

PENSIONS COMMITTEE

Monday, 27 June 2011

<u>Present:</u>	Councillor	G Watt (Chair)	
	Councillors	G Davies P Doughty T Harney AER Jones	P Johnson AR McLachlan C Povall H Smith
	Councillors	L McGuire, St Helens Council J Hanson, Liverpool City Council D Mclvor, Sefton Council	
<u>In attendance:</u>		Mr P Goodwin UNISON	Mr P Wiggins UNISON
<u>Apologies</u>		Councillor N Keats Knowsley Council	Mr P McCarthy (Non District Council Employers)

1 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

Councillor George Davies declared a personal interest in general by virtue of being a board member of Plus Dane Housing Group Limited and a personal interest in general as his wife is a member of Merseyside Pension Fund.

2 MINUTES

The Director of Law HR and Asset Management submitted the minutes of the meeting held on 29 March, 2011.

Resolved – That the minutes be received.

3 APPOINTMENT OF VICE CHAIR

It was moved by the Chair and seconded by Councillor Peter Johnson that Councillor Cherry Povall be nominated as Vice-Chair of the Pensions Committee.

It was moved as an amendment by Councillor Harry Smith and seconded by Councillor George Davies that Councillor Ann McLachlan be appointed as Vice-Chair of the Pensions Committee.

The amendment was put and lost (5:5)

The motion was the put and carried (6:5) on the Chair's casting vote.

Resolved (6:5) – That Councillor Cherry Povall be appointed as Vice-Chair of the Pensions Committee.

4 LGC CONFERENCE NEWPORT

The Director of Finance requested nominations to attend the Local Government Chronicle (LGC) Investment Conference, to be held in Newport from 7 to 9 September 2011.

Resolved – That the Committee agrees that 3 delegates attend the LGC to include Councillors Geoffrey Watt, Adrian Jones and a third member to be agreed once further details have been circulated to members by Peter Wallach.

5 MERSEYSIDE PENSION FUND AUDIT FEES

The Director of Finance submitted a report that confirmed that the fees to be charged by the Audit Commission for the audit of the accounts and financial statements of Merseyside Pension Fund for the year ended 31 March 2011 totalled £54,065. This was consistent with the indicative fees set out in the Audit Opinion Plan presented to the Pensions Committee on 11 January 2011.

Resolved – That the fees of £54,065 for the audit of the accounts and financial statements of Merseyside Pension Fund for the year ended 31 March 2011 be noted.

6 BANK SIGNATORIES

The Director of Finance submitted a report that set out the proposed changes to authorised signatories at Merseyside Pension Fund, following the departure of some of the existing authorisers.

The report described the different requirements for different institutions and functions, including the bankers, custodian, overseas pensions payment agent, as well as the granting of power of attorney where appropriate.

The report also referred to operational decisions regarding authorised signatories for other transactions and procedures, by officers nominated by the Director of Finance. It was noted however, for the avoidance of doubt by organisations undertaking due diligence on MPF as an investee company or as a financial services provider, or as an overseas jurisdiction, putting such arrangements in the public arena could avoid administrative inconvenience.

Resolved –

1. That the following officers be authorised to open, close and amend bank accounts, authorise instructions for the payment of benefits and for investment transactions, for the accounts with the bankers (Royal Bank of Scotland), with the Global Custodian (State Street), and with other financial institutions for the purpose of making and redeeming deposits, “open” cheques, and counter sign cheques over £10,000:

Director of Finance	Ian E. Coleman
Deputy Director of Finance	David L Taylor-Smith
Head of Financial Services	Thomas W. Sault
Head of Benefits, Revenues and Customer Services	Malcolm J. Flanagan
Head of IT Services	Geoffrey W. Paterson
Head of Support Services	Michael J. Fowler
Principal Pensions Officer	Yvonne M. Caddock
Members Services Manager	Margaret M Rourke
Operations Manager	Guy W. Hayton

2. That the following officers have powers to authorise investment decisions and relevant documentation, but not to authorise the transfer of money:

Head of Pension Fund	Peter J. Wallach
Senior Investment Manager	Leyland K. Otter
Investment Manager	Patrick G. Dowdall

3. That for the purposes of due diligence verification, Patrick G. Dowdall, Investment Manager, be designated an authorised officer.

4. That, for the avoidance of doubt, it be confirmed that the Director of Finance can designate officers of MPF to exercise powers of attorney on behalf of MPF and Wirral Metropolitan Borough Council, which, from 1 July 2011, would require two of the following officers:

Head of Pension Fund	Peter J. Wallach
Senior Investment Manager	Leyland K. Otter
Principal Pensions Officer	Yvonne M. Caddock
Investment Manager	Patrick G. Dowdall

7 INTERNAL DISPUTE RESOLUTION PROCEDURE

The Director of Finance submitted a report that sought to authorise nominated officers to handle appeals at stage 1 and stage 2 of the Internal Dispute Resolution Procedure (IDRP) in respect of the Pension Fund.

Resolved – That the following officers be authorised to act on behalf of the Administering Authority to consider appeals at either stage 1 or stage 2 of the Internal Dispute Resolution Procedure:

Ian Coleman	Director of Finance
David Taylor-Smith	Deputy Director of Finance
Michael Fowler	Head of Support Services
Peter Wallach	Head of Merseyside Pension Fund
Yvonne Caddock	Principal Pensions Officer

8 MANAGEMENT OF PRIVATE EQUITY

The Director of Finance submitted a report that informed Members of contractual arrangements for the monitoring of the overall Private Equity portfolio of MPF by Capital Dynamics.

The appendix to the report included a letter setting out the terms and conditions under which Capital Dynamics would monitor the overall private equity portfolio of MPF.

Resolved -

1. That the letter contained in the appendix to the report which sets out the contractual arrangements through which Capital Dynamics will conduct monitoring be noted.

2. That the Committee notes that this is being implemented through an agreement between the independent trustees of the Capital Dynamics Merseyside Private Equity Fund, Capita Trust Company and Capital Dynamics who are the managers of this fund.

9 BANKING CONTRACT

The Director of Finance submitted a report that noted the Cabinet approval to tender for banking services provided to the Council including Merseyside Pension Fund. The current contract with RBS Group could be extended to 31 March 2013. However a European Union directive was forcing RBS to divest some of its services to other banks prior to that date. It was reported that it may therefore be necessary to assign the existing contract to an alternative bank as an interim measure if this divestment takes place before the conclusion of the tender process.

RESOLVED -

1. That the agreement to invite tenders for the provision of banking services to the Council including Merseyside Pension Fund be noted.

2. That the agreement to the extension of the existing contract with RBS Group for the period of the tender process which shall be no later than 31 March 2013 be noted.

3. That it be noted that the Director of Finance can agree to the assignment of the existing contract with RBS Group to another bank should RBS divest its services prior to completion of that tender.

10 LOCAL GOVERNMENT PENSION SCHEME REFORM

The Director of Finance submitted a report that informed members of legislative and other developments impacting on the Local Government Pension Scheme.

Resolved – That the report be noted.

11 REPRESENTATION ON OUTSIDE BODIES

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

Resolved -

1. That Councillor Geoffrey Watt continue to be an Executive Member of LAPFF.

2. That Councillor Ann McLachlan continue as a LGA Labour Group appointment on the Local Government Pensions Committee.

12 TREASURY MANAGEMENT ANNUAL REPORT

The Director submitted a report that presented a review of Treasury Management activities within Merseyside Pension Fund (MPF) for the 2010/11 financial year and reported any circumstances of non-compliance with the treasury management strategy and treasury management practices. It had been prepared in accordance with the revised CIPFA Treasury Management Code.

Resolved - That the Treasury Management Annual Report for 2010/11 be agreed.

13 INVESTMENT PERFORMANCE 2010-11

The Director of Finance submitted a report that outlined the investment performance of Merseyside Pension Fund for the year ended 31 March 2011 as reported by the WM Company.

Resolved – That the investment performance for the 12 month period to 31 March 2011 be noted.

14 CARBON REDUCTION

The Director of Finance submitted a report that set out the arrangements being made by Wirral Council, as Administering Authority for Merseyside Pension Fund, for a Carbon Budget for the Authority, and indicated the implications for the MPF investment property portfolio.

The report described the impact on the both the MPF investment properties and on their tenants of the carbon allowances charges, together with current and future options available to MPF to reduce carbon emissions.

Resolved - That the proposed approach to carbon reduction at the MPF investment properties be endorsed.

15 FAIR DEAL POLICY

The Director of Finance informed Members of a consultation launched by HM Treasury on the “Fair Deal” policy that applied when there were compulsory transfers of public sector staff.

He reported that as the consultation period closed on 15 June 2011 a response had been submitted highlighting the potential implications of a decision to end the current policy on the long term funding of the LGPS and on levels of employer contribution rates.

Resolved – That the response dated 20 May 2011 submitted to the Treasury consultation (Appendix 1 to the report) be approved.

16 PASSIVE MANAGEMENT CONTRACT

The Director of Finance submitted a report that informed Members that the tender exercise for passive management had been deferred following an administrative error. It was reported that as a result of this, the contracts for the existing providers of passive management services needed to be extended and a new procurement process initiated.

Resolved -

1. That the deferral of the procurement exercise for passive management be noted.

2. That the extension of the contracts for Legal and General (L&G) and UBS for their current respective passive mandates to 31 March 2012 be noted.

17 PRIVATE EQUITY TRAINING

The Director of Finance submitted a report that informed Members of a seminar being held in Manchester on 28 September 2011 by Capital Dynamics on the subject of Pension Fund investment in private equity.

Resolved – That the date of the seminar on the subject of Pension Fund investment in private equity be noted and that nominations for delegates be made nearer the time following the receipt of further information.

18 GOVERNANCE POLICY

The Director of Finance submitted a report that informed Members of a number of amendments required to the Governance Policy Statement to reflect changes to arrangements and staffing and to confirm the confidentiality arrangements regarding Minutes of the Investment Monitoring Working Party (IMWP).

Resolved - That the updated Governance Policy Statement attached at Appendix 1 to the report be approved.

19 EQUITABLE LIFE

The Director of Finance submitted a report that informed Members of progress in the implementation of a compensation scheme for members of the Equitable Life With-Profits scheme impacting on members and former members of the Merseyside Pension Fund in house AVC scheme and a distribution of profits scheme announced by the Company.

Resolved - That the report be noted.

20 **PUBLIC ACCOUNTS COMMITTEE**

The Director of Finance submitted a report that informed Members of the report published on 26 May 2011 by the House of Commons Committee of Public Accounts on the impact of the 2007-2008 changes made to public sector pensions.

Resolved - That the report be noted.

21 **CASTLE CHAMBERS**

The Director of Finance submitted a report that informed Members of the outcome of the recent tendering exercise in respect of refurbishment work to the 6th floor in Castle Chambers, Liverpool 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 second lowest tender for refurbishment work at Castle Chambers be accepted.

22 **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 3 of Part 1 of Schedule 12A of the Local Government Act.

23 **INVESTMENT MONITORING WORKING PARTY MINUTES**

The Director of Finance submitted a report that provided Members with the minutes of the Investment Monitoring Working Party held on 13 April 2011 and 7 June 2011.

Resolved - That the minutes of the two IMWP meetings, which were attached as exempt appendices to the report, be approved.

24 **SOUTHERN ELECTRIC CONTRACTING**

This Director of Finance submitted a report that informed Members of his decision under delegation, to approve the application received from Southern Electric Contracting for admission to Merseyside Pension Fund as a Transferee Admission Body. The application was to provide pension provision for 15 transferring staff members who wished to continue to participate in the local government pension scheme. He reported that the Company had secured a Street Lighting sub-contract with Knowsley Council, for the period 13 June 2011 to 12 June 2036. The admission would be subject to the provision of the required financial indemnities and completion of the legal agreements.

Resolved - That approval of the application for admission to the Merseyside Pension Fund of Southern Electric Contracting be noted.

25 **ACTUARIAL TENDERS**

The Director of Finance submitted a report that informed Members of the outcome of a recent tendering exercise in respect of the provision of actuarial services to the

Pension Fund. A restricted tendering exercise had been conducted by the Authority as part of a joint procurement with Cumbria and Lancashire County Councils. It was understood that both Cumbria and Lancashire County Councils would have confirmed their chosen provider at Committee meetings to be held during June prior to the meeting of the Pensions Committee.

Resolved – That on the basis of the most economically advantageous tender, taking into consideration the award criteria of quality of services, price, risk management and financial status, the successful tenderer be appointed to provide actuarial services to Merseyside Pension Fund.

26 INVESTMENT ADVISOR TENDERS (REPORT)

The Director of Finance submitted a report that advised Members of the outcome of the procurement process to select an investment consultant to provide strategic advice to the Merseyside Pension Fund.

Resolved - That on the basis of the most economically advantageous tender, taking into consideration the award criteria of quality of services and price, the successful tenderer be appointed to provide strategic advice to Merseyside Pension Fund.

27 BALFOUR BEATTY WORKPLACE

The Director of Finance submitted a report that informed Members of his decision taken under delegation, to approve the application received from Balfour Beatty Workplace for admission to Merseyside Pension Fund as a Transferee Admission Body. The company had secured a contract with the North West Fire & Rescue Services to build fire stations and provide associated facilities under the Private Finance Initiative, from 11 April 2011 to 31 July 2038. It was reported that the admission would be subject to the provision of the required financial indemnities and completion of the legal agreements.

Resolved - That the approval of the application for admission to the Merseyside Pension Fund of Balfour Beatty Workplace be noted.

28 BOND REVIEW

The Director of Finance submitted a report that informed Members of the 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 2011. It was recommended that the decision on whether to implement the latest revised bond requirements for Community Admission Bodies be deferred. The appropriate level of bond cover required may be subject to recalculation depending on the outcome of the current judicial review on the revised indexation of public sector pensions. The latest revised bond requirements had been assessed by the Actuary calculated on the corporate bond basis.

Resolved - That the decision on whether to implement the latest revised bond requirements for Community Admission Bodies be deferred.

29 **PEOPLES CENTRE**

This report informs Members that efforts to recover the sum of £132,000 owed by the Peoples Centre on its closure on 30 November 2009 had been unsuccessful.

Resolved - That the Committee confirms the recommendation of the Director of Law that the sum of £132,000 be written off as recovery was not viable.

30 **RETIREMENT OF GERARD MOORE AND PETER MAWDSLEY**

The Chair informed the Pensions Committee that Gerard Moore, Financial Controller, Merseyside Pension Fund and Peter Mawdsley, Deputy Head of the Pension Fund were both due to retire on 30 June, 2011. The Chair thanked them both for their exemplary work with both the Pensions Committee and the Council and the Committee wished them both a very long and happy retirement.