

LOCAL PENSIONS BOARD

Wednesday, 27 March 2019

Present:

J Raisin (Chair)

G Broadhead

R Irvine

M Hornby

P Maloney

D Ridland

L Robinson

P Wiggins

41 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked to declare any disclosable pecuniary and non-pecuniary interests in connection with any item(s) on the agenda and state the nature of the interest.

No such declarations were made.

42 MINUTES

Resolved – That the accuracy of the Minutes of the Local Pension Board held on 16 October, 2018 be approved as a correct record.

43 AUDIT PLAN

Donna Smith, Head of Finance, presented the External Audit Plan prepared by Grant Thornton for the year ending 31 March 2019 and responded to Members questions. The Audit Plan had been presented to the Audit and Risk Management Committee, 11 March, 2019 and the Pensions Committee, 25 March, 2019.

Resolved – That the External Audit Plan Year ended 31 March 2019 be noted.

44 LGPS UPDATE

Yvonne Caddock, Head of Pensions Administration, presented the Local Pensions Board with an update on the LGPS and responded to Members questions. The appendices to the report provided Members with copies of updates taken to the Pensions Committee on 29 October, 2018, 21 January, 2019 and 25 March, 2019. It was noted that there was a typographical error in the update taken to the 25 March, 2019 Pensions Committee - paragraph 2.2 bullet point 6 that should read £12,851 and not £12,501 as stated in the report. Yvonne Caddock also explained the implications of the 'McCloud

Case' as the Government had recently lost a case in the Court of Appeal which would have a direct bearing on the cost of all public sector pension schemes. HMT and SAB had consequently 'paused' the cost management mechanism and withdrawn the proposals to amend scheme provisions. Members were informed that the appeal case known as the 'McCloud Case' concerned the transitional protections given to members of the judges' and firefighter pension schemes who in 2012 were within 10 years of their normal retirement age. On 20 December 2018, the Court of Appeal had found that these protections were unlawful on the grounds of age discrimination and could not be justified. The Government had applied to the Supreme Court for permission to appeal the decision and it was expected that the Court would provide notice whether to grant the application by mid-April 2019. If the protections were deemed to be unlawful, those members who had been discriminated against would need to be offered appropriate remedies to ensure they were placed in an equivalent position to the protected members. It was noted that such remedies would need to be 'upwards' - that is the benefits of unprotected members would need to be raised rather than the benefits of protected members being reduced. Protections were applied to all members within 10 years of retirement in all public service schemes, with the form of protection varying from scheme to scheme. Despite the case only applying to the judges' and firefighter schemes it was anticipated that the outcome would apply to all public service schemes.

Yvonne Caddock informed Members that in light of the uncertainty of the outcome of the case, the SAB was consulting on the approach to be taken for the 2019 Actuarial Valuations. Although it was clear that there would be increased costs emerging either by virtue of the cost capping mechanism or outcome of the McCloud case, it was unknown how these costs would impact on individual employers because of individual member profiles. It was therefore likely that the 2019 Valuation would need to proceed based on current known costs. As such it would be necessary for administering authorities to document within their Funding Strategy Statement scope to revisit employer contributions, in order to deal with the emergent increase in costs following the outcome of the McCloud judgement.

Resolved - That the report be noted.

45 **PENSION FUND BUDGET**

Members gave consideration to a report of the Director of Pensions that provided Board members with a copy of the pension fund budget report recently approved by Pensions Committee. Donna Smith, Head of Finance, outlined the report and responded to Members questions. The budget for 2019/20 was attached as appendix 1 to the report.

Resolved – That the report be noted.

46 **MEMBER DEVELOPMENT PROGRAMME**

A report of the Director of Pensions provided Board members with a copy of the development programme for Pension Committee members. A number of these opportunities were also available to Board members. The Development Programme for 2019 was attached at Appendix 1 to the report. The Chair commented that he would commend the training events to all Members as well as observing at IMWP and GRWP meetings. The Director of Pensions confirmed that all Members had completed the online training provided by The Pensions Regulator (TPR) and commented that suitable training suggestions from Members would be welcomed. A Member suggested inviting a relevant guest speaker to the Pension Board to talk about their area of interest – either following or prior to Board meetings. The Director of Pensions indicated that he would be happy to look into this on behalf of Board Members.

Resolved – That the report be noted.

47 **FAIR DEAL CONSULTATION**

Members gave consideration to a report of the Director of Pensions that covered the consultation issued by the Ministry of Housing, Communities & Local Government (MHCLG) on 'New Fair Deal'. The consultation related to the introduction of greater pensions protection for employees of LGPS employers who were compulsorily transferred to service providers.

The consultation had been issued on 10 January 2019 with a request for consultation responses to be submitted by 4 April 2019. A draft response was attached as an appendix to the report. The response had been considered by Pensions Committee on 25 March 2018 and officers had been given approval for submission to MHCLG. The draft response had also been shared with the Independent Chair of the Pension Board for his review and comment.

Resolved – That the consultation document and the attached formal response be noted.

48 **TREASURY MANAGEMENT STRATEGY**

A report of the Director of Pensions provided Board members with a copy of the Treasury Management Policy recently taken to Pensions Committee. The Treasury Management Policy Statement 2019/20 was attached as an appendix to the report. The annual approval of the treasury management policy statement and the treasury management annual plan and strategy for Merseyside Pension Fund by Pensions Committee formed part of the governance arrangements of Merseyside Pension Fund. Donna Smith, Head of Pensions presented the report and responded to Members questions.

Resolved – That the report be noted.

49 **LIABILITY RISK MANAGEMENT**

A report of the Director of Pensions provided Board members with a copy of a recent report to Pensions Committee on this subject. The report provided the Board with information on the development of risk reduction strategies for the Fund. The appendix to the report contained 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.

50 **POOLING UPDATE**

Members gave consideration to a report of the Director of Pensions that provided Board members with a copy of recent reports to Pensions Committee on this subject.

The appendix to the report contained 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).

Following discussion it was;

Resolved – That;

(i) The Local Pension Board of Merseyside LGPS Fund supports the principle of asset pooling.

(ii) The Local Pension Board, however, believes it is both unnecessarily prescriptive and a clear and unjustifiable waste of money for the MHCLG to insist the Northern LGPS establish an FCA regulated company at a cost of several million pounds per annum. This would, we believe, constitute a misuse by MHCLG of money contributed to the LGPS by both the individual members and employers within the LGPS.

(iii) The Local Pension Board urges the MHCLG to undertake meaningful discussions with the Merseyside, Greater Manchester and West Yorkshire LGPS funds, ahead of finalising the Statutory Guidance on asset pooling, to reach an acceptable solution to the issue of appointing, monitoring and dismissal of investment managers, prior to the issuing of the final Statutory Guidance on asset pooling.

51 **WORKING PARTY MINUTES**

A report of the Director of Pensions provided Board members with copies of working party minutes since the previous Pension Board meeting.

The appendix to this report contained 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).

52 **VOTE OF THANKS - MIKE HORNBY**

On behalf of Members the Chair of the Committee offered a vote of thanks to Mike Hornby who was attending his last meeting of the Pension Board. The Chair commented that Mike had brought valuable knowledge to the Local Pension Board, thanked him for his contribution for the last 4 years and wished him well for the future.

53 **COUNCILLOR PAUL DOUGHTY**

Councillor Paul Doughty attended the meeting to speak about his role as Chair of the Pensions Committee and Chair of the Northern Pool. Councillor Doughty provided an oversight into his role as Chair of LAPFF and his engagement, on behalf of the Pension Fund, with companies including Sports Direct, Ryanair, Nestlé, BHP Billiton, Shell, Diageo and Santander. As he would not be standing for election in the forthcoming elections he commented that it had been a pleasure to represent Merseyside Pension Fund and speak to CEO's of these companies and highlighted that this presented a profile of MPF doing well on the National stage and also identified the need for engaging with other companies such as Amazon. Cllr Doughty thanked the Local Pension Board for their support with LAPFF and in turn the Chair of the Pension Board thanked Councillor Doughty for coming to the meeting to present an illuminating talk to Members.

54 **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.

55 **LIABILITY RISK MANAGEMENT**

The report on Liability Risk Management was exempt by virtue of paragraph 3.

56 **POOLING UPDATE**

The report on Pooling Update was exempt by virtue of paragraph 3.

57 **ADMINISTRATION KPI REPORT**

The report on Administration KPI Report was exempt by virtue of paragraph 3.

58 **WORKING PARTY MINUTES**

The report on Working Party Minutes was exempt by virtue of paragraph 3.

59 **INTERNAL INVESTMENT MANAGEMENT EXEMPT REPORT**

The report on Internal Investment Management was exempt by virtue of paragraph 3.

The Local Pension Board of Merseyside LGPS Fund considered the report and discussed the recruitment and retention issues facing the fund in delivering its objectives. It was recognised that this was an increasing challenge for public bodies and encouraged the Director of Pensions to explore alternatives such as market-related supplements which were being adopted by other organisations where more usual approaches were not able to deliver what is needed.

Resolved – That the report be noted.