

# PENSIONS COMMITTEE

Tuesday, 11 January 2011

<u>Present:</u>	Councillor	G Watt (Chair)	
	Councillors	P Johnson D Knowles G Davies T Harney	AER Jones AR McLachlan R Moon H Smith S Mountney (In place of C Povall)
	Councillors	Anderton, St Helens Council Mclvor, Sefton Council (In place of A Ibbs)	
		Mr P McCarthy (NonDistrict Council Employers)	
<u>Apologies</u>	Councillors	N Keats	Joe Hanson

## 56 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.

Mr P McCarthy declared a personal interest in Item 17 Review of Potential Unfunded Liabilities as his organisation – Wirral Partnership Homes Ltd was referred to in this report.

Councillor Tom Harney declared a personal interest in Item 17 as he is a member of the Board on Wirral Partnership Homes Ltd.

## 57 MINUTES

The Director of Law, HR and Asset Management submitted the minutes of the meeting held on 16 November, 2010 for consideration.

**Resolved - That the Minutes be agreed.**

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## 59 ORDER OF BUSINESS

The Chair agreed to vary the order of business.

## 60 PENSION FUND BUDGET 2011-12

The Director of Finance submitted a report outlining the proposed Pension Fund budget including the administration and investment costs for 2011-12, and a revised budget for 2010-11.

**Resolved – That the Committee approve the estimates for 2011-2012.**

61 **TREASURY MANAGEMENT POLICY AND STRATEGY 2011/12**

The Director of Finance submitted a report seeking approval of the treasury management policy statement and the treasury management annual plan and strategy for Merseyside Pension Fund for the financial year 2011/12.

**Resolved - That the Committee approve the policy statement, and annual plan and strategy for the treasury management function for 2011/12.**

62 **APPOINTMENT OF PROPERTY ASSET MANAGER**

The Director of Finance submitted a report recommending the appointment of CB Richard Ellis (CBRE) as Property Asset Manager for a contract period of four years with a one year option to extend.

**Resolved – That the Committee approve the appointment of CB Richard Ellis as Property Asset Manager for a period of four years plus an optional one year extension from 1 February 2011.**

63 **MEMBERS TRAINING 2011**

The Director of Finance submitted a report seeking Members' agreement to a proposed training programme for 2011, as outlined in Appendix 1.

**Resolved – That the Committee approve the training programme for 2011, including an additional internal training day.**

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**RESTRICTING PENSIONS TAX RELIEF**

The Director of Finance submitted a report informing Members of HM Revenue & Customs (HMRC) further consultation in respect of the intention to restrict pensions tax relief on pension contributions with effect from April 2011.

**Resolved – That the Committee agree the response already sent to HM Revenue & Customs (HMRC).**

67 **AC AUDIT PLAN**

The Director of Finance submitted the Audit Commission's Audit Opinion Plan for Merseyside Pension Fund 2010/2011.

Liz Temple-Murray, Audit Manager, attended the meeting to outline the Opinion Plan and responded to Members questions.

**Resolved – That the Committee approve the Audit Commission’s Audit Opinion Plan for Merseyside Pension Fund 2010/2011.**

**68 REFURBISHMENT AT 241 BROOKLANDS ROAD, WEYBRIDGE, SURREY**

The Director of Finance submitted a report informing Members of the outcome of the recent tendering exercise in respect of refurbishment work for 241 Brooklands Road, Weybridge which was owned by MPF as part of the direct property investment portfolio. The tendering exercise had been conducted on behalf of MPF by CB Richard Ellis (CBRE).

**Resolved – That the Committee note the acceptance of the lowest amended tender for refurbishment work at 241, Brooklands Road, Weybridge.**

**69 GOVERNANCE AND RISK WORKING PARTY**

The Director of Finance submitted a paper outlining the terms of reference for the Governance and Risk Working Party, and enclosing a provisional agenda for its first meeting on 26 January 2011.

**Resolved - That the report be noted.**

**70 PUBLIC SERVICE PENSIONS COMMISSION**

The Director of Finance submitted a report informing Members of the submission made by MPF to the Public Service Pensions Commission in response to the call for evidence dated 1 November 2010.

**Resolved –**

**(1) That the Committee agrees the response submitted to the Commission, attached at appendix 1 to the Director’s report.**

**(2) That the Committee offers its congratulations to Fund members for their response which was taken into account in preparing the response and that this be communicated by means of posting a notice on the Fund website to them.**

**71 PASSIVE MANAGEMENT**

The Director of Finance submitted a report requesting Members to approve the commencement of a procurement exercise for passive management and the use of AON Hewitt as consultants for the selection exercise.

**Resolved – That the Committee approve the commencement of the procurement exercise for passive management and the appointment of AON Hewitt from the framework list as consultants for this exercise.**

**72 LOCAL GOVERNMENT(DISCRETIONARY PAYMENTS) (INJURY ALLOWANCES) REGULATIONS 2011**

The Director of Finance submitted a report setting out the following amendments and changes contained in the draft regulations issued on 22 December, 2010 by the

Department for Communities and Local Government (DCLG), ) for statutory consultation:

(a) revoke the Gratuities Part from the old Regulations as it is time-expired and no longer required;

(b) update legal references to various Acts;

(c) insert references to “nominated co-habiting partners” for equality reasons and to put the regulations beyond legal challenge;

(d) introduce a new provision to ensure that National Insurance Contributions (NIC) are deducted from injury allowances to make it consistent with the other public sector injury benefit schemes;

(e) remove the role of the Secretary of State in deciding appeal cases, so that the role is entirely “localised”.

(This would be consistent with the practice for dealing with medical and non-medical appeals where the Secretary of State was removed from the Local Government Pension Scheme on 1 June 2004).

(f) introduce a new provision whereby an Independent Registered Medical Practitioner (IRMP) would be required to certify a local government employee’s injury/disease before an allowance could be awarded;

The 1996 injury allowance provisions apply to admission bodies (i.e. employees whose access to the LGPS is by an admission agreement). DCLG is proposing that the new Regulations will not apply to admission bodies.

In responding to the consultation, Merseyside Pension Fund was asked to advise whether admission bodies routinely exercise their powers to award injury allowances under the provisions of the 1996 Regulations, and if so what transitional protections were needed to manage the transition between the old and the new Regulations; and

Views were sought on the “transitional provisions” i.e. to move to a local IDR process within 3 months following the “coming into force” of the new regulations (1 October 2011).

**Resolved - That the Committee agree that a technical response on behalf of the Pension Fund be submitted.**

### 73 EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC

**Resolved – That the public be excluded from the meeting on the grounds that 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.**

### 74 STAFFING STRUCTURE

The Director of Finance submitted a report recommending changes to the establishment of Merseyside Pension Fund (MPF) following the release of employees through Early Voluntary Retirement (EVR). The Committee discussed the

effect on the Fund of the restructuring and received an assurance that the quality of administration and management would be monitored or improved following the introduction of the new structure.

**Resolved – That the Committee agree the proposed changes to the staffing structure of Merseyside Pension Fund and the savings set out in Appendix 1 to the Director’s report.**

**75 INVESTMENT MONITORING WORKING PARTY MINUTES**

The Director of Finance submitted the minutes of the Investment Monitoring Working Party held on 24 November 2010.

**Resolved – That the minutes be agreed subject to the inclusion of Councillor George Davies apologies being included.**

**76 REVIEW OF POTENTIAL UNFUNDED LIABILITIES FOR ADMISSION BODIES**

The Director of Finance submitted a report providing details of the annual review of potential unfunded liabilities for admission bodies, undertaken by the Actuary Mercer, following an actuarial review of the Fund as at 31 March 2010.

**Resolved –**

**(1) That the revised bond requirements calculated as at 31 March 2010 on the corporate bond basis as recommended by the Actuary be implemented.**

**(2) That further regular reviews of the unfunded pension liabilities of admission bodies be undertaken and the results considered by the Committee having regard to the need to minimise the financial risks to the Fund, whilst having regard to the economic and financial position at that time and the reasonableness and practicability of implementation of the recommended levels of bonds.**

**77 WRITE OFF OF PROPERTY RENTAL ARREARS**

The Director of Finance submitted a report seeking approval to write off uncollectable rental arrears totalling £49,044.80 from tenants in MPF properties.

**Resolved – That the Committee approve the write-off of uncollectable property rental income of £49,044.80.**

**78 APPOINTMENT OF PROPERTY ASSET MANAGER - EXEMPT APPENDIX**

The Director of Finance submitted a report recommending the appointment of CB Richard Ellis as Property Asset Manager for the Merseyside Pension Fund.

The report outlined the procurement exercise, the results of the manager selection and a summary of the due diligence exercise.

**Resolved – That the Committee appoint CB Richard Ellis as Property Asset Manager for the Merseyside Pension Fund.**

79 **REFURBISHMENT AT 241 BROOKLANDS ROAD, WEYBRIDGE ROAD, SURREY - EXEMPT APPENDIX**

The Director of Finance reported upon tenders received for the above refurbishment scheme.

**Resolved – That the lowest amended tender for refurbishment works at 241, Brooklands Road, Weybridge be approved.**

80 **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 2)**

The Chair reported that he had agreed to accept the following items of urgent business.

81 **INNOVATION AWARD**

The Director of Finance reported that following a successful submission an award had been made from Investment and Pensions Europe. The trophy awarded was circulated to the Committee.

**Resolved – That the Committee notes with pleasure that the Funds efforts have been recognised following the award from Investment and Pensions Europe.**

82 **REPRESENTATION ON OUTSIDE BODIES**

The Director of Finance requested the Committee to review the position held by an Elected Member on an external body on behalf of Merseyside Pension Fund.

The Director reported that Members of this Committee on occasion represented MPF on external collaborative bodies which promoted best practice in particular areas of pensions administration and investment. Previously, attendance on these bodies had been treated as an approved duty and any expenditure incurred met from the MPF budget. Further to the Pensions Committee 28 June 2010 it had been confirmed that Councillor Ann McLachlan should continue as an Executive Member of LAPFF until January 2011, when new nominations would be sought by LAPFF.

The Director further reported that Councillor Ann McLachlan served as an Executive Member of the Local Authority Pension Fund Forum (LAPFF). As a result of being an Executive Member of LAPFF, Councillor Ann McLachlan had also represented MPF on the Institutional Investor Group on Climate Change (IIGCC). LAPFF was requesting nominations to the Executive Board for the period January 2011 to January 2012.

It was moved by Councillor Harry Smith and seconded by Councillor George Davies that Councillor Ann McLachlan be appointed to Executive Member of the Local Authority Pension Fund Forum (LAPFF)

It was moved as an amendment by Councillor Denis Knowles and seconded by Councillor Simon Mountney that Councillor Geoffrey Watt be appointed to serve as an Executive Member of the Local Authority Pension Fund Forum (LAPFF).

The amendment was put and carried (5:4).

The motion, as amended, was put and carried (5:4)

**Resolved –**

**(1) That MPF be represented on the LAPFF Executive Board.**

**(2) That Councillor Geoffrey Watt be appointed to serve as an Executive Member of the Local Authority Pension Fund Forum (LAPFF) for the period January 2011 to January 2012.**