciding how the pools should be organised and governed.

At the same time, funds would also have looked at the results of their 2016 Valuation and these results, together with an updated view about the prospective returns on investments in light of economic forecasts and political change, were likely to dictate changes in strategic asset allocations.

The 2017 LGC Investment Seminar would bring together a line-up of expert speakers to provide the latest thinking and information on how these changes could best be implemented.

The draft agenda was attached at appendix 1 of the report.

Resolved That;

- 1. attendance at the conference by Members be approved.**

2. **Members wishing to attend the conference notify the Director of Pensions to enable the necessary registration and administration to be undertaken.**

152 **IMWP MINUTES 24/11/2016**

A report of the Managing Director for delivery provided Members with the minutes of the Investment Monitoring Working Party held on 24 November 2016.

The appendix to the report contains exempt information. This was 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).

Resolved – That the report be noted.

153 **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

Resolved – That in accordance with section 100 (A) 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 it involved the likely disclosure of exempt information as defined by relevant paragraphs of Part 1 of Schedule 12A (as amended) to that Act. The public interest test had been applied and favoured exclusion.

154 **IMWP MINUTES 24/11/2016 EXEMPT APPENDIX**

The appendix to the report on IMWP Minutes 24/11/2016 was exempt by virtue of paragraph 3.

155 **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR**