



Pensions Committee

Date:	Tuesday, 20 March 2012
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 17 January, 2012.

3. LGPS UPDATE (Pages 7 - 22)

4. IMWP MINUTES (Pages 23 - 26)

5. MINUTES OF GOVERNANCE & RISK WORKING PARTY 24 JANUARY 2012. (Pages 27 - 30)

6. PRIVATE EQUITY PROGRAMME 2012 (Pages 31 - 34)

7. APPOINTMENT OF A MANAGER SELECTION FRAMEWORK (Pages 35 - 38)

8. COMPLIANCE MANUAL (Pages 39 - 96)

9. PENSIONS 5 - GENERAL FILING (Pages 97 - 100)

10. NAPF CONFERENCE (Pages 101 - 102)

11. **CIPFA ANNUAL CONFERENCE. (Pages 103 - 104)**
12. **LGPS TRUSTEES CONFERENCE. (Pages 105 - 106)**
13. **FOOD WASTE PROCESSING FUND (Pages 107 - 108)**
14. **ADMISSION BODY APPLICATION - ADDACTION (Pages 109 - 112)**
15. **ACADEMIES FUNDING (Pages 113 - 126)**
16. **PASSIVE MANAGEMENT CONTRACT (Pages 127 - 130)**
17. **INVESTMENT CONTRACT MONITORING (Pages 131 - 134)**
18. **BANK AND OTHER AUTHORISED SIGNATORIES (Pages 135 - 140)**
19. **CUNARD BUILDING DEVELOPMENT (Pages 141 - 142)**
20. **GLOBAL CUSTODIAN CONTRACT (Pages 143 - 146)**
21. **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.

22. **IMWP MINUTES (Pages 147 - 152)**
23. **MINUTES OF THE MEETING OF GOVERNANCE AND RISK WORKING PARTY (Pages 153 - 156)**
24. **PRIVATE EQUITY PROGRAMME 2011-14 (Pages 157 - 168)**
25. **SELECTION OF INVESTMENT MANAGER SELECTION FRAMEWORK LIST (Pages 169 - 172)**
26. **FOOD WASTE PROCESSING FUND (Pages 173 - 178)**
27. **ADMISSION BODY APPLICATION - ADDACTION (Pages 179 - 180)**
28. **INVESTMENT CONTRACT MONITORING (Pages 181 - 188)**
29. **CBRE REPORT (Pages 189 - 194)**

30. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR

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PENSIONS COMMITTEE

Tuesday, 17 January 2012

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

67 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 Geoffrey Watt declared a personal interest by virtue of a relative being a member of Merseyside Pension Fund.

Councillor N Keats declared a personal interest by virtue of a relative being a member of Merseyside Pension Fund.

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

68 MINUTES

The Director of Law, HR and Asset Management submitted the minutes of the meeting held on 21 November, 2011.

Resolved - That the minutes be received.

69 ORDER OF BUSINESS

The Chair agreed to vary the order of business.

70 PENSION FUND BUDGET

A report of the Director of Finance requested that Members approve the budget for 2012/13.

It was reported that during 2012/13, it was estimated that MPF would pay £262.3m in pensions and receive £251.4m in contributions from employers and employees. The Fund had a value of £4,693m at 30 September 2011. The proposed administration costs of £15.7m including £10.3m of investment management charges to external managers represented a cost of £129.46 per member of the scheme. The investment management costs were approximately 0.22% of total assets.

On a motion by Councillor Harry Smith and seconded by Councillor Ann McLachlan it was:

Resolved – That

1) the budget for 2012/13 be approved.

2) the officers be congratulated for keeping costs low.

71 **IMWP MINUTES**

A report of the Director of Finance provided Members with the minutes of the Investment Monitoring Working Party held on 23 November, 2011.

The minutes of the IMWP on 23 November 2011 contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the 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 minutes of the IMWP meeting which formed an exempt report on the agenda be approved.

72 **TRAINING PROGRAMME 2012**

A report of the Director of Finance provided Members with an outline of the proposed programme for Member Training in 2012.

Resolved - That the training programme for 2012 be approved.

73 **LGC CONFERENCE CHESTER**

A report of the Director of Finance requested nominations to attend the Local Government Chronicle (LGC) Investment Conference, to be held in Chester on 1 and 2 March 2012. It was brought to Members attention that the first of these dates would fall on the same night as Budget Council and the Director indicated therefore that if necessary arrangements would be made for Members to attend for one or half a day as required.

Resolved - That the Committee sends a delegation to attend this conference and that the names of interested parties and their availability be forwarded to the Director of Finance.

74 **TREASURY MANAGEMENT STRATEGY**

A report of the Director of Finance requested that the Pension Committee approve the treasury management policy statement and the treasury management annual plan and strategy for Merseyside Pension Fund for the financial year 2012/13.

Resolved - That the treasury management policy statement and the treasury management annual plan and strategy for Merseyside Pension Fund for the financial year 2012/13 be approved.

75 **LGPS UPDATE**

A report of the Director of Finance informed Members of the issues in formulating the Merseyside Pension Fund (MPF) formal response to the Department for Communities and Local Government (DCLG) consultation document of 7 October 2011 on reform of the Local Government Pension Scheme (LGPS).

It also covered the draft LGPS (Miscellaneous) Regulations 2012 and other developments which affect the LGPS.

Resolved – That

1) the report be noted.

2) the officers be thanked for producing the Funds alternative proposal for consideration.

3) the officers be authorised to submit comments to DCLG on the draft LGPS Miscellaneous Regulations by the closing date of 27 February 2012 and that the proposed response be shared with the Chair of the Pensions Committee for comment before submission.

76 **COMMUNICATIONS POLICY**

A report of the Director of Finance informed the Pensions Committee that in accordance with the Scheme Regulations the Authority was required to regularly review and publish a statement of policy concerning how it communicated with members and employing authorities. The draft Communications Policy - Improving Communications - Improving Services was attached as an appendix to the report for Members consideration.

Resolved - That

1) the draft updated Communications Policy be approved.

2) the officers be congratulated on improving communications to the Funds pensioners with the outcome being both more streamlined and cost effective.

77 **AUDIT COMMISSION - AUDIT PLAN**

The District Auditor gave a presentation on Merseyside Pension Funds Audit Plan 2011/12 and responded to Members questions.

Resolved – That the report be noted.

78 **CHOBHAM HOUSE WOKIING**

A report of the Director of Finance informed Members of the acceptance of the lowest tender in respect of lift refurbishment work for Chobham House, Woking which is owned by MPF as part of the direct property investment portfolio. The Tendering process was conducted on behalf of MPF by CB Richard Ellis (CBRE).

Resolved - That the acceptance of the lowest tender for lift refurbishment at Chobham House, Woking be noted.

79 **CUNARD BUILDING**

A report of the Director of Finance informed Members of the acceptance of the lowest tenders in respect of internal refurbishment works for the Cunard Building, Liverpool which is owned by MPF as part of the direct property investment portfolio. The tendering process was conducted on behalf of MPF by CB Richard Ellis (CBRE).

The refurbishment included asbestos removal and given the specialist nature of this work a separate tender was required from the main refurbishment resulting in two tenders for all the works.

Resolved - That the acceptance of the lowest tenders for refurbishment works to the third floor of the Cunard Building be noted.

80 **INTERSERVE FACILITIES MANAGEMENT REPORT**

A report of the Director of Finance informed Members of the decision taken under delegation, to approve the application received from Interserve (Facilities Management) to Merseyside Pension Fund as a Transferee Admission Body. The company had secured the cleaning and caretaking contract at a St Helens school, from 1 January 2012 to 7 November 2036.

Resolved - That the approval of the application for admission to the Merseyside Pension Fund of Interserve (Facilities Management), taken under delegation, to undertake the Facilities Management contract at Rainford High School, St Helens be noted.

81 **PROPERTY ARREARS**

A report of the Director of Finance outlined the decision write off £30,112.39 of unrecoverable rent arrears from the property portfolio.

A report from CBRE that gave details of property rent arrears contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information). This was included on the exempt part of this agenda.

Resolved - the write-off of uncollectible property rental income of £30,112.39 be approved.

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

Resolved – 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 paragraph of Part1 of Schedule 12A (as amended) to that Act. The Public interest test has been applied and favours exclusion.

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WIRRAL COUNCIL

PENSIONS COMMITTEE

20 MARCH 2012

SUBJECT:	LGPS UPDATE
WARDS AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report updates Members on the framework for negotiations on the Local Government Pension Scheme and the revised earning bands used to assess employee contribution rates from April 2012
- 1.2 It also summarises the MPF technical response to the Draft LGPS (Miscellaneous) Regulations 2012.

2.0 BACKGROUND AND KEY ISSUES

Reform of the LGPS – The New LGPS 2014 Project

- 2.1 The Department for Communities and Local Government (DCLG), the Local Government Association (LGA) and Trade Unions have established a timetable and project framework in order to reach agreement on the fundamental elements of the scheme design by April 2012.
- 2.2 A fundamental element of the negotiations surrounds the continuing viability and governance of the scheme and specifically the introduction of an employer contribution cap and collar to be set by the stakeholders using 'model fund' data.
- 2.3 In setting the objectives to be delivered within a joint document formulated by the LGA and Unions, all parties accept that any agreement which may be reached would be subject to consultation with, and confirmation by, their respective membership. In summary, the principal objectives are:

Objective 1: Confirmation of the basis of the scheme design

Objective 2: Confirmation of the accrual rate for the scheme;

Objective 3: Confirmation of the revaluation rate;

Objective 4: Confirmation of the actuarial methodology for variation to benefits either side of the Normal Pension Age (NPA). The NPA will be the later of age 65 or the State Pension Age (SPA);

Objective 5: Confirmation of the value, distribution and phasing of any employee contribution increases;

- Objective 6:** Confirmation of the transitional protections;
- Objective 7:** Confirmation of the parameters of the employer cap and collar;
- Objective 8:** Confirmation of the mechanism for variation of the elements to maintain scheme costs within the cap and collar values;
- Objective 9:** Agree recommendations on best practice in governance and procurement;
- Objective 10:** Confirmation of the value of the ongoing scheme as measured using model fund data, assumptions and methodology which satisfies overall Government financial constraints.

- 2.4 The agreement on the remainder of the scheme design and cost mechanism details must be concluded by November 2012 to permit the consultation and laying of the new LGPS Regulations in time for the 2013 valuation to deliver the required HM Treasury identified short term savings. If this agreement is not achieved by November 2012, then the opportunity to roll the two stage process of reform into one step will have been lost.
- 2.5 To date there has been very little feedback on the current negotiations, other than clarification from the Actuaries, in response to Union enquiries, that the Government Actuary Department calculations are deemed reasonable to assess the cost envelope to evaluate the future costs of the scheme.

Contribution Bands for 2012/2013

- 2.6 The contribution bands have been revised by the Department for Communities and Local Government (DCLG) to determine the employee tiered percentage contribution rates to take effect from 1 April 2012 as follows:

Band	Whole-time Equivalent Pay	Employee contribution rate (%)
1	Up to £13,500	5.5
2	£13,501 to £15,800	5.8
3	£15,801 to £20,400	5.9
4	£20,401 to £34,000	6.5
5	£34,001 to £45,500	6.8
6	£45,501 to £85,300	7.2
7	More than £85,300	7.5

- 2.7 The above figures are based on the pay bands for 2011/12 as increased by the September 2011 CPI figure of 5.2%.

Draft LGPS (Miscellaneous) Regulations 2012

- 2.8 Members previously considered the broad scope of the draft regulations proposing technical revisions and corrections to various elements of the Administration Regulations, the Benefits Regulations and the Transitional Regulations on 17 January 2012 (minute 75 refers)
- 2.9 MPF submitted a formal response to the consultation ending on 27 February 2012, following agreement with the Chair of the Pensions Committee. (Appendix 1).
- 2.10 In general, many of the amendments proposed are making required improvements to the Scheme provisions, ensuring equitable treatment of all member types and they represent a step forward in the management and governance of the LGPS.
- 2.11 A number of the draft proposals, if taken forward, will require updates to both Administering and Employing Authority policies; requiring a programme of communication with members and employers.

Proposed Amendments to Admission Agreements

- 2.12 The critical area of concern is the amendments under regulation 22, which revise the funding framework with regard to risk management imposing a mandatory requirement for all new Community and Transferee Admission bodies to secure a bond or indemnity, or provide an alternative parent company guarantee.
- 2.13 Whilst bonds would increase financial security and limit the incidence of bodies exiting the Pension Fund leaving unrecoverable debt, some bodies may struggle to secure a bond or the cost may be prohibitive.
- 2.14 The financial requirement to provide a bond for Transferee Admission Agreements would need to be clearly stated at the tender stage of the contract and could, for smaller contracts, be seen as anti-competitive. It could also lead to more contractors taking the comparative pension route instead of maintaining membership of the LGPS leading to the further erosion of the active membership and the ongoing viability of the Scheme.
- 2.15 MPF views the principle of employers providing realisable guarantees to mitigate the risk of financial loss to the Pension Fund as necessary, but supports retaining the opportunity to seek financial security through alternative measures such as legal charges over assets or more stringent funding strategies.
- 2.16 MPF strongly advocates that Pension Funds should be afforded the flexibility to enter into arrangements reflecting local circumstances to ensure there is no retrograde legislation to established policy.

Proposed Amendments to Annual Benefit Statements

- 2.17 Regulation 35 refers to the proposal to introduce the requirement to produce annual benefit statements by 30 September. This timescale is extremely challenging as Pension Funds are reliant upon the receipt of timely and accurate data from many Scheme employers.
- 2.18 Operationally, such high volume production and distribution of statements for all active members would require data reconciliation work to be completed in August. For both Pension Funds and employers alike, this means the bulk of the work would take place during the main “holiday season” making responses to queries and quality control checks problematic.
- 2.19 It would appear that the suggested compliance measure is to cater for the statutory deadline to provide pension statements to members who have exceeded the annual allowance in the given year. However, whilst the recent reduction in the annual tax allowance has been substantial, it still affects only a relatively small number of LGPS members.
- 2.20 MPF has already planned to meet the reporting requirements of the new tax regime by operationally targeting those members most likely to exceed the allowance, to work with employers and then to inform those members appropriately at the earliest opportunity of their tax exposure. This could be done in advance of the 30 September date, if flexibility for Pension Funds to produce Annual Benefit Statements at a later date was maintained.

Suggested Amendments to Treatment of Elected Members

- 2.21 MPF made additional comments that the scope of the amendments should include amendments to provide equitable treatment of elected members by removing the requirement for Councils to make a positive decision on whether to offer LGPS membership. There is also concern at the delay in bringing councillors within the scope of the 2008 Scheme including the ability to nominate cohabiting partners for survivors’ benefits.

3.0 RELEVANT RISKS

- 3.1 If the negotiations between the scheme stakeholders fail within the prescribed timeframe the Government could revert to an imposed increase to member contribution rates in order to fulfil the HM Treasury identified short-term savings.
- 3.2 The Government proposal to introduce measures to restrict financial security to the provision solely of indemnities/ bonds or parent company guarantees for Admission Agreements, could result in both Administering Authorities and Employers incurring increased costs due to required maintenance arrangements, and contractors seeking to pass on charges through the bidding process.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered.

5.0 CONSULTATION

5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising out of this report

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 Depending on the final regulatory timeframe set for production of Annual Benefit Statements MPF may require increased staffing resources to continue to deliver the core business service and comply with statutory provisions.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

No, because the draft regulations have already been assessed by the DCLG with regard to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 None arising from this report

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 None arising from this report

12.0 RECOMMENDATION

12.1 That Members note the report.

13.0 REASON FOR RECOMMENDATION

13.1 There is a requirement for Members of the Pensions Committee to be kept up to date with legislative developments to carry out their decision making role in order to enable them to make informed decisions.

REPORT AUTHOR: Yvonne Caddock
Principal Pension Officer
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APPENDICES

1 MPF Response dated 27 February 2012 to DCLG re: Draft Local Government Pension Scheme (Miscellaneous) Regulations 2012

REFERENCE MATERIAL

Mercer Viewpoint – Draft LGPS (Miscellaneous) Regulations 2012

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
LGIS Update report presented to each meeting of the Pensions Committee	



Philip Perry
The LGPS Pension Team
Zone 5/G6,
Department for Communities and Local Government
Eland House,
Bressenden Place
London
SW1E 5DU

Direct Line: 0151 242-1333

Please ask for: Yvonne Caddock

Date: 27 February 2012

DRAFT LOCAL GOVERNMENT PENSION SCHEME (MISCELLANEOUS) REGULATIONS 2012

I refer to the consultation document dated 5 December 2012 in regard to draft regulatory changes to the Local Government Pension Scheme. I submit the following response on behalf of the Wirral Borough Council in its capacity as the Administering Authority of the Merseyside Pension Fund (MPF).

MPF believes that many of the amendments proposed are making required improvements to ensure equitable treatment of all membership categories. The technical amendments, definitions and corrective references which aid compliance with associated statutory legislation are positive and assist in the implementation of Scheme provision.

MPF regards most of the proposed changes as necessary but would like to draw attention to the following technical issues:

1/ Amendments of the LGPS (Benefits, Membership and Contributions) Regulations 2007

Regulation 6 amends regulation 8 –

defines reference to “that employment” relating to the final pay period. In addition to the exclusion provided under regulation 12 (1) of the Administration Regulations, specific reference to regulation 11 is required together with regulation 18 of the BMC regs; to clarify that pay from both concurrent employments and benefits drawn under flexible employment is also excluded.

Regulation 8 amends regulation 18 –

to provide definitive clarification that all benefits relating to pre 2008 service must be drawn on flexible retirement. This contradicts extant GAD guidance which states under paragraph 2.2 “members can elect to take all or none of their benefits relating to pre- 2008 service” and will require subsequent revision.

Regulation 10 amends regulation 28 (children's pensions: active members) –

the reference under (a) (i) is surplus to requirement as provisions mentioned are in respect of pension debits which do not apply to children's pensions.

Paragraph (b) As children's pensions for actives are calculated by reference to whole time equivalent pay, the word “pay” should be substituted for “membership” to achieve the desired intent and to ensure consistency with the calculation of survivor benefits.

Regulation 14 amends regulation 33 (survivor benefits: deferred members) –

part (c) would appear contrary to the status of a deferred member by virtue of being deferred and not actively employed at the date of death.

However, if the intent is to provide equal treatment for all member types, in this particular circumstance it would require the IRMP to assess whether the cause of the death is associated with the reason for the previous reduction in hours.

This could prove administratively arduous due to the latency period between the reduction in hours, termination of employment and death – it will also be reliant upon the availability and quality of employer documentation re: the underlying reason for the change in hours.

Additionally, as pension is calculated on a whole time equivalence basis, the word “pay” should be substituted for “membership” to achieve the desired intent.

2/ **Amendments of the LGPS (Transitional Provisions) Regulations 2008**

Regulation 19 - omits saved provisions relating to the transfer-in of pension rights, determining service credit awards for late transfers, or for transfers with accompanying aggregation of local government to be treated as part A membership.

In conjunction with the proposed changes, version 4 of the applicable GAD guidance for incoming club transfers will need amendment. In order to reflect the removed provisions, the guidance needs to state that “the service credit is to be based solely on PA65 and expressed as 60th benefits with commutation option attached”.

3/ **Amendments of the LGPS (Administration) Regulations 2008**

Regulation 21 amends regulation 6 (transferee admission agreements) –

The proposed clarification that a Transferee Admission Body should enter into separate admission agreement in respect of different contracts with the same employer is a sensible proposition.

However, an exception may be required to cater for the outsourcing of Local Authority school contracts. Although, non-teaching staff are deemed Local Authority employees for pension purposes, the individual schools take out separate contracts with the contractor. In these cases there can be one admission agreement which covers numerous contract dates with a number of individual schools. All of the employees are designated in the admission agreement as being eligible to be members of LGPS and the Local Authority signs the admission as the ultimate guarantor.

The flexibility to enter into a single admission agreement with contractors securing multiple catering/cleaning contracts with schools (maintained by the same local education authority) should be retained. This would avoid the costs of repeated small termination payment calculations having to be undertaken and avoid unnecessary legal and actuarial costs falling on to administering authorities and employers.

Regulation 22 amends regulation 7 (admission agreements) –

MPF supports the suggestion that all new Community and Transferee Admission bodies must provide a realisable guarantee to mitigate the risk of financial loss to the Fund, Scheme Employers and the taxpayer.

However, the proposed change to create a prescriptive, mandatory measure compelling new admitted bodies to enter into a bond or indemnity or provide an alternative parent company guarantee is too restrictive.

Whilst bonds would increase financial security and limit the incidence of bodies exiting the Fund leaving unrecoverable debt, some bodies may struggle to secure a bond or the cost may be prohibitive.

The same objective to ensure all scheme stakeholders are protected from the increased risk of unfunded liabilities in respect of insolvent admitted bodies could be achieved through alternative measures such as legal charges over assets or more stringent funding strategies. This is reasonable and common practice in Funds.

For example, MPF has developed a strong and robust funding framework in relation to admitted bodies and continues to review its strategy and views the introduction of clear policies around risk management as necessary. Funds should be afforded the flexibility to enter into alternative arrangements, reflecting local circumstances and to ensure there is no retrograde legislation to established funding policy frameworks.

It is of paramount importance if the body provides a parent company guarantee that due diligence is performed to ascertain the strength of the employer covenant to safeguard the Fund for the remaining scheme employers. The proposal replaces the existing requirement for risk assessments to be undertaken by the letting authority for transferee admission applications which could save time and actuarial fees.

However, the financial requirement would need to be clearly stated at the tender stage of the contract and could, for smaller contracts, be seen as anti-competitive. It could also lead to more contractors taking the comparative pension route instead of maintaining membership of the LGPS - leading to the erosion of the active membership and further reducing the ongoing viability of the Scheme.

In the current uncertain market conditions, the abrupt termination of a contract may lead to a deficit exceeding that of the in place Bond

(guarantee). If no risk assessment has taken place by the letting authority, then the contractor may not be in financial position to meet the deficit costs – ultimately, these costs would be met by the taxpayer.

Part 7 (6) – MPF supports the retention of the requirement to inform the Secretary of State of new admission agreements – to deliver transparency and improved governance of the LGPS. Ideally the information should be shared electronically (by secure means) thus reducing the costs and resources in administration (on both sides).

It would be cumbersome to forward hard copy documentation and would suggest a three month deadline from completion of the legal agreements to communicate the relevant information to the Secretary of State.

Regulation 30 : appropriate Funds: special circumstances –

At present the LGPS does not cater adequately for cross Fund amalgamations. This can lead to operational tensions between Funds and actuaries regarding responsibility and “ownership” for active members going forward; perhaps more specifically, where the responsibility lies for funding any residual deferred and pensioner liabilities remaining in the former Fund.

MPF supports this proposed amendment for the Secretary of State to make a direction to support the agreement of amalgamating funds and believe it will remove the key pension problems, such ventures can create and avoid any costs associated with the crystallisation of any past service deficit.

Actuarial and legal fees should also be reduced as there should be less cause for disagreement between the employer, Funds or actuaries.

Regulation 32 amends regulation 38 (revised actuarial certificates) –

MPF fully supports the proposal to seek cessation debts from all scheme employers, including scheduled bodies. The opportunity to hold more frequent actuarial reviews of employer contributions (following a substantial change to an employer’s circumstances) is a welcomed and long overdue change. This will enable Funds to manage closing employer’s liabilities on a proactive transparent basis, mitigating some of the risk to non-recovery of accrued deficits.

Regulation 33 amends regulation 56 (first instance determinations: ill health) –

The amendment suggests that the reference to regulation 31 (4) covers both deferred members and pensioner members with deferred benefits, allowing the IRMP to have previously given an opinion. The reference requires revision to clause 31(1) (b) to clarify that the amendment only applies to pensioner members with deferred benefits. Paragraph 1A

would also need to be re-defined including points 1(b) to deliver the required intent.

Regulation 35 (Annual Benefit Statements) –

The requirement to produce annual benefit statements by 30 September is extremely challenging as Funds are reliant upon the receipt of timely, accurate data from many scheme employers.

MPF, like many Funds, operates an annual reconciliation of member data and employer/employee contributions. In producing Annual Benefit Statements, MPF prints and distributes on a bulk basis in order to maximise cost-savings on production and postage.

Operationally, such high volume production and distribution of statements for all active members would require data reconciliation work to be completed in August. For both Funds and employers alike, this means the bulk of the work would take place during the main "holiday season" – making responses to queries and quality control checks troublesome and problematic. In regard to Academies, there is an increased likelihood that the organisation will actually be closed during the reconciliation period.

MPF is aware of its responsibility in regards compliance with the new tax regime – specially, issuing pension statements to members who have exceeded the Annual Allowance in the given year. However, whilst the recent reduction in the annual tax allowance has been substantial, it still affects only a relatively small number of LGPS members.

Additionally, members' pay used to determine the bulk annual benefit statements process is based on assumed notional pay for the relevant year whereas for annual tax allowance purposes accurate pensionable earnings for the input period is essential.

MPF has planned to meet the reporting requirements of the new tax regime by operationally targeting those members most likely to exceed the allowance; work with employers and then inform those members appropriately at the earliest opportunity re: their tax exposure. This could be done in advance of the 30 September date, if flexibility for Funds to produce Annual Benefit Statements at a later date was maintained.

Regulation 42 amends Schedule 4 (appropriate funds) –

MPF believes the proposed amendment to clarify the appropriate Fund within the geographical area where the Academy is located is necessary.

Although it is likely this suggestion may not be well received by individual academy trusts, given that they pay the same employer rate into the Teachers' scheme regardless of where the academy is located but will be required to pay different rates into the LGPS.

Regulation 44 (automatic enrolment) –

If the requirement for automatic entry continues on the basis that an individual requires a contract of at least three months or for casual employees to have stated mutuality of obligation, then a regulatory change may afford some clarity. Specifically, a change should be made that explicitly instructs employing authorities that all employees are to be automatically enrolled into the LGPS at the point that their contract is extended beyond three months.

To comply with the statutory requirements set down in the Pension Act 2008 and its associated secondary legislation in relation to employees with contracts of less than three months paragraph 3 and 5 of regulation 13 should be amended enabling employees of admission bodies to opt to backdate membership to the commencement of their employment at the point they are automatically enrolled.

4/ Conclusion

MPF believes that the amendments being put for consideration are progressive and help in the continual development and modernisation of the Scheme.

One further area we would like to see included is the removal of the need for Councils to make a positive decision whether to offer LGPS membership to their elected members. Consequently this will remove the inequity of only allowing certain members access depending on the jurisdiction of the respective Council.

Merseyside Pension Fund is also concerned at the delay in bringing councillors within the scope of the 2008 Scheme including the ability to nominate cohabiting partners for survivor's benefits.

Yours sincerely



Ian Coleman
Deputy Chief Executive
& Director of Finance

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WIRRAL COUNCIL

PENSIONS COMMITTEE

20 MARCH 2012

SUBJECT:	IMWP MINUTES 22 FEBRUARY 2012
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide Members with the minutes of the Investment Monitoring Working Party held on 22 February 2012.
- 1.2 The minutes of the IWMP on 22 February 2012, contain exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The relevant extracts from the Statement of Investment Principles for the role of the IMWP and Pensions Committee are set out below.
 - Wirral Council is the Administering Authority with overall responsibility for Merseyside Pension Fund (MPF), which it delegates to its Pensions Committee. This body comprises 10 Wirral councillors, with representation from other principal employers in the Fund (5) and Trade Unions (3), representing beneficiaries' interests. There is also an Investment Monitoring Working Party (IMWP) to which all members of the Pensions Committee and Trade Unions are invited; the IMWP meets six times a year.
 - The terms of reference for the Committee, IMWP and the Director of Finance are set out in the scheme of delegation for Wirral Council; the structural and operational details of the delegation are set out in a Governance Policy Statement for Merseyside Pension Fund, which can be viewed at: http://mpfmembers.org.uk/pdf/gov_policy.pdf.

- The Pensions Committee takes strategic decisions on asset allocation, investment manager selection and other high-level investment policy matters and delegates tactical asset allocation and investment monitoring through the IMWP. The IMWP is a deliberative body, acting as a forum where investment issues can be discussed in depth, with the power to make recommendations to Committee. The Director of Finance of Wirral Council (Section 151 Officer) is delegated to implement Committee policy and manage the Fund, leading a well qualified and experienced internal team (Fund officers).
- The Committee receives what it considers to be proper advice from Fund officers and, in addition, has appointed an external consultant to provide advice on its high-level investment strategy. The Committee has also appointed an independent adviser to the IMWP, to further inform and support decision-making across the breadth of issues that are considered by the IMWP.

2.2 The key items arising from the IMWP minutes are:

- Members noted the Executive Summary and Quarterly Monitoring Report presented at the meeting.
- There were no recommendations arising from the written report.

3.0 RELEVANT RISKS

3.1 Not relevant for this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report.

5.0 CONSULTATION

5.1 Not relevant for this report

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are no implications arising directly from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 There are no implications arising directly from this report.

8.0 LEGAL IMPLICATIONS

8.1 There are no implications arising directly from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are no planning or community safety implications arising from this report.

12.0 RECOMMENDATION

12.1 That Members approve the minutes of the IMWP meeting which form an exempt report.

13.0 REASON FOR RECOMMENDATION

13.1 The approval of IMWP minutes by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund. These arrangements were approved by Pensions Committee as part of the Statement of Investment Principles on 16 November 2010.

FNCE/68/12

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APPENDICES

The attendance at the meeting is attached as appendix one to this report The detailed minutes are an exempt report.

REFERENCE MATERIAL

No reference material used in the production of this report.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee : Statement of Investment Principles The IMWP minutes are reported to each Pensions Committee Meeting.	16 November 2010

**Attendance at the meeting of Investment Monitoring Working Party, 22
February 2012**

(Chair) Councillor Geoffrey C.J. Watt (WBC)	Councillor Mike Hornby (WBC)
Councillor Adrian Jones (WBC)	Councillor Norman Keats (Knowsley BC)
Councillor Cherry Povall (WBC)	Phil Goodwin (Unison)
Paul Wiggins (Unison)	Patrick McCarthy (Wirral Partnership Homes)
Emily McGuire (Aon Hewitt)	Louis-Paul Hill (Aon Hewitt)
Noel Mills (Independent Adviser)	Ian Coleman (Director of Finance, WBC)
Peter Wallach (Head of MPF)	Paddy Dowdall (Investment Manager)
Greg Campbell Investment Manager	Susannah Friar (Property Manager)
Allister Goulding (Investment Manager)	Adil Manzoor (Compliance & Valuations Officer)
Owen Thorne (Investment Officer)	Adam Williamson (Investment Assistant)
Richard Gargan (CIPFA trainee)	

Apologies for absence had been received from:

Councillor Harry Smith (WBC)	Councillor Peter Johnson (WBC)
Councillor George Davies	

Declarations of Interest

There were no declarations of interest

WIRRAL COUNCIL

PENSIONS COMMITTEE

20 MARCH 2012

SUBJECT:	MINUTES OF GOVERNANCE & RISK WORKING PARTY 24 JANUARY 2012
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION:	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide Members with the minutes of the Governance & Risk Working Party (GRWP) held on 24 January 2012.
- 1.2 An exempt report on this agenda, the minutes of the GRWP on 24 January 2012, contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The GRWP meets twice a year to enable Members and their advisers to consider governance and risk matters, relating to Merseyside Pension Fund, in greater detail.

3.0 RELEVANT RISKS

- 3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered

5.0 CONSULTATION

- 5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising out of this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 7.1 There are no implications arising directly from this report.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATION

12.1 That Members approve the minutes of the GRWP.

13.0 REASON FOR RECOMMENDATION

13.1 The approval of GRWP minutes by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund. These arrangements were approved by Pensions Committee as part of the Governance Statement on 27 June 2011.

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APPENDICES

NONE

REFERENCE MATERIAL

NONE

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	19 September 2011
Pensions Committee	29 March 2011

Minutes of the Meeting of the Governance and Risk Working Party

Tuesday 24 January 2012

In attendance:

Councillor Geoffrey C.J. Watt (WBC)	Peter Wallach (Head of MPF)
Councillor Adrian Jones (WBC)	Ian Coleman (Finance Director)
Councillor Mike Hornby (WBC)	Paddy Dowdall (Investment Manager)
Patrick McCarthy (Co-optee)	Yvonne Caddock (Principal Pensions Officer)
Councillor Tom Harney (WBC)	Keith Higgins (Benefits Manager)
Councillor Cherry Povall (WBC)	Guy Hayton (Operations Manager)
Paul Wiggins (Unison)	Emma Jones (PA to Head of MPF)
Phil Goodwin (Unison)	

Apologies were received from:

Councillor Ann McLachlan (WBC)	Councillor Liam Robinson (LCC)
Councillor Peter Johnson (WBC)	Councillor Leon McGuire (SHC)
Councillor Harry Smith (WBC)	Councillor George Davies (WBC)

1. Approval of Minutes

Cllr Povall advised that her apologies had been given for the meeting of 14 July 2011 but not noted. Mr McCarthy had also been incorrectly titled Councillor. Subject to these corrections, the minutes were approved.

2. Declarations of Interest

There were no declarations of interest.

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Agenda Item 6

**WIRRAL COUNCIL
PENSIONS COMMITTEE
20 MARCH 2012**

SUBJECT:	PRIVATE EQUITY PROGRAMME 2012
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to update Members on progress on the Private Equity Programme 2011-14 and to approve the proposed Private Equity investments for 2012
- 1.2 An exempt report on this agenda contains the Private Equity Programme 2011-14 as reported to Pensions Committee on 23 March 2011, a review of this programme, and the Plan for 2012. This is exempt by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.0 BACKGROUND AND KEY ISSUES

- 2.1 Members approved a private equity programme for 2011-14 at the Pensions Committee on 23 March 2011. The intention of this plan was to maintain a 4% allocation to private equity and to make an overall commitment programme of £330m over the four years diversified across geography sector and vintage. The plan made assumptions regarding the rate of return achieved by MPF overall and the rate of investment and performance by private equity based on long term averages with exchange rates being stable. The Pensions Committee agreed to receive reports on private equity commitments on an annual basis.
- 2.2 The exempt report contains a review of the programme for 2011-14 updating for progress during 2011. The key issues are that on a strategic basis the programme remains broadly in line with the original aims. The internal team responded to opportunities and market conditions and revised some of the specific commitments.
- 2.3 As a consequence of progress during 2011 there are changes to the plan for 2012 compared to that envisaged 12 months ago. In particular, the total planned commitments for 2012 are reduced although 2011 and 2012 combined total the same, taking into account the 2010 commitments carried forward. There have been some changes to specific commitments as the internal team has responded to market conditions.

3.0 RELEVANT RISKS

3.1 With all investment activity there is a degree of risk. The MPF approach to the overall level of risk that it takes is covered in the Statement of Investment Principles and within this document it is considered that allocations to private equity improve the risk return profile of the Fund. The key tool used to control risk within the private equity programme is diversification. The private equity investments are diversified across geography, sector and year of investment.

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report.

5.0 CONSULTATION

5.1 Not relevant for this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are no implications arising directly from this report

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 There are no implications arising directly from this report.

8.0 LEGAL IMPLICATIONS

8.1 There are no implications arising directly from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are no implications arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are no implications arising directly from this report.

12.0 RECOMMENDATIONS

12.1 That Members approve the proposed Private Equity investments for 2012. The Director of Finance will make the individual investments under delegation and will use this delegation to make changes as circumstances arise. This will be particularly pertinent further out in the programme.

12.2 That Pensions Committee continue to receive annual updates on the private equity programme. Reports will also continue to be made to the IMWP on a quarterly basis.

13.0 REASON FOR RECOMMENDATIONS

13.1 MPF has an on going programme of private equity investment, which has been place since the mid 1980's which has made a positive contribution both in terms of returns and risk control through diversification. The governance arrangements mean that Pensions Committee approves major strategic decisions. This recommendation covers the strategy for the private equity programme for the next three years which can have a significant impact on investment performance.

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APPENDICES

1. The Private Equity Programme 2011-14
2. The review of this programme including the plan for 2012.

REFERENCE MATERIAL

Data from internal records on the private equity portfolio plus market data.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee Private Equity Programme 2011-2014	23 March 2011
Pensions Committee Private Equity Investment	23 March 2010
Pensions Committee Private Equity	18 June 2009

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WIRRAL COUNCIL

PENSIONS COMMITTEE

20 MARCH 2012

SUBJECT:	APPOINTMENT OF A MANAGER SELECTION FRAMEWORK
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION:	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to inform Members of the outcome of a procurement process to appoint a framework list of consultants specialising in the selection of investment managers. Members are requested to accept the recommendation given in the Exempt Report to appoint Mercer to assist with the deferred passive investment management search.
- 1.2 An exempt report on this agenda contains information which is exempt by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.0 BACKGROUND AND KEY ISSUES

- 2.1 On 31 March 2008, Pensions Committee appointed a framework list of investment manager search consultants, comprising of four firms (Aon Hewitt, bFinance, Hymans Robertson and JLT). As this framework arrangement has reached the end of its allotted duration, there has been a need to renew the framework through an open tendering process. Since its inception in 2008, there have been seven 'call-offs' from the framework and each firm has been engaged at least once. Over the next six years, it is envisaged that a number of investment mandate reviews will need to be carried out.
- 2.2 The procurement exercise invited tenders from interested parties to gain entry to a framework list of consultants to provide support services to the Merseyside Pension Fund for the selection of investment managers. Once in effect, the internal team will call-off consulting firms from the framework for each search exercise. It is envisaged that the framework will operate for three years from inception, with an option to extend this by a further three years, subject to satisfactory performance. Entry to the framework does not constitute a guarantee of work.

- 2.3 Merseyside Pension Fund observes best practice regarding the separation of roles for consultants, as outlined in the Myners Principles. Therefore, consultants appointed to the framework will not be required to provide advice and support to MPF in respect of investment strategy, asset allocation or funding position. Following the appointment to the role of investment strategy consultant in November 2011, Aon Hewitt is no longer eligible to participate in the manager selection framework.
- 2.4 The advantages of having this framework arrangement in place are twofold. Firstly, the complexity of the investment strategy and the wide range of investment management solutions available in the market, is such that MPF benefits from having access to a range of specialists in this area, who may employ a variety of techniques and approaches. In order to adequately assess the suitability of investment managers for particular mandates, MPF must gather and evaluate a considerable volume of data and employ sophisticated quantitative and qualitative screening techniques. MPF lacks the internal resource to adequately carry this out without external support.
- 2.5 The second advantage relates to the timeliness with which procurement exercises to search for investment managers can be initiated. As the procurement of the framework list has been compliant with E.U. regulation, there will not be the need to go through the full tendering process whenever MPF wishes to engage a consultant for a manager search.
- 2.6 Members will recall that, due to an administrative error, the search exercise for passive investment managers carried out earlier in 2011 had to be abandoned. Following the advice of the Procurement Team, a suitable length of time has been allowed to elapse before re-starting the process. The re-commencement of this process is the subject of a separate report to this meeting of the Committee.

3.0 RELEVANT RISKS

- 3.1 Members will be aware that, after asset allocation, the biggest risk of MPF failing to meet investment objectives comes from the consequences of poor investment manager selection.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered

5.0 CONSULTATION

- 5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising out of this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 7.1 There are no implications arising directly from this report.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATIONS

12.1 That Members agree to appoint Mercer, Xafinity, Deloitte, bFinance and JLT to a framework list.

12.2 That Members agree to appoint Mercer to assist in carrying out the deferred search exercise for passive investment managers.

13.0 REASON FOR RECOMMENDATIONS

13.1 The framework is considered to be integral to supporting delivery of the investment strategy.

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APPENDICES

Selection of investment manager framework list

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee : Investment Advisors	27 June 2011
Pensions Committee : Passive Management Contract	27 June 2011

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WIRRAL COUNCIL

PENSIONS COMMITTEE

20 MARCH 2012

SUBJECT:	COMPLIANCE MANUAL
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to seek Members approval of a revised Compliance Manual.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Compliance Manual sets out the powers, duties and responsibilities of officers in respect of the financial services legislative and regulatory regimes relevant to MPF. Although the Pension Fund is not regulated by the Financial Services Authority (FSA) the manual incorporates, where appropriate, best practice as set out by the FSA and the codes of other professional bodies.
- 2.2 The existing Compliance Manual was approved by Pensions Committee on 28 January 2008. The Compliance Manual was due for review in 2011, but was intentionally delayed to assess the implications of the staffing restructure.
- 2.3 The revised Compliance Manual is attached as Appendix 1 to this report.
- 2.4 The major change to the manual is section 5.4.7; limits on delegated authority. The limits have been changed to reflect the increase in the value of the Fund and to give greater regard to the liquidity of investments.
- 2.5 The Compliance Manual is subject to formal review at least every three years by Pensions Committee. It is distributed to relevant staff, who formally sign and agree that they will abide by its contents.

3.0 RELEVANT RISKS

- 3.1 The Compliance Manual is concerned mainly with the mitigation of risks.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Not relevant for this report.

5.0 CONSULTATION

5.1 Not relevant for this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are no implications arising directly from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 There are no implications arising directly from this report.

8.0 LEGAL IMPLICATIONS

8.1 There are no implications arising directly from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are no usage implications, nor any other relevant environmental issues arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are no planning or community safety implications arising from this report.

12.0 RECOMMENDATION

12.1 That Members approve the revised Compliance Manual.

13.0 REASON FOR RECOMMENDATION

13.1 The approval of the Compliance Manual for Merseyside Pension Fund by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

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APPENDICES

Compliance Manual.

REFERENCE MATERIAL

Compliance Manual 2008

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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Merseyside Pension Fund

Compliance Manual

March 2012

PREAMBLE

This manual sets out the codes of behaviour and business conduct which are required of investments section staff of Merseyside Pension Fund (MPF, “the Fund”) and ensures that their procedures and operations comply with the relevant legislation and best practice.

Although these procedures are generally commonsense, at times they may seem trivially obvious and at other times unnecessarily complex. However, it is essential that we adhere to the contents of this manual, both in the letter and spirit of them, to ensure that MPF maintains its required professional standards.

The manual is intended to provide a framework for good practice but, for full operational details, reference should be made to the appropriate office procedure note or to the source Wirral guidance.

SECTION 1

CONTENTS

Preamble

Section 1 Contents

Section 2 Scope, Availability and Relevance of Compliance Manual

Section 3 Overview of the Fund

Section 4 Sources of Compliance/Best Practice

Section 5 Management of Investments

Section 6 Personal Conduct Arrangements

Section 7 Custody of Assets

Section 8 Reporting and Notification requirements

Section 9 Accounting, Treasury and Settlements administration

Section 10 Compliance Programme

Section 11 Further Reading

Appendices

- Appendix 1 Confirmation of Receipt of Compliance Manual
- Appendix 2 Dealing Permission Form
- Appendix 3 Dealing Notification Form
- Appendix 4 Deal Ticket Completion Procedure
- Appendix 5 Gifts/Hospitality Notification Form

SECTION 2

SCOPE, AVAILABILITY AND RELEVANCE OF COMPLIANCE MANUAL

- 2.1 This manual sets out the codes of behaviour and business conduct which are required of Investments employees of Merseyside Pension Fund and ensures that their procedures and operations comply with the relevant legislation and best practice.
- 2.2 The manual identifies current areas of operation and sets agreed requirements for them. It also details a verification programme to monitor adherence to these requirements.
- 2.3 This document has been approved by the Director of Finance and Pensions Committee. The contents of the manual are binding on all employees, to the extent that they are relevant. From time to time, employees will be required to provide a signed confirmation that policies within this manual and forming part of it have been read, understood and will be adhered to.
- 2.4 In all cases where an employee is in doubt as to the application of the manual, he must ask his line manager or the Fund Accountant (Compliance) before taking any action.
- 2.5 A copy of this manual can be found with the following persons:

The Head of Pension Fund
Fund Accountant (Compliance)
It is also accessible in electronic form at:
F/Investments/Compliance/Compliance Manual 2012

2.6 Basis for Compliance

- 2.6.1 MPF is a public service pension scheme regulated by statute through the Department for Communities and Local Government (DCLG). It is a contributory final salary scheme, which is contracted out of the Second State Pension and is exempt approved for tax purposes.
- 2.6.2 Wirral Council is set up under Statutory Instrument 1987 No. 1579 to be the administering authority for the Merseyside Pension Fund. The Council as administering authority of MPF is required:
- To make arrangements for the proper administration of the financial affairs of the Fund and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance.
 - To manage the affairs of the Fund to secure economic, efficient use of resources and safeguard its assets.

- 2.6.3 As a pension fund, operated by an administering authority, Wirral Council, MPF should ensure that its procedures conform to certain standards set by external and internal bodies. These standards form the basis of this document.

Relevant Legislation

Superannuation Act 1972
Local Government Act 1972
Local Government Pension Scheme Regulations 1997 (as amended)
Local Government Pension Scheme Transitional Provisions Regulations 2008 (as amended)
Local Government Pension Scheme (Administration) Regulations 2008 (and subsequent amending regulations)
Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (and subsequent amending regulations)
Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
Financial Services & Markets Act 2000

Codes of Practice from regulatory bodies/professional bodies

Code of Practice on Local Authority Accounting in the United Kingdom
Statements of Recommended Practice
Financial Services Authority
The Pensions Regulator (TPR) formerly known as Occupational Pensions Regulatory Authority
National Association of Pension Funds
The Chartered Institute of Public Finance and Accountancy

Wirral Council

Constitution of the Council
Guidelines for Financial Systems
Information and Communications Technologies Security Policy
Code of Practice for the use of Internet and Electronic Mail
Gifts and Hospitality
Conflict of Interest
Code of Conduct for Employees

SECTION 3

OVERVIEW OF THE FUND

3.1 Introduction

3.1.1 The purpose of this section is to provide a background to the structure of the Fund and the responsibilities of its Members and Officers.

3.2 Relationship of Merseyside Pension Fund and Wirral Council

3.2.1 Wirral Council is an 'administering authority' under the Local Government Superannuation Regulations 1999 and, as such, is simply authorised to manage assets held for the scheme and carry out any other specified activities associated with the operation of the scheme. The authority is not authorised to give investment advice generally.

3.2.2 Due to this status, the Fund is not required to be regulated by the FSA in order to operate its business. It is regulated by DCLG.

3.2.3 As an administering authority, Wirral Council is required to act as if the Fund were set up under trust with the authority itself as the sole trustee, although the assets are not trust assets in the legal sense.

3.2.4 Under its Constitution, the council delegates, under Section 101 of the Local Government Act 1972, responsibility for the County of Merseyside Pension Fund to Pensions Committee. Responsibility and accountability for administering the Fund rests with Pensions Committee.

3.3 Pensions Committee

3.3.1 Membership

The committee is comprised of fifteen voting members, ten from Wirral Council, four members from the other local authorities and one member representing the other employing organisations in the Fund. Three trade union representatives, with observer status are invited and represent active, deferred and pensioner members.

3.3.2 Functions

To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as administering authority of the County of Merseyside Pension Fund, and in particular the following:

- To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance of the Fund.

- To appoint and terminate professional advisers to, and external managers of, the Fund and agree the basis for their commission and remuneration.
- To receive actuarial valuations of the Fund and determine the level of employers' contributions necessary to balance the Fund.
- To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme.
- To consider any views expressed by employing organisations, staff representatives and other stakeholders relating to the Fund.
- To appoint members of the Investment Monitoring Working Party, which shall have responsibility for reviewing the performance of the Fund's investments and its asset allocation and regularly reporting their findings to Pensions Committee.
- To award contracts for goods and services relating to the Fund in accordance with the Contract Procedure Rules after taking into account the recommendations of officers and external professional advisors (where appropriate).

3.3.3 The Committee has delegated certain powers to the Director of Finance. The following function is delegated to the Director of Finance pursuant to Section 101 of the Local Government Act 1972 and by the Executive under Section 15 of the Local Government Act 2000.

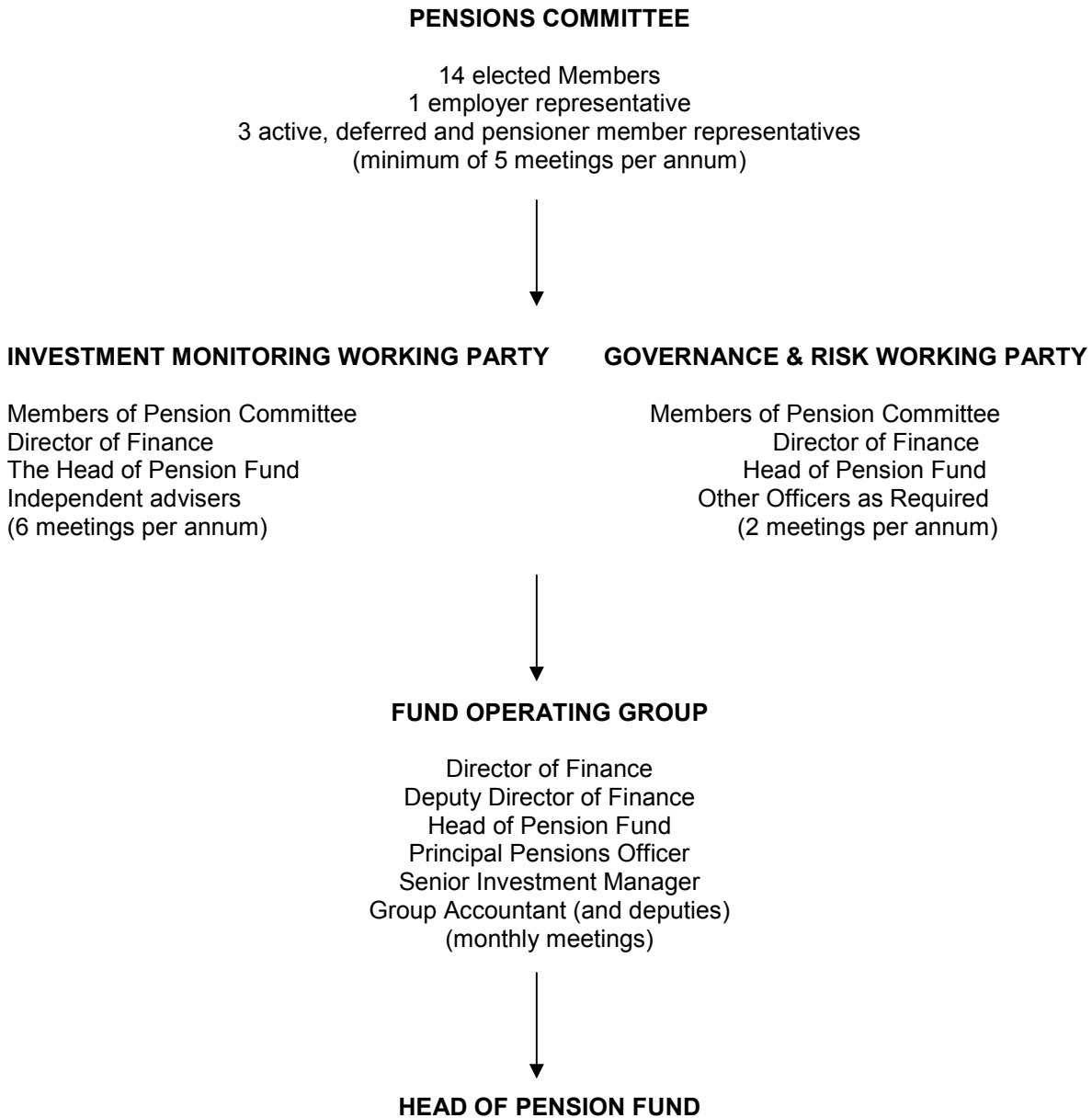
“Undertake all day to day administration of Merseyside Pension Fund within the policy laid down by Pensions Committee including the authorisation of admission agreements with transferee admission bodies pursuant to Best Value arrangements, as required by the Local Government Pensions Scheme Regulations.”

“Terminate a contract of an external investment manager and enter into any consequential arrangements for the transitional management of the Fund's investments pending the decision of the Pensions Committee on the award of a new contract.”

3.3.4 The framework of delegation and limits of authority are detailed in sections 3.4 and 5.4.7

3.4 Investment making decision structure

3.4.1 The structure for the management of the Fund is as follows:



3.5 The functions for the various elements are as follows:

3.5.1 Pensions Committee

To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as administering authority of the County of Merseyside Pension Fund.

3.5.2 Investment Monitoring Working Party (IMWP)

Has responsibility for reviewing the performance of the Fund's investments and its asset allocation and regularly reporting their findings to Pensions Committee.

3.5.3 Governance & Risk Working Party (GRWP)

Has responsibility for reviewing governance and risk issues and regularly reporting their findings to Pensions Committee.

3.5.4 Fund Operating Group (FOG)

Forum for formal monthly reports to the Director of Finance on the day to day operations of the Fund.

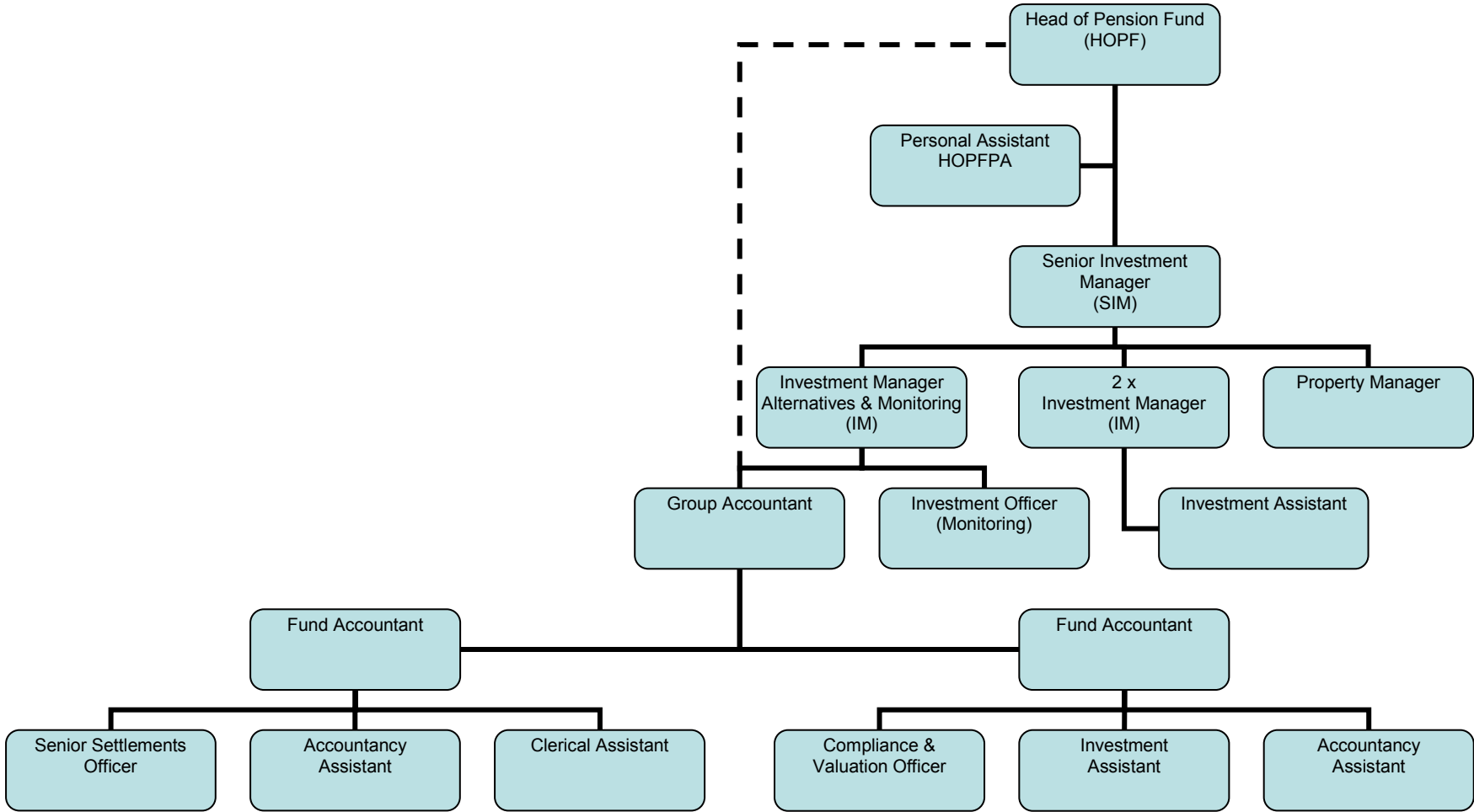
3.5.5 Head of Pension Fund

Responsible to the Director of Finance and has delegated authority to make investments or to delegate to other employees investment decisions in accordance with the Fund's strategic benchmark and delegated dealing limits.

3.6 Structure of Merseyside Pension Fund

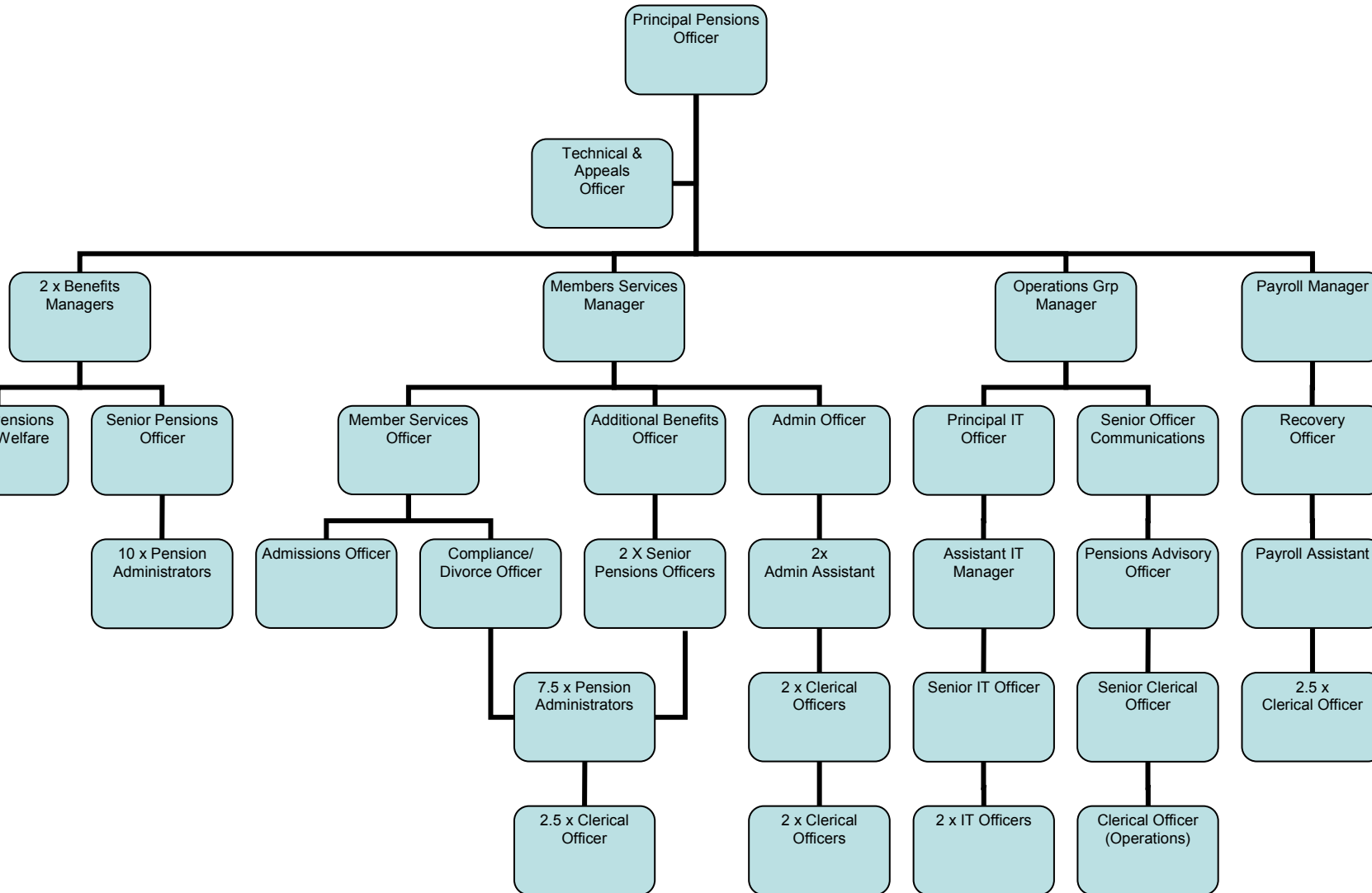
See 3.6.1 and 3.6.2

3.6.1 Pensions Investments



3.6.2 Pensions Administration/Benefits

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SECTION 4

SOURCES OF COMPLIANCE / BEST PRACTICE

4.1 Introduction

- 4.1.1 The Fund is bound to comply with certain internal and external requirements. These are listed in section 2.6 and are covered in more detail in this section.

4.2 Relevant Legislation/Statutory Instruments

4.2.1 Financial Services and Markets Act 2000

Replaced the Financial Services Act 1986 and sets out the regulatory framework for the financial services industry.

4.2.2 Superannuation Act 1972

This Act sets out the terms and conditions of the Local Government Pension Scheme.

4.2.3 Local Government Act 1972

This Act and subsequent revisions outlines the financial framework of local government.

4.2.4 Various Local Government Pension Scheme Regulations:

Local Government Pension Scheme Regulations 1997 (as amended)
Local Government Pension Scheme (Administration) Regulations 2008 (and subsequent amending regulations)
Local Government Pension Scheme Transitional Provisions Regulations 2008 (as amended)
Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (and subsequent amending regulations)
Local Government Pension Scheme Investment Regulations 2009

4.3 Codes of Practice from regulatory bodies/professional bodies

4.3.1 The Code of Practice on Local Authority Accounting in the United Kingdom

The Code specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position of a local authority. The Code is based on approved accounting standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

4.3.2 Statements of Recommended Practice (SORPs)

Statements of recommended practice relevant to pension funds are issued by the Accounting Standards Board and set out the requirements of financial statements produced by the Fund. The SORP is to be used when The Code cannot be applied to an accounting treatment.

4.3.3 Financial Services Authority (FSA)

Established when the Chancellor of the Exchequer announced the reform of financial services regulation in the UK and the creation of a new regulator. The Securities and Investments Board (SIB) formally changed its name to the Financial Services Authority in October 1997 and the first stage of the reform of financial services regulation was completed in June 1998, when responsibility for banking supervision was transferred to the FSA. The Financial Services and Markets Act, which received Royal Assent in June 2000 and was implemented on 1 December 2001, transferred to the FSA the responsibilities of several other organisations:

- Building Societies Commission
- Friendly Societies Commission
- Investment Management Regulatory Organisation
- Personal Investment Authority
- Register of Friendly Societies
- Securities and Futures Authority

The Fund is exempt from FSA regulation as it is administered by a local authority and does not manage any third party assets or provide any investment advice to external parties. However, as a market participant, the Fund and its Officers are subject to regulations such as the Code of Market Conduct. The Fund is regulated by the Department for Communities and Local Government (DCLG).

The FSA will be replaced in 2013 by 2 newly created organisations:

Prudential Regulation Authority (PRA) – a subsidiary of the Bank of England, to be responsible for micro-prudential regulation.

Financial Conduct Authority (FCA) – to be responsible for conduct regulation.

4.4 Wirral Council

4.4.1 The Constitution of the Council sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

Some of the processes are required by law, while others are a matter for the Council to choose.

It also formalises how the Council delegates its powers and responsibilities to the various committees and officers.

Consequently, these constitutional requirements are central to the Fund's operations.

A copy of the Constitution is available from the Head of Pension Fund. It is also accessible in electronic form.

4.4.2 Guidelines for Financial Systems

This is a document issued by Internal Audit. It includes guidance on the treatment of income, expenditure, assets and other items.

4.4.3 Information and Communications Technologies Security Policy

This document details the procedures in order to safeguard the provision of services and the Council's interests and includes physical assets, access to the information on those assets, services continuity, users of the systems and equipment and compliance with legislation.

4.4.4 Code of Practice for the use of Internet and Electronic Mail Facilities

This document outlines the policy adopted by the Council for the acceptable use of computer network facilities, including electronic mail and the Internet.

4.4.5 Gifts and Hospitality

This policy details the procedure that must be followed on any occasion where a gift or hospitality is offered to an employee.

4.4.6 Conflict of Interest

This policy details the procedure to be followed when declaring a potential conflict of interest, including nil declarations.

4.4.7 Employees Code of Conduct

This policy describes the standard of conduct that is expected from employees of Wirral Council.

4.5 **Best Practice**

4.5.1 Underpinning all of the FSA's requirements are its Principles for Businesses and Approved Persons. Although the Fund is not required to implement the FSA's rules underlying these principles, they

represent best practice and, where applicable, should be taken into account by employees in undertaking their duties.

4.5.2 There are eleven principles for businesses and up to seven principles for individuals which in some cases reflect similar themes to principles for businesses. These are summarised below.

4.5.3 **The Principles for Businesses**

1. Integrity. A firm must conduct its business with integrity.
2. Skill, care and diligence. A firm must conduct its business with due skill, care and diligence.
3. Management and control. A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
4. Financial prudence. A firm must maintain adequate financial resources.
5. Market conduct. A firm must observe proper standards of market conduct.
6. Customers' interests. A firm must pay due regard to the interests of its customers and treat them fairly.
7. Communications with clients. A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.
8. Conflicts of interest. A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.
9. Customers: relationships of trust. A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.
10. Clients' assets. A firm must arrange adequate protection for clients' assets when it is responsible for them.
11. Relations with regulators. A firm must deal with its regulators in an open and cooperative way, and must disclose to the FSA appropriately anything relating to the firm of which the FSA would reasonably expect notice.

4.5.4 **Principles for approved persons**

An Authorised Firm has approved persons and other staff. Approved persons carry out controlled functions and therefore have responsibilities for a firm complying with and working within the FSA's regulations. An approved person is an individual whose performance of one or more controlled functions has been approved by the FSA.

There are up to seven principles for approved persons. The first four apply to all approved persons, whereas only the last three apply to persons who carry out a significant influence function (generally directors and senior management). Irrespective as to whom the principles apply directly, indirectly they affect us all, as tasks that are the responsibility of an individual under regulation are often carried out by delegation to staff generally, and therefore in fulfilling the tasks allocated to them to the best of their ability, staff will be assisting those charged with responsibilities under this set of principles to fulfil their duties. The principles are set out below.

Apply to all approved persons:

1. An approved person must act with integrity in carrying out his controlled function.
2. An approved person must act with due skill, care and diligence in carrying out his controlled function.
3. An approved person must observe proper standards of market conduct in carrying out his controlled function.
4. An approved person must deal with FSA and with other regulators in an open and cooperative way and must disclose information of which FSA would reasonably expect notice.

The following apply only to those carrying out a significant influence function:

5. Must take reasonable steps to ensure that the business of the firm for which he is responsible in his controlled function is organised so that it can be controlled effectively.
6. Must exercise due skill, care and diligence in managing the business of the firm for which he is responsible in his controlled function.
7. Must take reasonable steps to ensure that the business of the firm for which he is responsible in his controlled function complies with the regulatory requirements on that business.

4.6 In addition to the principles above a full audit trail should always exist.

4.7 Continuing Professional Development

Where applicable, all staff are required to hold documentary evidence that the professional training they have undertaken meets the requirements of the Fund's CPD policy. CPD files must be made available for review by the Fund Accountant (Compliance).

4.7.1 CPD Policy

Where applicable, all staff must comply with the Fund's CPD policy which is modelled on the Chartered Institute for Securities and Investments CPD requirements.

SECTION 5

MANAGEMENT OF INVESTMENTS

5.1 Introduction

- 5.1.1 The Head of Pension Fund is delegated to make decisions on investments in accordance with the Fund's asset allocation determined by Pensions Committee.
- 5.1.2 This is delegated to the Investments team at the discretion of the Head of Pension Fund.

5.2 Compliance Requirements

- 5.2.1 Investment activity by the Investments team should follow the asset allocation determined by Pensions Committee as detailed in the Statement of Investment Principles. Deals or a series of deals for internally managed funds should not exceed tolerance boundaries.
- 5.2.2 Externally managed funds should be scrutinised by the Monitoring Officers to ensure that any investment activity is within mandate.
- 5.2.3 The Policy for Monitoring of Investment Mandates, approved by Pensions Committee every 3 to 4 years, sets out a programme for planned reviews and procurement exercises for external mandates. The Investment Team is responsible for monitoring the performance of external investment mandates between these exercises. This policy also sets out the parameters for escalation of reporting to Director of Finance, or other action by Investment officers, when performance of these mandates breaches set trigger points. The Compliance Team will conduct an annual review of the IMWP reports to ensure compliance with this policy.

5.3 Dealing

- 5.3.1 Trades should only be made where they are in the interests of the Fund. Although the following points relate specifically to equities, they represent best practice and, to the extent that they are relevant, should be taken into account when dealing in other asset classes.
- 5.3.2 Best execution

When executing an order, the Fund must always attempt to achieve best execution i.e. the best available price in the market given the nature and size of the transaction.

The Fund will be deemed to have achieved best execution where:

- the Fund relies on another person to whom it passes the order to provide best execution but only if it has taken reasonable care to ensure that he will do so or
- for SETS traded stocks if the order is dealt on SETS

5.3.3 Timely execution

Once the Fund has decided in its discretion to execute a current order it must do so as soon as reasonably practicable.

The only circumstances when this does not apply are if the Fund has taken reasonable steps to ensure that postponing the execution of a current order is likely to enhance the terms on which the order is executed.

5.3.4 Aggregation and timely allocation

Although unlikely to be applicable to it, the Fund may not aggregate orders unless it is likely that the aggregation will not work to its disadvantage. Where orders are aggregated, allocation should be completed within one business day.

Where an order is only partially executed, allocation should be on a pro-rata basis.

- 5.3.5 On execution of a deal, an electronic dealing ticket will be completed. Each ticket will have a unique macro generated reference number. All sections of the ticket must be completed as the ticket is used as a prime document for setting up accounting records. The completed ticket will be emailed to the Compliance and Valuations team and to the Senior Settlements Officer. The tickets do not require a physical signature as long as they are sent from the Investment Managers own Wirral email address. If the trade is above the individual manager's dealing limit then the ticket will be emailed to the SIM or HOPF who will then forward the ticket on to the teams adding their authorisation in the process. See appendix 4 for guidance on completing the tickets.

5.4 **Dealing Procedures and Limits**

5.4.1 **Fixed Interest**

All fixed interest holdings are managed externally as at December 2011.

5.4.2 **Quoted equities**

For internally managed funds, deals are determined in accordance with the Fund's stock selection process.

Alternatives

5.4.3 Venture Capital/Private Equity

Investments are determined in accordance with the Fund's selection policy for a private equity/venture capital funds.

All strategic decisions regarding venture capital are reported to FOG.

5.4.4 Hedge Funds

Investments are determined in accordance with the Fund's selection policy for alternative investments.

All strategic decisions regarding alternative investments are reported to FOG.

5.4.5 Property

Direct property transactions are undertaken following consultation with the Fund's property advisors. Approval should be sought from the Head of Pension Fund prior to making an investment. In some cases the value of the transaction will be above the HOPF limit and additional approval must be sought from the Director of Finance.

Indirect property transactions are determined in accordance with the Fund's selection policy.

All strategic decisions (i.e. changes to the strategic portfolio allocations) regarding property are reported to FOG.

5.4.6 Treasury

Transactions are undertaken in accordance with the Treasury Management Policy and Strategy which is approved annually by Pension's Committee.

The Head of Pension Fund has delegated limits to place 'cash' on deposit with banks and building societies within the deposit limits list approved by the Committee. These are set out in the Treasury Management: Policy and Strategy paper.

5.4.7 Limits of Delegated Authority

Employees must not make deals which are above their delegated limits of authority. These are set out below for the various asset classes:

Asset Class	Authoriser	Limit: £
<u>Equities</u>		
Benchmark	IM	5m
	SIM	10m
	HOPF	25m
Non Benchmark	IM	2.5m
	SIM	5m
	HOPF	25m
<u>Alternatives</u>		
Liquid	IM	5m
	SIM	10m
	HOPF	25m

Multiple trades of a particular investment within 30 days of the initial trade date must not exceed the Investment Managers deal limit as indicated above.

All trades in illiquid assets are to be authorised by the HOPF. An illiquid asset is one which cannot have a sale completed within 90 days.

Benchmark stocks are included in the index that is being used to measure their performance, non-benchmark stocks are not.

In addition to the limits described above the HOPF has the following dealing limits:

Between managers	£50 m
Asset Allocation Switch	£50 m
Property	£25 m
Private Equity	£25 m
All other trades	£25 m

Approval for transactions in excess of these amounts must be sought from the Director of Finance, or his deputy and documented accordingly.

It should be noted that when an investment is in a foreign currency these limits may be exceeded slightly by fluctuations in the exchange rate on the day of approval.

A file note must be produced for any transaction that requires approval from a higher level e.g. if an Investment Manager (IM) seeks approval from the Senior Investment Manager (SIM) for a particular trade then a file note must accompany this request and signed by the SIM if approved (or declined).

Any underwriting or sub-underwriting undertaken by the Fund is subject to the same delegated limits as above.

Any employees who are undertaking a temporary promotion to an Investment management role are subject to the authorisation limits that would be in place for that role on a permanent basis.

5.5 Price Sensitive Information

5.5.1 In order to ensure that the requirements of the Companies Securities Act (Insider Dealing) 1985 are met, business meetings should be conducted behind closed doors and any sensitive matters should not be discussed in the main office.

5.5.2 In order to ensure that the requirements of the Companies Securities Act (Insider Dealing) 1985 are met, any confidential documents should be filed away in a locked cabinet.

5.5.3 In order to ensure that the requirements of the Companies Securities Act (Insider Dealing) 1985 are met, if the Fund becomes aware of any inside information on a particular company, then the Fund Accountant (Compliance) should be made aware of the name of that company, in writing, to preclude any connected person dealing in the securities of that compliance.

5.6 Transaction File Notes

The investment staff responsible must ensure that as a complement to electronic dealing tickets, an up-to-date transaction note is held on file for all investments in their respective portfolios. For the purposes of this manual, "up-to-date" indicates that there is documented evidence of a review of the holding within the past 24 months. In addition, staff must complete file notes of all meetings with managers/investments. These file notes should be prepared in accordance with the agreed template and made available in the public file.

SECTION 6

PERSONAL CONDUCT ARRANGEMENTS

6.1 Introduction

6.1.1 The nature of work undertaken by the officers and the requirement to ensure that the integrity of officers is not open to question means that officers must adhere to certain conditions in their private and work dealings. These include the handling of price sensitive information, private conflict of interests, roles on boards, acceptance of gifts and hospitality, the handling of shareholder benefits accrued from assets held by the Fund and personal dealings in investments.

6.2 Personal dealings

6.2.1 Employees of the Fund must not use confidential information, gained in the course of business, for private gain or to reduce a private loss. Employees must be cognisant of the Code of Market Conduct and Market Abuse and ensure that this is adhered to at all times when making personal deals. Consequently, whenever staff make investment decisions for their own personal account they must note:

- Fund orders always take priority.
- No member of staff should gain, or seek to gain, any advantage for his own personal investment as a consequence of deals done on behalf of the Fund.
- Insider trading is unlawful. No employee should seek to take advantage of inside information or pass such information on to other parties. (Refer section 5.5).
- Anything that may otherwise constitute a market abuse must be avoided at all times.

6.3 Personal dealings procedure

6.3.1 Staff must report all personal deals to the Fund Accountant (Compliance) in accordance with the procedure below.

6.4 Scope of Reporting Requirements

6.4.1 General presumption

6.4.2 Whenever you wish to conduct a personal deal in Securities (see 6.12), you must assume that you need to apply for permission in advance of dealing. That presumption can only be overturned in the circumstances outlined under the exceptions (see 6.10 and 6.11).

6.4.3 The rules on personal dealings apply to employees on their own account and are designed to prevent any dealings that could give rise to criticism of the Fund.

6.5 Obtaining prior approval

6.5.1 For dealings requiring prior approval, you must always obtain permission from the Fund Accountant (Compliance) or his delegate, in accordance with the procedure laid down, before dealing.

6.6 What is a personal deal?

6.6.1 Any deal which is:

- executed on your instructions or advice and in which you or any member of your close family (see 6.6.2) has a beneficial interest
- by any company, portfolio, trust, partnership, investment club, or other entity which invests on your instructions or advice and in which you or your close family has a beneficial interest
- by you as a trustee of any trust or a personal representative of any estate (unless you are relying entirely on the advice of another person, such as an outside broker or solicitor)
- by you for the account of another person (except in your capacity as an employee).

6.6.2 Close family is defined as “any individual, joint, close family relative (e.g. mother, father, spouse, partner, child or stepchild living with you, or child under 18 years of age, irrespective of whether they are physically living with you), or business relationship outside the Fund.

6.6.3 The test is whether the officer or employee has influence over that person’s judgment as to how to invest his property or exercise any rights attached to it.

6.6.4 Dealings conducted by you at home and/or via the internet are of course included in the scope of these rules.

6.7 Validity of permission/procedure for declaration

6.7.1 Employees and connected persons are required to seek prior written or email approval from the Fund Accountant (Compliance) and a Dealing Permission form (see appendix 2) must be completed. If the transaction does not take place within ten business days of receiving approval then fresh permission must be sought.

6.7.2 On a monthly basis, each individual to whom these rules apply will be required to notify the Fund Accountant (Compliance) via HOPF PA of all deals over the preceding month. Returns should be submitted within 10 days of each month end. Nil returns will be required. The Returns are emailed to all relevant members of staff by the HOPF PA.

- 6.7.3 The Fund Accountant (Compliance) will review returned forms and report to the Group Accountant on non-returned items and items which raise concern.
- 6.7.4 The Group Accountant will review the form of the Fund Accountant (Compliance).
- 6.7.5 The Group Accountant will report to the HOPF and FOG on a monthly basis. A quarterly review of all personal deals will be undertaken by the Director of Finance and evidence of this review will be included in FOG minutes. A template has been set up for these reviews.
- 6.7.6 It is recognised that details of individuals' holdings and dealings are confidential and information provided as a consequence of these rules will only be accessible to those employees involved in the reporting system and audit, unless malpractice is suspected.

6.8 Holding periods

- 6.8.1 Employees and connected persons are not permitted to sell any security within one month of acquiring it without the prior approval of the Fund Accountant (Compliance).

6.9 Conflicts of interest

- 6.9.1 A Conflict of Interest form (M15) must be completed each year by each employee of Merseyside Pension Fund. The forms are issued annually by the Head of Administration via email. The forms are printed off by the employee, completed, signed and passed to their line manager for any possible conflict to be assessed. Once assessed the form is passed back to the Head of Administration by the line manager for filing. The responsibility for the safekeeping of the completed forms lies with the Head of Administration.
- 6.9.2 Employees should declare any outside interest of a financial or non-financial nature that might cause a potential conflict of interest with their work for the Fund. This would include remunerated and non-remunerated posts such as directorships or employment external to the fund. Care must be taken when considering dealings, as opportunities may arise where an individual could be involved in a company, whether quoted or not, which the individual knows or ought to know is or has been involved in a commercial relationship with the Fund.

For guidance, you should notify dealings (i) in publicly listed companies in which you hold or will hold subsequent to dealing at least 1%; and (ii) for unquoted companies, a 10% holding which cost you at least £25,000 originally, or the equivalent in value.

6.10 Exempt dealings

6.10.1 You do not need to report the following transactions to Compliance:

- dealing in gilts
- accepting a takeover offer
- taking up a rights issue for securities already held
- applying to a public offer
- transferring PEP or ISA securities to a member of your close family
- reinvesting dividends and other distributions under a standing election
- exempt discretionary dealings as stated below

6.11 Exempt discretionary dealings

6.11.1 Care is needed in taking a decision not to disclose under this heading, because the word 'discretionary' has various shades of meaning. For instance, some fund managers will act under an advisory discretionary relationship, in which case it may be the case that the discretion has been influenced to a greater or lesser degree by the client. You must therefore disclose any dealings in securities over which you participate to any extent, as these cannot be treated as exempt dealings. In cases of doubt, you must contact Compliance. The following are the exempt dealings.

- dealings in units or shares by a fund manager of a regulated collective investment scheme
- dealings in securities under life and pension policies over which you have no control
- continuing discretionary management of funds held for your benefit with third party managers over which you have no control

6.12 Definition of "Security/ies"

6.12.1 Unless an exemption applies, you must report dealings in all the following Securities, irrespective of whether the transaction was made in the UK or abroad:

- share or stock in the capital of a company
- debt instruments issued by a company or public sector body (bond deals)
- hybrid deals like permanent interest bearing shares for example
- futures/options
- warrants or depositary receipts
- contracts for difference including spread bets, whether or not financially based

but not investments in collective investment schemes (UTs, OEICs or limited partnerships).

6.13 Inducements

6.13.1 Employees must not offer, give, request or accept any benefit which could induce:

- another person to introduce investment business to them
- them to place business with another person
- or in any way deter them from fulfilling their duties to the Fund.

6.14 Roles on Boards

Employees may not accept roles on boards without prior written permission from the Director of Finance. The Fund Accountant (Compliance) must be informed immediately after permission has been granted/refused and evidence of the DoF's decision must be given to the Fund Accountant (Compliance) at the time of notification. All meetings attended must be disclosed to the Fund Accountant (Compliance) in advance of the meeting and all hospitality, travel and accommodation expenses, reimbursed out of pocket expenses and any salary must be declared to the Fund Accountant (Compliance) via email within one month of the meeting taking place.

6.15 Gifts & Hospitality

6.15.1 The Council's policy in respect of gifts and hospitality is set out in full on the intranet and must be adhered to, along with the following guidance. For Fund employees, no employee or connected person may accept from any person any gift/hospitality or other benefit unless it is abundantly clear that, taking into account:

- the value of the gift/hospitality, and the circumstances in which it was given,
- there could be no suspicion in any one's mind that the recipient might be tempted to favour the giver to the prejudice of the Fund's interest.

In deciding whether or not it is appropriate to accept any gift or hospitality the following guidelines should be taken into account;

(a) There should be no cause for concern where an offer of hospitality is made by another non-commercial public body or one of its officers.

(b) Normal business courtesies, for example lunch and dinner invitations may be accepted where these follow or form part of a business meeting.

(c) Small gifts of modest value such as diaries and calendars may be accepted.

Hospitality/Entertainment is sometimes offered to senior officers as official representatives of the Fund and may be accepted in the following circumstances:

(a) If the Director of Finance can justify acceptance in the context of fulfilling duties as a representatives of the Fund e.g. speaking at a public conference or representing the Fund at business meetings.

(b) If the extent of the hospitality/entertainment is reasonable and is likely to be regarded as a normal part of the courtesies of public life e.g. a lunch or dinner invitation or social event offered at a conference or similar event to participants generally.

(c) If details of the hospitality/entertainment are recorded as soon as practicable in a register to be maintained by the Head of Pension Fund PA, reviewed by the Fund Accountant (Compliance).

Regarding hospitality, where an invitation is to an event involving a number of clients, there is unlikely to be an issue as organisations regulated by the FSA must, themselves, comply with the criteria issued by the FSA. Where an invitation is personal, greater discretion should be exercised. In all cases, where an organisation is seeking work or is likely to be tendering for a contract within six months, or there is a risk of a conflict of interest (actual or perceived), acceptance should be avoided.

When an unacceptable gift is received without warning, this should immediately be reported to the Fund Accountant (Compliance) who will decide whether the gift should be returned.

In some circumstances, individuals may consider a donation to the Mayor's Fund to be appropriate and, in attendance, should also evaluate the split between work and personal time.

6.16 Procedure for declaration

Prior approval must be sought from the Director of Finance prior to acceptance of any hospitality.

Gifts and hospitality must be reported to Compliance on the appropriate form if they are above the monetary limits for reporting or if there are circumstances which a reasonable person might conclude would require reporting to Compliance.

The description of the gift/hospitality needs to be sufficient to allow a third party to assess accurately what the gift/hospitality is and to attribute a fair market value to it where this is not immediately obvious. It should also be recorded on the form whether events are group or individual events.

Compliance will not normally consider it necessary to report a gift or hospitality unless it exceeds £25 in value or, in aggregate, gifts or hospitality received from the same party over 6 months, exceeds £50 in value.

Employees are required to make a return on a monthly basis. Forms (see appendix 5) are available at [Gifts-Hospitality notification form](#). Returns should be submitted to the Head Of Pension Fund PA within 10 days of each month end and reviewed by the Fund Accountant (Compliance). They must include evidence of approval. The HOPF PA will also send the hospitality forms on to Wirral Council's Administration and Performance team who maintain a central register of all hospitality accepted/declined for the Finance department. This register is reviewed by the Deputy Director of Finance every six months.

The Fund Accountant (Compliance) will review the returned forms and report to the Group Accountant on non-returned items and items which raise concern.

Nil returns and notification of hospitality offers received and declined are required.

6.17 Whistleblowing

In accordance with Council policy, the Fund is serious about tackling all forms of serious malpractice and abuse and needs the support of all employees to help take action by whistleblowing before real damage is done.

It is an individual's responsibility to whistleblow if there are genuine concerns about the mistreatment of people; financial malpractice; dangers to health and safety; and cover-ups.

Full details of the Council's policy on whistleblowing can be found in The Confidential Reporting (Whistleblowing) Policy.

6.18 Confidentiality

6.18.1 Employees

- (a) must not disclose information given to him in confidence by anyone, without the consent of a person authorised to give it, or unless he is required by law to do so and
- (b) must not prevent another person from gaining access to information to which that person is entitled by law.

6.19 Home Working

The Council's policy is set out in full on the intranet. Some of the principles governing working from home are set out below.

Working at home in MPF Investments arises in two different types of situation:

- (a) regular – as part of the normal working week under a formal arrangement and subject to a detailed agreement;
- (b) specific – where there is a particular task to be done (usually with some urgency) and the work can be done with less distraction at home.

In setting up a regular arrangement, a detailed discussion with management is required to appraise how service needs might be affected and how access to the required resources is obtained. The formal process includes consideration of equipment requirements as well as a health and safety check of the home premises. In practice each arrangement requires to be considered on its attributes and costs kept to a minimum.

In all circumstances, there needs to be a clear performance expectation and an understanding of the consequences if such is not delivered. A diary record is to be maintained of home working assignments, and the employee is required to be available for contact between 9 a.m. and 5 p.m. on a nominated landline and mobile phone. A form also needs to be completed confirming that expectations were met.

Agreement to home working is at management's discretion and, in the absence of an approved regular arrangement, must always be sought in advance with the appropriate Section Head or the Head of Pension Fund. Unauthorised absence may be considered as an act of indiscipline warranting formal action. There must always be adequate cover in the office and the efficient functioning of the Fund is an overriding consideration.

SECTION 7

CUSTODY OF ASSETS

7.1 Custodians

7.1.1 The custodians used to hold the assets of MPF must be approved and the Fund's relations to those custodians must be set out in written agreement.

7.2 Stock lending

7.2.1 The Fund in association with its Custodian should have documentation in place with borrowing counterparties which is adequate and appropriate having regard to the investments being lent. The terms and conditions of lending should be appropriate to the markets in which lending takes place (for example by reference to the Stock lending and Repo Committee's Stock Borrowing and Lending Code of Guidance), and to the other circumstances of the transaction, in particular, the various types of risk involved in the transaction.

7.3 Reconciliation

7.3.1 The Fund should seek to ensure that its custodians deliver a valuation of its assets within 20 business days of the date of the valuation.

7.3.2 The Fund should, as often as is necessary, perform a reconciliation of its record of safe custody investments for which it is accountable but which it does not physically hold, with statements obtained from custodians, and in the case of dematerialised safe custody investments not held through a custodian, statements obtained from the person who maintains the record of legal entitlement.

7.3.3 If the Fund is unable to obtain no statements of clients' entitlement from unit trust managers, operators of ICVCs or administrators of offshore mutual funds, it need perform a reconciliation of those holdings only as often as the statements are received but no less than every 6 months.

7.3.4 The Fund should endeavour to perform the reconciliation of its holdings within 25 business days of the date to which the statements are received.

7.3.5 For those assets not held with its custodian, the Fund should, as often as necessary, but no less than every 12 months, carry out a count of all safe custody investments it physically holds and reconcile the result of that count with its record of physically held safe custody investments.

SECTION 8

REPORTING AND NOTIFICATION REQUIREMENTS

8.1 Transaction Disclosures

8.1.1 Rules Governing Disclosure

The FSA's Disclosure Rules and Transparency Rules

The Fund is required to notify the issuing company and The FSA of changes of voting rights over certain percentage thresholds that occur as a result of an acquisition or a sale. Different percentage thresholds apply to voting rights in UK and non-UK companies.

The Fund has no obligation to notify where it holds shares with no voting rights.

Note that the percentage of overall voting rights can increase or decrease (so as to require a notification) without the Fund actively doing anything at all.

For UK companies the relevant integer percentages which trigger the requirement to notify are 3% and every whole 1% thereafter.

For example, if the Fund purchases shares in company X which entitle the Fund to 3% of the voting rights at general meetings of company X, a notification of the holding must be made to both company X and the FSA. If the Fund then increases the holding to 4% of voting rights at general meetings, a notification must again be made to company X and the FSA. However, if instead the Fund purchases shares taking the holding to only 3.5%, there is no obligation to notify, as the percentage holding has not moved across a whole percentage point since the last notification. A relevant decrease in holding will also trigger the obligation to notify. So, if the Fund reduces its percentage of overall voting rights from 4.1% to 2.9%, two notifications will be required. No further notifications will be required for any additional reductions below 3%.

For non-UK companies the relevant percentages which trigger the requirement to notify are 5%, 10%, 15%, 20%, 30%, 50% and 75%. As for UK companies, any increase or decrease in the holding over the relevant integer percentage threshold will require a notification.

Where the Fund learns (or should have learnt) or is informed of a change in its holding that requires notification, it must notify the issuing company and the FSA within two trading days in the case of a UK company, or four trading days in the case of a non-UK company.

8.1.2 The Takeover Code

The rules only apply during the offer period of a take-over bid for shares relating to either of the offeror or offeree that are on the Takeover Panel's Disclosure Table.

Rule 8 sets out various notification requirements that should be made to the Panel on Take-overs and Mergers (POTAM), dependent upon the percentage holdings held in a company's shares.

8.1.3 Code, Rule 8.3, the "1% Rule"

Where a holding of 1% or more is attained in a company's shares, then this must be disclosed to the Panel and a Regulatory Information Service, or if an OFEX security, then to Newstrack, by 12 noon the next business day after the trade date. Additionally, any purchases or sales of shares whilst over the 1% holding, including a sale which would then bring the holding below 1%, must also be disclosed to those two bodies.

8.1.4 Code, Rule 9

No holdings in excess of 29.9% of the issued shares of a UK company are permitted. Under Rule 9 of the Code, a mandatory offer has to be made for the remaining shares of the company once 30% is held or controlled.

8.1.5 Substantial Acquisition Rules, ("SARs"), Rules 3 and 5

15% or more holdings

Where the Fund holds 15%+ in the shares of a UK company and these shares were acquired through market purchases and not through new issues of shares, then a disclosure under SARs Rule 3 is required in addition to any other disclosures under S198 (see above) or the Code.

A disclosure must be made when the 15% level is reached and every time the holding increases through a whole percentage point (e.g. from 14.2% to 15.3% or 16.7% to 17.4%). This disclosure must be made to the Panel and a RIS by 12 noon the business day following the trade date.

8.1.6 The responsibility for highlighting and making disclosures is clearly established. It is incumbent on the individual investments managers or monitoring officers to notify the Compliance Assistant or Fund Accountant (Compliance) of any relevant disclosures to be made. Once informed, Compliance should ensure that disclosure is made in the relevant timescale.

8.1.7 Should an issuing company serve notice under Section 793 of the Companies Act 2006 requiring information about interests in its shares the Fund is required to confirm the interest within reasonable time as may be specified in the notice.

8.2 **Pensions Committee**

Reports should be made to Pensions Committee for all delegated activities as required in the Constitution of the Council.

8.3 **Annual Report & Accounts**

The Fund is required to publish its Report and Accounts on an annual basis, by no later than seven months after its year end.

8.4 **Statement of Investment Principles**

The Fund is required to state compliance with the six principles of investment practice as set by CIPFA. The statement should be reviewed annually and updated if significantly changed.

8.5 **Treasury Management: Policy and Strategy**

The Treasury Management and Policy Statement requires that the Pensions Committee approves an annual plan and strategy for each year.

8.6 **Treasury Management Annual Report**

To comply with CIPFA requirements, the Fund is required to make an annual report to Pensions Committee on the performance of the Treasury function, on the effect of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's Treasury Management Policy and Strategy and practices.

8.7 **Funding Strategy Statement**

The Local Government Pension Scheme (Amendment) Regulations 2008 require that each Administering Authority revise and publish a funding strategy statement (FSS) wherever there is a material change in either the policy on matters set out in the FSS or the Statement of Investment Principles (SIP).

8.8 **Freedom of Information Act 2000**

8.8.1 The Freedom of Information Act 2000 (FoI) was passed on 30 November 2000 and became effective 1 January 2005. The Act gives a general right of access to all types of "recorded" information held by

public authorities, sets out exemptions from that right and places a number of obligations on public authorities.

8.8.2 Details of the Act and Wirral's publication scheme are available on the Council's website.

8.8.3 Under the Act, every public authority is required to adopt and maintain a Publication Scheme. The purpose of a scheme is to ensure that a significant amount of information is available, without the need for a specific request. Schemes are intended to encourage organisations to publish more information pro-actively and to develop a greater culture of openness.

There are a number of exemptions from providing information:

1. Information accessible by other means
2. Information intended for future publication
3. Personal information
4. Information provided in confidence
5. Commercial interests

The scope of these exemptions and other helpful information is available in a guidance note issued jointly by CIPFA and LAPFF which is held by the Fund Accountant (Compliance).

8.8.4 **Implications for the Fund**

The Fund operates in an environment where a considerable amount of the information available to it has potential to be commercially and financially sensitive.

In particular, employees should be aware of the commercial sensitivity of contractual agreements between the Fund and external service providers. Information on fee and service arrangements is generally subject to confidentiality clauses. Performance data should not be disseminated indiscriminately. Employees should consider these implications and the potential for other data to implicitly provide information of this nature before responding to requests.

Information exempted from publication at cabinet or committee can be withheld.

In the first instance, requests should be referred to the Fund Accountant (Compliance) to be logged and allocated to the appropriate individual/function. There should be appropriate liaison with the central contact at Wirral.

Under the FoI, requests must be responded to within 20 working days.

If the time taken to collate the information is less than 18 staff hours, the information should be provided at no cost. If it exceeds this time, the cost is deemed to be in excess of £450 and payment of the full costs can be demanded prior to the information being released.

The CIPFA Pensions Panel has released guidance on “dealing with requests for information relating to local authority pension funds”. This is held by the Fund Accountant (Compliance).

Where information is withheld the reply must contain certain statutory information. Guidance has been issued by Legal Services in this respect.

8.8.5 Records Management Policy and Corporate Retention Policy

Reference should be made to these two essential policies, in relation to information management and record keeping.

The majority of the Fund’s records should be retained for 7 years i.e.

- Accounts & audit reporting
- Financial Transactions Management
- Summary Assets management
- Asset Monitoring & Maintenance
- Bank Account Records
- Expenditure Records
- Ledger Records
- Receipt and Revenue Records

8.9 Anti-Money Laundering

The Council’s anti-money laundering policy and guidance notes are available on the intranet.

Only those staff dealing with relevant business need to comply with client identification procedures and ensure record keeping procedures. However, all staff are required to follow the anti-money laundering reporting procedure.

The Fund’s dealings with certain admission bodies means that, under the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007, the Fund is deemed to be carrying on “relevant business”. The implication of this is to bring the Fund’s activities under this legislation and confers a higher duty of care on staff in identifying and reporting potential money laundering activity.

In practice, the potential for money laundering is virtually nil. In the Investments area, the only funds received, apart from contributions, are a consequence of the Fund’s investment activity and money laundering activity is not relevant to this. With regard to contributions, these are

received from local councils and other admission bodies whose credentials have been established in the admissions process. The Fund is not involved in payments to AVC providers. In theory, the only area where there is some potential for illegal activity would be an individual buying additional years. The Fund's administration team should be alert to the potential for this.

SECTION 9

ACCOUNTING, TREASURY AND SETTLEMENTS ADMINISTRATION

9.1 Introduction

9.1.1 The purpose of this section is to identify compliance requirements for the accounting, treasury and settlements functions.

9.2 Activities of treasury and settlements functions.

9.2.1 The treasury/settlements function must initiate payments and confirm receipt of funds resulting from the execution of investment decisions.

9.2.2 The treasury/settlements function must monitor the bank accounts of the Fund and reconcile bank statements to internal records.

9.2.3 The treasury/settlements function also has a duty to ensure that there are adequate funds available for the settlement of investments.

9.3 Compliance requirements

9.3.1 Payments must only be authorised after receipt and checking of dealing ticket and fax from broker confirming deal, or the equivalent written, supporting documentation for other asset transactions.

9.3.2 All payments must be authorised appropriately.

9.3.3 Documentation relating to settlements should be retained securely in accordance with document retention requirements.

9.3.4 Reconciliation of bank statements should be completed by accounting and settlements staff and signed by the Group Accountant/Fund Accountant (Operations) as evidence of review.

9.3.5 The treasury function should ensure that cash balances are adequate at all times for current requirements. Any actual or anticipated breaches must be reported to the Group Accountant.

9.3.6 The spreadsheets produced on a daily basis and used to make cash management decisions, together with the resultant payment instructions should be signed by the Fund Accountant (Compliance) or delegate as evidence of review.

9.4 Activities of accountancy function

9.4.1 The accountancy function includes the collection of contributions from contributing authorities, the drawing up of final accounts for the Fund,

dealing with auditors, production of financial information for Fund management and the checking of re-charges from Wirral Council.

9.5 Compliance requirements of accountancy function

- 9.5.1 Performance targets for collection of contributions should be monitored.
- 9.5.2 Persistent late payers of contributions should be followed up in accordance with TPR regulations.
- 9.5.3 Audit reports should be discussed with the relevant staff and appropriate responses made within a reasonable time.
- 9.5.4 Accounts should be completed in line with Code of Practice on Local Authority Accounting in the United Kingdom requirements.
- 9.5.5 Budget Monitoring reports should be checked on receipt and reconciled to Fund records. Any errors should be corrected in a timely manner and all amounts owing to Wirral Council, both 1 Business expenditure and recharges, should be paid within one month of the end of the period in question.
- 9.5.6 VAT Returns should be completed and submitted to Wirral Council in a timely basis, in accordance with Wirral Council timetable, usually on or before the 15th of each month.

SECTION 10

COMPLIANCE PROGRAMME

10.1 Introduction

10.1.1 The purpose of this section is to set out the Compliance Monitoring Programme.

10.2 Activities

10.2.1 The purpose of this manual is to identify relevant Compliance requirements for the areas of activity of the Fund. It is the responsibility of the Fund Accountant (Compliance) to ensure that the Compliance requirements identified in this manual are followed.

10.2.2 This will be achieved either through the completion of tasks by the Fund Accountant (Compliance)/Compliance Officer or the review of work by other officers by the Fund Accountant (Compliance)/Compliance Officer. This is defined as the Compliance Programme.

10.3 Compliance Requirements

10.3.1 The Fund should have a Compliance Manual, written in accordance with professional standards.

10.3.2 The Compliance Manual should be agreed by Senior Officers and Pensions Committee as binding on employees.

10.3.3 All employees should be issued with a compliance manual on starting and the manual will be circulated after each review, which occurs every three years. Any interim amendments/updates will be immediately circulated. All relevant employees will be requested to sign a slip to confirm that they have received, read, understood and agree to comply with the compliance requirements.

10.3.4 The Fund Accountant (Compliance) must formulate a Compliance Programme which monitors compliance with all Compliance requirements.

10.3.5 There should be adequate procedures in place to ensure that compliance programme is completed even in the absence of key staff.

10.3.6 The reports for Compliance Programme must be filed in line with planned timetable.

10.3.7 The Compliance Manual should be updated as required on a regular basis and a definitive reviewed manual presented to Pensions Committee every three years.

Section 11

FURTHER READING

The following documents should be read in conjunction with this manual:

Document	Location
Constitution of the Council	Wirral Intranet – Wirral Councillors
Guidelines for Financial Systems	Wirral Intranet A-Z
Information & Communications Technologies Security Policy	Wirral Intranet - ITS
Code of Practice for the use of Internet and Electronic Mail Facilities	Wirral Intranet A-Z
Mobile Phone Policy	Wirral Intranet A-Z
Gifts & Hospitality	Wirral Intranet A-Z
Conflicts of Interest	Wirral Intranet A-Z
Dealing Permission Form	See Appendix 2
Dealing Notification Form	See Appendix 3
Code of Market Conduct	See Fund Accountant (Compliance) for latest version
Statement of Investment Principles	Reviewed annually and updated if significantly changed see MPF Internet site
Treasury Management Policy and Statement	Reviewed annually see Fund Accountant (Compliance) for latest version
Treasury Management Annual Report	Reviewed annually see Fund Accountant (Compliance) for latest version

Document	Location
Funding Strategy Statement	See Fund Accountant (Compliance) for latest version
Confidential Reporting (Whistleblowing) Policy	Wirral Intranet A-Z
Freedom of Information Policy	See Fund Accountant (Compliance) for latest guidance
Corporate Records Management Policy	Wirral Intranet Corporate Records Management Service
Corporate Retention Policy	Wirral Intranet Corporate Records Management Service
Anti-Money Laundering Policy	Wirral Intranet A-Z
TPR Regulations	See TPR Website
Code of Practice on Local Authority Accounting in the United Kingdom	See Fund Accountant (Compliance)
SORP	See Group Accountant for latest version
MPF Procedures for HMRC Tax	See Line Manager
Deal Ticket Completion Procedures	See Appendix 4
Travel and Subsistence Policy (including Overseas Visit Policy)	Wirral Intranet A-Z
Company Barclaycard Policy	Wirral Intranet A-Z
Continuous Professional Development (CPD)	See Fund Accountant (Compliance)
Policy for Monitoring of Investment Mandates	See Fund Accountant (Compliance)

APPENDIX 1

Confirmation of receipt of Compliance Manual

To be completed by:

All Investment Section employees, Director of Finance, Deputy Director of Finance and Authorised Signatories.

Name

Post

I confirm that I have read and familiarised myself with the Compliance Manual. I note that failure to comply with the procedures (particularly those relating to personal conduct) may result in disciplinary action being taken against me.

Signed

Date

APPENDIX 2

DEALING PERMISSION FORM

To be completed prior to dealing in any security, requiring prior approval, in accordance with the Compliance Manual, section 6

NAME OF INDIVIDUAL:

DATE PERMISSION SOUGHT:

Please detail below all the securities in which you wish to deal.

Description of Security

(These details are notified to Compliance in strict confidence)

PERMISSION GRANTED/DENIED*

AUTHORISERS SIGNATURE

*Delete as applicable

Please pass form to Compliance for filing immediately.

APPENDIX 3

DEALING NOTIFICATION FORM

To be completed on a monthly basis.

MONTH TO WHICH THIS FORM RELATES:(MM/YY)

NAME OF INDIVIDUAL:.....

Please detail below all the securities, requiring prior approval, in which you have dealt this month. Nil returns are required.

Date of deal	Buy/Sell (B/S)	Number of shares	Description of Security	Registered holder (e.g. you, close family, nominee)

(These details are notified to Compliance in strict confidence)

I confirm that, to the best of my knowledge, the information provided on this form is accurate and complete.

SIGNATURE OF INDIVIDUAL.....

Please pass form to Compliance for filing within 10 days of month end.

APPENDIX 4

DEAL TICKET COMPLETION PROCEDURE

Each Investment Manager has their own Deal Ticket Template in their own file (see filepaths) called DEAL TICKET TEMPLATE.dot.

- F:\Investments\Deal Tickets\Greg\
- F:\Investments\Deal Tickets\Leyland\
- F:\Investments\Deal Tickets\Paddy\
- F:\Investments\Deal Tickets\Allister\
- F:\Investments\Deal Tickets\Susannah\

- Open the DEAL TICKET TEMPLATE.dot through My Computer.
 - Click Start – My Computer and then navigate to your folder above.

N.B. The template must be opened this way for it to allocate you the correct Reference Number.

- Click Yes to enable macros when prompted. (If you are not prompted go to Tools – Macro – Security... and change the security level to medium).

When the Deal Ticket Template opens it will automatically update the next reference number in your sequence.

It will also automatically save the document in your Previous Deal Tickets folder so that you cannot overwrite the template.

- Fill in the deal ticket in Word with as much information as you can.
- In the Signature: Investment Manager box in the Other Information and Sign Off section fill in your name.
- Leave the Signature: SIM / HoPF box blank.
- The Reporting Details section is to be completed if the security is non custody. Please try to include contact details of the relevant person / department.
- Leave the Settlements section blank.
- When the document has been completed click File – Send to – Mail Recipient (as Attachment...)

- If you have any supporting documentation you can attach it to the e-mail now in the usual way.
- If the deal ticket does not need to be authorised by a Senior Investment Manager or the Head of the Pension Fund send the e-mail to mpfcashflow@wirral.gov.uk.
- If the deal ticket does need to be authorised send the e-mail to the relevant person for authorisation.
- Click the Save button and then close the document.

Authorisation

On receipt of deal ticket that needs authorisation open the deal ticket attached to the e-mail and check the details are correct.

If the details are correct input your name in the Signature: SIM / HoPF box in the Other Information and Sign Off section of the deal ticket, click the save button and close the document.

On the e-mail, click File – Save.

Forward the e-mail to mpfcashflow@wirral.gov.uk.

If the details are incorrect, inform the Investment Manager (*do not forward to mpfcashflow*).

Settlements

Once the deal ticket has reached mpfcashflow check the dealing limits and authorisation against the Compliance Manual. If all is in order fill in the settlements section and state in the Notes area that Dealing Limits and Authorisation have been checked along with your initials. Then e-mail the deal ticket to mpfcompliance@wirral.gov.uk.

If there is any missing information, errors, the dealing limits are exceeded or authorisation is incorrect the authoriser / investment manager must be informed and the deal not placed until the matter is resolved.

Compliance

On receipt of the deal ticket to mpfcompliance.gov.uk and member of the compliance team will check the following:

- The nature of the investment falls within the remit of the portfolio it is investing in.
- The dealing limits / authorisation have been checked.
- Is a 3% disclosure notice required?

Once compliance is satisfied that all is correct the final version of the deal ticket is saved as a pdf file in F:\Investments\Compliance\Dealing Tickets.

Reference Numbers

When you open the deal ticket template the reference number will automatically update to the next reference number in your sequence.

If for any reason you need to change this open the Settings.txt file in your folder and change the number after Order= to the number before the reference number you require.

For example if you require reference number LO/2009/**009** the line in the Settings.txt file need to be Order=**8**.

Save and close the text file.

APPENDIX 5



M17

Gifts and Hospitality Dec

Employee Name: _____

Employee No: _____ Post No: _____

Designation: _____

Band/Grade: _____

Department: _____

Section: _____

Declaration of Gift and/or Hospitality

Employees must declare any Gift or Hospitality below (see guidance overleaf).

Date Offered/Provided:	
Provider of Gift/Hospitality:	
Nature of Gift/Hospitality:	
Where Offered/Provided:	
Reasons:	
Is The Organisation Seeking Work?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Estimated Value:	£
Offer Accepted:	<input type="checkbox"/> Yes <input type="checkbox"/> No
Disposal Arrangements:	
Employee's Signature:	Date:
The completed form should be reviewed by the employee's manager and signed to indicate they have discussed any potential issues.	
Manager's Signature:	Date:
Comments:	
<i>For Internal Use Only (the original form will be retained on the employee's personal file)</i>	
Date Entered on Departmental Register:	

Gifts and/or Hospitality

Employees should be extremely careful about accepting gifts and hospitality (including entertainment). Acceptance of gifts and hospitality in inappropriate circumstances can lead to allegations of impropriety or even criminal charges. The law relating to corruption is set out in the Public Bodies Corrupt Practices Act 1889, the 1905 and 1916 Prevention of Corruption Acts and the Local Government Act 1972. In essence it is a criminal offence under the 1889-1916 legislation to corruptly receive directly or indirectly (or give) any gift, loan, fee, reward or advantage as an inducement or reward to do or not do anything as the officer of a local authority. Under the 1972 Act it is a criminal offence for an officer to accept any fee or reward, other than proper remuneration under cover of his/her office or employment.

Gifts

With the exceptions listed below, an employee should refuse any personal gift (including cash) offered to him/her or to a member of his/her family by any person who has, or seeks, dealings with the Authority, and the offer should be reported to the Chief Officer of the department concerned.

1. A trivial gift of promotional character given to a wide range of people and not uniquely to the employees. These gifts are usually given at Christmas time and include calendars, diaries, desk charts, flow charts, tape measures, scales and other articles of use in the office or for the job.
2. Trivial gifts on the conclusion of any courtesy visit to a factory or firm of a sort normally given by that firm.

Obviously it is wise to err on the side of caution; and obviously an expensive gift should raise a question, even if it otherwise falls within one of the above categories. If in doubt, the advice of the superior officer should be sought. When a gift is to be refused, this should be done with tact because the offering of gifts is common practice in the commercial world. However, occasionally it may be appropriate with the agreement of the Chief Officer to pass on a gift or cash to the Mayor to receive on behalf of the Council or to a reputable charity to avoid giving offence.

Hospitality/Entertainment

Hospitality/Entertainment is sometimes offered to senior officers as official representatives of the Authority and may be accepted in the following circumstances:

1. If the appropriate Chief Officer can justify acceptance in the context of fulfilling duties as a representative of the Authority;
2. If the extent of the hospitality/entertainment is reasonable and is likely to be regarded as a normal part of the courtesies of public life;
3. If details of the hospitality/entertainment are recorded as soon as practicable in a register to be maintained by each Chief Officer.

However, special caution is needed where the host is a private individual or seeking to do business with the Authority or to obtain a decision from it or has been involved with the Authority commercially. It is important to avoid any suggestion of undue influence and therefore in these circumstances hospitality/entertainment should normally be avoided with the exception of modest refreshments provided during discussions/negotiations. Again, any hospitality/entertainment received should be registered.

Any breach of these guidelines could result in disciplinary action being taken.

Name	Position	Date Received	Received by
Lee Bridge	Senior Settlements Officer		
Yvonne Caddock	Principal Pensions Officer		
Greg Campbell	Investment Manager		
Craig Cole	Investment Assistant		
Ian Coleman	Director of Finance		
Paddy Dowdall	Investment Manager Alternatives & monitoring		
Malcolm Flanagan	Head of Revenues, Benefits & Customer Services		
Alison Fraser	Accountancy Assistant		
Susannah Friar	Investment Manager Property		
Allister Goulding	Investment Manager		
Guy Hayton	Operations Manager		
Joseph Hull	Accountancy Assistant		
Steven King	Fund Accountant (Compliance)		
Adil Manzoor	Compliance & Valuation Officer		
Leyland Otter	Senior Investment Manager		
Geoff Paterson	Head of IT Services		
Margaret Rourke	Deputy Principal Pensions Officer		
Sue Roberts	Member Services Manager		
Thomas Sault	Head of Financial Services		
Donna Smith	Group Accountant		

David Taylor-Smith	Deputy Director of Finance		
Owen Thorne	Monitoring Officer		
Chris Tosh	Fund Accountant (Operations)		
Peter Wallach	Head of Pension Fund		
Emma Jones	PA To Head of Pension Fund		
Adam Williamson	Investment Assistant		

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WIRRAL COUNCIL

PENSIONS COMMITTEE

20 MARCH 2012

SUBJECT:	PENSIONS 5 - GENERAL FILING
WARDS AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report updates Members on commissioned works by the system provider Civica to extend the coverage of the Pensions5 IT system to more general, non-member documents.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The current electronic document management and workflow system supplied by Civica (previously known as Comino) was implemented by the Pension Fund in 1997. The system is referred to by the term Pensions5
- 2.2 Pensions5 is embedded as a core IT system for administration of member data and documents. There is a module within the system for non-member documentation, referred to as General Filing.
- 2.3 A project was implemented during 2011 to utilise the General Filing software module. Work has commenced with the supplier to review documents; build a document hierarchy; and an appropriate security model (secure staff access to confidential documents).
- 2.4 This has proved to be successful and has improved the access and availability of important, historical documents to staff. Work to scan and index legislation, committee reports and other pensions administration related documentation is ongoing.
- 2.5 Following the success of the initial project, two further improvements to non-member electronic document management were identified and scheduled for development in 2012 as follows:

(a) TO DEVELOP AN ADMISSION BODIES PROCESS

The supplier is to design, create and refine a multi-stage workflow for handling the process of an admission body.

The anticipated influx of Academies into MPF will be more efficiently administered by MPF if supported by electronic document management and workflow.

(b) INVESTMENTS DOCUMENTATION

To review examples of investment documents and then build an appropriate document hierarchy and an appropriate security model for secure staff access to confidential documents.

2.6 Using the system supplier to develop these improvement areas, has been identified as the most efficient and cost-effective means to deliver the objectives. Following completion of the works, MPF and IT Services will undertake the knowledge and skills transfer to maintain improvements into the future.

3.0 RELEVANT RISKS

3.1 None associated with this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 As it is an extension of operation of an existing, embedded system the system supplier is best placed to provide the experienced resources.

5.0 CONSULTATION

5.1 None associated with this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 Estimate of works to develop an Admission Body process:
£17,000 [**~20 days**]

7.2 Estimate of works to build an Investments repository for electronic documents
£5,950 [**~7 days**]

7.3 Total estimated cost of works **£22,950** has been agreed at the supplier day rate and can be met from the Pension Fund budget.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

None

10.0 CARBON REDUCTION IMPLICATIONS

10.1 None arising from this report

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 None arising from this report

12.0 RECOMMENDATION

12.1 That Members note the report.

13.0 REASON FOR RECOMMENDATION

13.1 To keep Members of the Pensions Committee up to date with business improvements, operational efficiencies and contracted out works.

REPORT AUTHOR: Yvonne Caddock
Principal Pension Officer
Telephone: 0151 242 1333
email: yvonnecaddock@wirral.gov.uk

APPENDICES

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSIONS COMMITTEE

20 MARCH 2012

SUBJECT:	<i>NAPF CONFERENCE</i>
WARD/S AFFECTED:	<i>ALL</i>
REPORT OF:	<i>DIRECTOR OF FINANCE</i>
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report requests any nominations to attend the National Association of Pension Funds (NAPF) Local Authority Conference 2012 “Paving the way forward”, to be held in Gloucester from 21 May to 23 May 2012.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 Merseyside Pension Fund is a member of the NAPF which represents some 10 million employees in pension schemes. The NAPF seeks to make effective representation to encourage provision as well as sound stewardship of pension fund assets.
- 2.2 MPF has been represented at all previous NAPF Local Authority Conferences usually by the Chair of Pensions Committee and an officer.
- 2.3 Accommodation will be required for the nights of 21 and 22 May 2012

3.0 RELEVANT RISKS

- 3.1 MPF is required to demonstrate that the Members of the Pensions Committee have been adequately trained. This conference is a recognised training opportunity.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered

5.0 CONSULTATION

- 5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising out of this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 7.1 The cost of attendance plus two nights' accommodation will be about £300 per delegate plus VAT, excluding travel which can be met from the Pension Fund budget.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATION

12.1 That Committee considers if it wishes to send a delegation to attend this conference and, if so, to determine the number and allocation of places.

13.0 REASON FOR RECOMMENDATION

13.1 To decide whether the Committee wishes to be represented at a conference.

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FNCE/40/12

APPENDICES

NONE

REFERENCE MATERIAL

NONE

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	29 March 2011
Pensions Committee	23 March 2010
Pensions Committee	6 April 2009

WIRRAL COUNCIL

PENSIONS COMMITTEE

20 MARCH 2012

SUBJECT	CIPFA ANNUAL CONFERENCE
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1. This report requests any nominations to attend the CIPFA Annual Conference, to be held in Liverpool from 3 July to 5 July 2012.

2.0 BACKGROUND AND KEY ISSUES

- 2.1. The CIPFA Annual Conference covers the full range of public service policy and financial issues including the future of pensions.
- 2.2. The Chair of the Pensions Committee has attended this event in recent years accompanied by an officer.

3.0 RELEVANT RISKS

- 3.1. The Authority is required to prove that Trustees have been adequately trained. This conference is a recognised training opportunity.

4.0 OTHER OPTIONS CONSIDERED

- 4.1. No other options have been considered.

5.0 CONSULTATION

- 5.1. There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising out of this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1. There are none arising out of this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING AND ASSETS

- 7.1. The cost of attendance will be about £600 plus VAT per delegate which can be met from the Pension Fund budget.

8.0 LEGAL IMPLICATIONS

- 8.1. There are none arising out of this report.

9.0 EQUALITIES IMPLICATIONS

9.1. There are none arising out of this report.

9.2 Equality Impact Assessment (EIA) is not required.

10.0 CARBON REDUCTION IMPLICATIONS

10.1. There are none arising out of this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1. There are none arising out of this report.

12.0 RECOMMENDATION

12.1. That Committee consider if it wishes to send a representative to attend this conference.

13.0 REASON FOR RECOMMENDATION

13.1. To decide whether the Committee wishes to be represented at a conference.

REPORT AUTHOR

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FNCE/41/12

APPENDICES

NONE

REFERENCE MATERIAL

NONE

SUBJECT HISTORY

Council Meeting	Date
Pensions Committee	29 March 2011
Pensions Committee	23 March 2010
Pensions Committee	6 April 2009

WIRRAL COUNCIL

PENSIONS COMMITTEE

20 MARCH 2012

SUBJECT	LGPS TRUSTEES CONFERENCE
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1. This report requests that the Committee considers attendance at the LGPS trustees conference organised by the Local Government Employers to be held in Blackpool on 14 and 15 June 2012.

2.0 BACKGROUND AND KEY ISSUES

- 2.1. The Local Government Pensions Committee staged an inaugural trustees' conference in York in September 2003. The conference was specifically aimed at elected members with responsibility for the Local Government Pension Scheme. The conference has become an annual event.
- 2.2. At the time of preparing this report the conference agenda had not been finalised.
- 2.3. Attendance at this conference has traditionally been open to all Members.

3.0 RELEVANT RISKS

- 3.1. The Authority is required to prove that Trustees have been adequately trained. This conference is a recognised training opportunity.

4.0 OTHER OPTIONS CONSIDERED

- 4.1. No other options have been considered.

5.0 CONSULTATION

- 5.1. There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising out of this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1. There are none arising out of this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING AND ASSETS

- 7.1. The cost of attendance plus accommodation will be £475 plus VAT per delegate excluding travel which can be met from the Pension Fund budget.

8.0 LEGAL IMPLICATIONS

8.1. There are none arising out of this report.

9.0 EQUALITIES IMPLICATIONS

9.1. There are none arising out of this report.

9.2 Equality Impact Assessment (EIA) is not required.

10. CARBON REDUCTION IMPLICATIONS

10.1. There are none arising out of this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1. There are none arising out of this report.

12.0 RECOMMENDATION

12.1. That Members consider attendance at this event and, if so, determine the number and allocation of places.

13.0 REASON FOR RECOMMENDATION

13.1. To decide whether Members wish to attend this conference.

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FNCE/42/12

APPENDICES

NONE

REFERENCE MATERIAL

NONE

SUBJECT HISTORY

Council Meeting	Date
Pensions Committee	29 March 2011
Pensions Committee	23 March 2010
Pensions Committee	6 April 2009

WIRRAL COUNCIL

PENSIONS COMMITTEE

20 MARCH 2012

SUBJECT:	FOOD WASTE PROCESSING FUND
WARD/S AFFECTED:	NONE
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide Members with information on an investment which provides financing for the development of Food Waste Processing Plants.
- 1.2 A report elsewhere on this agenda contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.0 BACKGROUND AND KEY ISSUES

- 2.1 MPF has identified an investment opportunity in respect of the financing of Food Waste Processing Plants and this report provides Members with further information on the investment.

3.0 RELEVANT RISKS

- 3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered

5.0 CONSULTATION

- 5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising out of this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 7.1 The initial investment into the fund is £15m.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATION

12.1 That Members note the investment.

13.0 REASON FOR RECOMMENDATION

13.1 The investment fulfils the MPF investment criteria.

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APPENDICES

NONE

REFERENCE MATERIAL

Government Review of Waste Policy in England 2011 - DEFRA
Eunomia - Anaerobic Digestion Market Outlook – Overcoming Constraints to Deliver New Infrastructure.
Anaerobic Digestion Strategy and Action Plan - DECC

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

**WIRRAL COUNCIL
PENSIONS COMMITTEE
20 MARCH 2012**

SUBJECT:	ADMISSION BODY APPLICATION ADDACTION
WARDS AFFECTED:	NONE
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report informs members of my decision taken under delegation, to approve the application received from Addaction for admission to Merseyside Pension Fund as a Transferee Admission Body. The company has secured a substance misuse contract with St Helens Council for the period of two years from 1 April 2012 to 31 March 2014.
- 1.2 A report elsewhere on this agenda contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information)

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The application is to provide pension provision for eight transferred staff members who were previously employed by St Helens MBC and wish to continue to participate in the local government pension scheme.
- 2.2 Addaction is both a voluntary and a not for profit organisation that has a registered charity number of 1001957 and the date of incorporation was 19 February 1991.
- 2.3 The principal activity of the company is the provision of substance misuse services. Addaction was established to relieve poverty and sickness among persons dependent on, or affected by, addiction to drugs and alcohol and to provide education and training to individuals and to the community, in respect of the dangers arising from substance abuse.
- 2.4 Addaction receives 96% of its funding from contractual statutory sources and therefore has close links with both the NHS and local authorities through the Drug and Alcohol Action Teams, (DAATS).

3.0 RELEVANT RISKS

- 3.1 The potential risk of financial loss to MPF resulting from the admittance of the company is mitigated by virtue of Regulation 38(3) (a) of the Local Government Pension (Administration) Regulations 2008. St Helens Council would be responsible for any outstanding contributions on the closure of the body which may not be recoverable from the contractor or the bond provider.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 The contractor's preferred route in accordance with the Statutory Best Value Authorities Staff Transfer (Pension) Direction 2007 on staff Transfers was to secure admitted body status as an alternative to the provision of a comparable pension scheme.

5.0 CONSULTATION

- 5.1 No consultation required as staff retained access to the LGPS.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 None arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 7.1 The latest audited Report and Financial Statement to 31 March 2011 of Addaction have been approved.

8.0 LEGAL IMPLICATIONS

- 8.1 The legal documents are to be drafted and approved by the Director of Law.

9.0 EQUALITIES IMPLICATIONS

- 9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

No, as there are no equalities implications as employees retain access to the LGPS.

10.0 CARBON REDUCTION IMPLICATIONS

- 10.1 None arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 11.1 None arising from this report.

12.0 RECOMMENDATION

12.1 That the Pensions Committee note the approval of the application for admission to the Merseyside Pension Fund of Addaction.

13.0 REASON FOR RECOMMENDATION

13.1 The application for admission meets all prescribed regulatory and financial requirements under the Local Government Pension Scheme Regulations and the appropriate supporting documentation has been received and approved. All parties to the agreement are legally enforced to comply with the governance policy of Merseyside Pension Fund.

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APPENDICES

Exempt Report on this agenda.

REFERENCE MATERIAL

Report produced by Mercer the Actuary, dated 11 January 2012.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSIONS COMMITTEE

20 MARCH 2012

SUBJECT:	ACADEMIES
WARDS AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report informs Members of the funding strategy adopted by Merseyside Pension Fund (MPF) in respect of local authority schools choosing to convert to Academy status under the Academies Act 2010.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 Members previously considered the financial and resource implications on MPF and Academies in relation to the continuing Local Government Pension Scheme (LGPS) obligations for non-teaching staff on 19 September 2011 (minute 46 refers).
- 2.2 There have been various communications and considerable debate on the treatment of Academies in the LGPS with particular reference to the different approaches applied by individual Pension Funds when setting employer contribution rates
- 2.3 A recent survey by the Chartered Institute of Public Finance & Accountancy (CIPFA) has highlighted an inconsistency in approach to how Administering Authorities are calculating contribution rates. Specifically, a minority of Pension Funds are adopting shorter deficit recovery periods for Academies than the original local authority recovery period. This results in a significant increase in contribution rates from those applying when the school was part of the local authority.

Government Correspondence

- 2.4 The Department for Education (DfE) has been clear in its correspondence that Academies should not be treated less favourably in the LGPS than local authority maintained schools, as they receive their funding from the public purse.
- 2.5 On 22 December 2011 the Secretary of State for Communities and Local Government (DCLG) and the Secretary of State for Education issued a joint letter to local authorities recommending that, for the purposes of assessing their employer contribution rate, an Academy should be pooled with the local authority who previously maintained the school. A copy of the letter is attached at Appendix 1.

- 2.6 Further to this joint letter, the Department for Education (DfE) issued correspondence dated 3 January 2012 directly to schools. This correspondence actively promotes Academy Status as the preferred approach for education provision. To encourage schools to consider Academy status the letter confirms that to allay concerns of any risk of increased LGPS contributions that the school can request to stay “pooled” with their local authority for pension purposes. A copy of this letter is attached at Appendix 2.

MPF approach to determining Academy Contribution rates

- 2.7 Prior to the letter of 22 December 2011, there was no formal recommendation or guidance on how Pension Funds should calculate employer contribution rates for newly converted Academies.
- 2.8 In the absence of any guidance and in conjunction with the Actuary, MPF adopted what could be described as a “quasi-pooled” approach in determining Academy funding arrangements.
- 2.9 I am satisfied this funding approach for setting Academy contribution rates achieves the same general contribution outcome as a pooled arrangement, except in relation to the future service rate, as follows:

Future Service Element

- 2.10 Academies are treated as separate employers with a **bespoke future service contribution rate** based solely on the membership of the Academy and not the entire Council membership.

Past Service Element

- 2.11 Upon conversion, the initial allocation of assets and liabilities to the Academy is based on the liabilities of current LGPS staff who transfer to the Academy. The assets are adjusted by a proportionate share of the Councils **past service deficit** that would have been payable if the school continued to be maintained by the Local Authority. The Academy is also awarded by MPF the same deficit recovery period as the local authority.
- 2.12 On the basis that a failing Academy would be managed by the Secretary of State with measures taken to transfer liabilities to an alternative educational establishment, the Actuary has advised that there is a minimal risk to MPF in spreading repayments over the same period as the original local authority.
- 2.13 Going forward assets and liabilities are tracked separately with all experience in relation to salaries and incidence of retirements being borne by the school. This achieves transparency and avoids cross-subsidy of future costs in accordance with the separation of budgets.

- 2.14 Although pooling provides the ability to stabilise the potential volatility of contribution requirements, it is possible that if current market conditions persist following conversion, the allocation of the deficit based on the proportionate share of the payrolls could increase, due to the headcount/pay restraints strategies currently being pursued by councils.
- 2.15 Following receipt of the guidance in December 2011, MPF sought actuarial advice on whether the adopted approach was equitable to both the academy and Local Authority and is compliant with the overall principles of the recent guidance.
- 2.16 As there are no specific regulations determining employer contribution costs upon conversion to Academy status, MPF believes that the policy is fair and equitable to all Scheme stakeholders and will lead to the appropriate attribution of pension costs in the future.
- 2.17 The policy may be subject to revision on receipt of any alternative, prescriptive regulatory direction from DCLG.

3.0 RELEVANT RISKS

- 3.1 Government may legislate to compel Administering Authorities to pool Academies.
- 3.2 Any formal change to pooling Academy contribution costs would require an exercise in retrospectively applying the legislation to historical Academies, and rebasing their contribution costs.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered

5.0 CONSULTATION

- 5.1 The DfE is consulting with schools seeking confirmation whether pooling has been requested and the terms and conditions offered by their LGPS Fund.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 7.1 If the Government provides regulatory direction prescribing that Academies must be pooled with the Local Authority then the responsibility for long term liabilities would fall to the Local Authority if there is a concern regarding the Academies financial covenant.
- 7.2 Staff and actuarial resources would be required to retrospectively apply any legislative change to the determination of Academy contribution costs.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

No, because non-teaching staff retain access to the LGPS upon conversion to Academy status and the funding framework adopted has been actuarially assessed as being equitable to both the Academy and Local Authority.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising from this report

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report

12.0 RECOMMENDATION

12.1 That Members approve the adopted method for determining the contribution rates and ongoing funding approach in respect of Academies; as separate employers with bespoke future service contribution rates and equitable transfer of the ceding authority's deficit and equivalent recovery period.

13.0 REASON FOR RECOMMENDATION

13.1 MPF has sought actuarial advice to ensure that the adopted approach is broadly in line with the directional stance of the DfE at inception and will lead to the appropriate attribution of costs in the future..

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APPENDICES

- 1 – Joint letter from the Secretaries of State for Education and Communities and Local Government to Local Authority Leaders - December 2011
- 2- Letter dated 3 January 2012 from Department for Education to schools

REFERENCE MATERIAL

Mercer Viewpoint – Academies and the LGPS.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	19 September 2011

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A note from the Secretaries of State for Education and Communities and Local Government

To Local Authority Leaders and Chief Executives in England

copied: Local Government Pension Scheme administering authorities

Academies and the Local Government Pension Scheme (LGPS).

Academies in all their forms are central to improving education. They promote innovation and diversity in the school system, give power and freedom back to heads and teachers and raise school standards across the board. The Academy conversion programme ensures that the highest performing institutions help the weakest to improve. Where maintained schools are performing poorly the Government is encouraging their conversion to Academy status with the help of an outstanding school or experienced sponsor. The Government is committed to expanding the Academy programme. There are now 1,463 Academies across England, with many more schools wishing to convert. In addition, the first Free Schools opened in September 2011 and the range and choice of education provision is changing rapidly across the country. Free Schools, University Technical Colleges (UTCs) and Studio Schools are being opened as Academies in direct response to parental demand and will drive up standards in the communities they serve.

We are, therefore, writing to set out in further detail an approach to pooling that we recommend be adopted. The clear aim is that there is a consistency of approach across Local Government Pension Scheme (LGPS) administering authorities so that an Academy in one part of the country is not treated in a different manner to one in another and no Academy pays unjustifiably higher employer pension contributions to the LGPS compared to maintained schools in the local area. This applies to existing Academies as well as those yet to convert or open, including Free Schools, University Technical Colleges and Studio Schools.

Many LGPS administering authorities have worked hard to help those schools becoming Academies resolve issues but we know that some administering authorities have been uncertain about how to treat Academies in their fund with some Academies being set employer pension contributions significantly more than maintained schools in the local area. Where a maintained school converts to Academy status it is Government's intention that the overall costs for the Academy as a participant in the Scheme should not increase. Like maintained schools, all forms of Academy continue to receive their funding from the public purse and, consequently, should not be treated in the LGPS less favourably than maintained schools.

Some converting Academies have been discussing with their LGPS administering authority the wish to be pooled with the local authority that formerly maintained the school.

Pooling arrangements between employers are permissible within the LGPS regulatory framework and we strongly recommend that where an Academy wishes to be pooled, administering authorities positively consider this. Academies would then pay the same LGPS employer contribution rate as maintained schools in the local area which includes an element for accrued past service liabilities. If it is found that inconsistencies or unjustifiably high employer pension contributions to the LGPS remain, consideration will be given to what other steps, including regulatory changes, would be needed.



MICHAEL GOVE



ERIC PICKLES

December 2011

Academy arrangements and the Local Government Pension Scheme - pooling of Academy arrangements with local authorities

Legal and financial status of Academy arrangements

1. Academies set up under the Academies Act 2010 are independent schools but they are publicly funded. Governance arrangements are agreed with the Department for Education and the Funding Agreement entered into with the Secretary of State sets out clear and robust financial and accounting requirements. Under the Funding Agreement the Academy Trust (the legal entity that runs the Academy Trust), has to ensure that its accounts are audited annually by independent auditors and it must allow access by the Secretary of State to its accounts and related records.
2. Section 1 of the Academies Act 2010 contains provisions that allow for the Secretary of State for Education to enter into an Academy arrangement with any person to establish and maintain and to carry on, or provide for the carrying on of, an Academy. The Act enables existing maintained schools to convert to Academy status and for Academy arrangements to be entered into with an Academy Trust that is replacing a maintained school. Additionally, the Act allows the creation of new schools (i.e. schools that do not replace a converting or closing maintained school), including Free Schools, University Technical Colleges and Studio Schools. These new schools are also Academies set up under Academy arrangements under Section 1 of the Academies Act 2010.
3. Funding Agreements made between the Secretary of State for Education and the Academy Trust are not signed for a set or limited period of time, rather they are open-ended.

The Local Government Pension Scheme and pooling Academy arrangements with the relevant local authority

4. A proprietor of an Academy¹ who has entered into Academy arrangements, is a Scheme employer in the Local Government Pension Scheme (LGPS) and is listed in paragraph 21 of Part 1 of Schedule 2 to the LGPS (Administration) Regulations 2008 (as amended). This means that the non-teaching staff employed by Academies are automatically eligible for membership of the Scheme and existing members in a maintained school retain eligibility when a school becomes an Academy. The change in legal status, when a former maintained school is replaced by an Academy, means that the Academy Trust becomes an LGPS employing authority in its own right. Academy Trusts for new provision, such as Free Schools, Studio Schools and UTCs will also be LGPS employers.
5. While there is no express regulatory provision in the LGPS for the pooling of employers in the Scheme, Regulation 36 of the LGPS (Administration) Regulations 2008 is considered a sufficiently broad power to enable employers (if they wish) to enter into joint arrangements with the Scheme funds, as already happens in some cases, that will

¹ Commonly referred to as an "Academy Trust": A qualifying Academy Trust proprietor is a charity under section 12 of the Academies Act 2010. This includes Academies that opened prior to the 2010 Act.

- facilitate the setting of harmonised employer contribution rates under pooled arrangements.
6. Where an Academy pools with the local authority it is intended that this should result in the Academy Trust having the same employer contribution rate as the local authority would have in respect of its maintained schools. This is because the assumptions used to set the rate will be common to the Academy and local authority. Actuarial assumptions are shared across the pool and all participants in the pool are responsible for meeting the cost of the full past service deficit relating to those in the pool and share the same deficit recovery period.
 7. It is recognised that consideration has to be given about the risk to the fund should a school or Academy fail. Should a maintained school ever be wound up it will be the function of the local authority to transfer pupils to another educational institution. Pension liabilities would be managed within the local authority's employer contribution rate.
 8. Equally, if the Secretary of State for Education considered that an Academy was performing poorly, he would review the position, broker support and, where necessary, take steps either to replace the Academy Trust sponsors (the members of the Academy Trust) or the Academy Trust. If either party to the Academy arrangements ever decided that those arrangements should be brought to an end, it would have to give notice to the other party. The education provision for the affected children and young people would need to continue in an appropriate educational establishment.
 9. The Government would be bound to consider all available options for dealing with an Academy's outstanding LGPS pension liabilities including, but not limited to, the assignment of assets and liabilities to a new or an existing educational establishment where this was the desired outcome.
 10. This note is intended to clarify the position regarding Academy funding and the Secretary of State for Education's role should there be any question about the performance or continued operation of an Academy. This clarification has been provided to remove the uncertainty for administering authorities about the treatment of Academies in their fund and also allow requests, from an Academy to be pooled with the local authority for LGPS purposes, to be positively considered. The clear aim is that there is a consistency of approach across LGPS administering authorities so that an Academy in one part of the country is not treated in a different manner to one in another and no Academy pays unjustifiably high employer pension contributions to the LGPS compared to maintained schools in the local area. If it is found that inconsistencies or high employer pension contributions remain, consideration will be given to what other steps, including regulatory changes, would be needed following discussions with LGPS experts, including Scheme actuaries.
 11. The preferred approach in this note is recommended to apply to all Academies, including existing Academies as well as those yet to convert or open, including Free Schools, University Technical Colleges and Studio Schools.
 12. To help practitioners in both educational establishments and LGPS administering authorities, supporting guidance is being developed and will be issued shortly covering

Academy arrangements and the LGPS both for existing Academies and those schools considering conversion to Academy status. It will also cover how to manage an existing Academy's employer contributions for those who wish to join a pooling arrangement but have not been treated this way previously.

13. Communications about this note should be addressed to either:

Department for Education
Claire de Charmant
Academies Policy & School Organisation Group
Sanctuary Buildings
Great Smith Street
London SW1P 3BT

Department for Communications and Local Government
Robert Ellis
Workforce, Pay & Pensions
Local Government Finance Directorate
5/FF5
Eland House
Bressenden Place
London
SW1E 5DU

From: the Department for Education and Department for Communities and Local Government

Date: December 2011

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3 January 2012

LGPS Pension Arrangements

Thank you for registering an interest in converting to Academy status. There are now over 1,400 Academies across England with many more schools, both secondary and primary, wishing to convert.

We would like to encourage all schools to consider Academy conversion. We believe Academies are central to improving education: they promote innovation and diversity in the schools system, and give power and freedom back to heads and teachers and raise school standards by encouraging the highest performing institutions to help the weakest to improve.

We want all schools to be free to make their own choices about whether the Academy route is right for them and their pupils. We know that some schools are concerned about the potential impact on their Local Government Pension Scheme (LGPS) arrangements should they convert. Many Academies make similar LGPS employer contributions after conversion as they did as maintained schools, but in some cases pension schemes are charging Academies higher contributions than before. We do not want you to be put off Academy conversion because of the perceived risk of higher LGPS contributions. DfE officials have been working with officials from the Department for Communities and Local Government (DCLG), who lead on LGPS policy, as well as representatives from the Local Government Association to resolve the issue.

You may find it helpful to know that the Secretaries of State for Education and for Communities and Local Government have written to local authorities and LGPS Funds clarifying Ministers' views of how Academies should be treated within the scheme and setting out their preferred approach: that where an Academy wishes to be pooled with the local authority for LGPS pension purposes, rather than being treated as a standalone employer within the fund, the fund should allow this to happen. This would mean the Academy continues to pay the same employer contributions as it did as a maintained school.

DfE is developing detailed guidance to support the Secretaries of State's letter which will be available in the new year. DfE and DCLG will review the situation over the next few months and the Secretaries of State have signalled they will consider other steps, including regulation change, if there are instances of funds charging higher contributions.

Our key message remains that it is important for all schools considering conversion to Academy status to make contact with their local LGPS pension fund at an early stage to allow sufficient time to discuss the LGPS implications. As a result of the clarification detailed above, converting schools can request to stay pooled with their local authority in the LGPS rather than being treated as a standalone employer within the fund.

We hope this will reassure any school that has delayed the decision to convert to Academy status on the basis of a perceived risk of increased LGPS contributions.

If you have any difficulty in making progress on this issue please contact your named Project Lead at DfE who will be able to support you through the process, or if you do not yet have a named Project Lead please email academy.conversion@education.gsi.gov.uk.

Yours sincerely

A handwritten signature in black ink that reads "Henry Watson". The signature is written in a cursive, slightly slanted style.

Henry Watson
Deputy Director
Academies Delivery

WIRRAL COUNCIL

PENSIONS COMMITTEE

20 MARCH 2012

SUBJECT:	PASSIVE MANAGEMENT CONTRACT
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to update Members on progress made so far on the procurement exercise for passive management mandates and in the light of this to recommend that Members agree to the extension of the existing contract with Legal and General (L&G) and UBS to 31 December 2012.

2.0 BACKGROUND AND KEY ISSUES

2.1 MPF has passive mandates with L&G and UBS. A procurement exercise for these combined mandates commenced in February 2011 following Pensions Committee approval on 11 January 2011.

Asset Class	Manager	Allocation	Value at 31 December 2011
UK Equities	L&G	12%	£433.4m
UK Index Linked Gilts	L&G	8%	£584.8m
US Equities	UBS	8%	£367.3m

2.2 On 27 June 2011 Pensions Committee agreed to an extension of these contracts to 31 March 2012 due to this procurement exercise being aborted because of administrative error.

2.3 It was intended to conduct this exercise during the first quarter of 2012 but due to the procurement exercise for the Manager Selection Framework reported elsewhere on this agenda, this has not been possible and there is now a need to extend the contracts and commence the exercise.

- 2.4 The table below sets out the planned timetable for the exercise subject to approval of this report. The timetable is due to be completed by October 2012 but a request is made in this report to extend the contracts with L&G and UBS to 31 December 2012 to allow for any unforeseen slippage.

Date	Action	Comments
20 March 2011	Pensions Committee	Provisional approval of consultant framework and the standstill period begins
April	Commencement of Procurement Exercise	Commence Exercise with Mercer (subject to approval by Pensions Committee)
July	Completion of Procurement Exercise	Procurement Exercise will consist of assessment of tender documents, interviews in Liverpool, and site visits.
September	Recommendation to Pensions Committee	Date of Pensions Committee Meeting not confirmed
October	Transition	Agreement of contacts and Transition of Assets

- 2.5 The criteria used for the assessment of tenders will be as follows and is unchanged from that originally envisaged.

<u>Criteria</u>	<u>Percentage Allocation</u>
Performance	25%
Proven track record of returns within 0.15% of benchmarks on a consistent basis across all global asset classes	20%
Track record of providing positive performance (up to 0.1% above benchmark)	5%
Price	35%
Price expressed as a % of assets under management	
Additional Services	20%
Ability to provide asset transfers and temporary management of assets (will require a pooled vehicle solution.)	10%
Ability to comply with MPF policies on Responsible Investment	5%
Client Servicing	5%
Risk Control	20%
Scale and ongoing viability of the organisation to take on mandate	10%
Security of Assets	10%
<u>TOTAL</u>	<u>100%</u>

3.0 RELEVANT RISKS

- 3.1 The present managers have controlled tracking error against benchmark accurately and there are no operational issues that have arisen during their tenure. There is no significant additional risk in extending their contracts.
- 3.2 The timetable for the exercise has been set with the aim of controlling the operational risks of a procurement exercise and potential transition by ensuring adequate time and resources to complete tasks.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Not relevant for this report.

5.0 CONSULTATION

- 5.1 Not relevant for this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are no implications arising directly from this report

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 7.1 There are no implications arising directly from this report.

8.0 LEGAL IMPLICATIONS

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

9.0 EQUALITIES IMPLICATIONS

- 9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

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

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

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

12.0 RECOMMENDATION

- 12.1 That Members agree the extension of the contract with L&G and UBS until 31 December 2012.

13.0 REASON FOR RECOMMENDATION

- 13.1 The reason for the recommendation is to ensure that the day to day operation of MPF can continue during the procurement exercise and to control risk.

FNCE/67/12

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APPENDICES

REFERENCE MATERIAL

None used in the preparation of this report.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee : Passive Management	27 June 2011
Pensions Committee : Passive Management	11 January 2011
Pensions Committee Passive Management	23 March 2010

WIRRAL COUNCIL

PENSIONS COMMITTEE

20 MARCH 2012

SUBJECT:	POLICY FOR THE MONITORING OF INVESTMENT MANDATES
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to request that Members approve a revised policy for the monitoring of investment mandates for MPF. This policy sets out a schedule for procurement exercises and a framework for monitoring mandates.
- 1.2 The Policy for Monitoring of Investment Mandates, contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The purpose of this policy is to provide a framework for the monitoring of internal and external investment mandates for Merseyside Pension Fund. The original version of this policy was approved by Pensions Committee on 31 March 2008.
- 2.2 The aim of this policy is to provide a structured approach to the response of the investment team to the performance of all aspects of the Fund, that whilst ensuring that there is an auditable trail of consequences. It allows for full consideration of all relevant facts in decision making.
- 2.3 The policy provides for a full reporting structure and documentation of discussions and decisions.
- 2.4 The exempt report covers the following
 - The Mandates
 - Arrangements for Appointment and Strategic Review of Mandates
 - Monitoring Arrangements and Reporting Structure
 - Status Levels and Consequences

- 2.5 The key changes made to the policy are to reflect the new mandates that MPF has set up since 2008. The policy on trigger points and consequences remains unaltered.
- 2.6 The intention for external mandates is to review the contract after three years with an option for a further three years extension following a review. However, contracts are drawn up on a rolling 28 days basis in accordance with LGPS regulations. This gives MPF flexibility in the management of these contracts. There is a need to change the timing of the planned procurement exercises to reflect availability of management resources and to control operational risk.
- 2.7 The key consequences arising from the changes in this policy which have procurement implications are:
- Combining the two European Equity exercises and commencing an exercise in 2014 which results in a shorter period for Unigestion and a contract extension for JP Morgan. (Subject to performance not triggering an earlier review in the interim).
 - Delaying the procurement exercises for Japanese equities and Pacific Rim Equities by one year to 2017. (Subject to performance not triggering an earlier review in the interim).
 - The overall timetable is subject to review and will be reported annually.

3.0 RELEVANT RISKS

- 3.1 The policy is designed as a key tool to mitigate the risk that investments under perform their benchmark.
- 3.2 The changes to the timing of procurement exercises is designed to mitigate the risk of a procurement exercise not being executed adequately due to competing demands on staff. There is a finite resource both within MPF and the Procurement Unit available to conduct these exercises which are time consuming and can have significant impact on Fund performance if not executed correctly.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Not relevant for this report.

5.0 CONSULTATION

- 5.1 Not relevant for this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are no implications arising directly from this report

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 7.1 There are no implications arising directly from this report.

8.0 LEGAL IMPLICATIONS

8.1 There are no implications arising directly from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are no implications arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are no implications arising directly from this report.

12.0 RECOMMENDATIONS

12.1 That Members agree the updated policy for the monitoring of investment mandates.

12.2 That the European Equity procurement exercises be combined and commence in 2014.

12.3 That the contract held by J.P. Morgan to manage European equities be extended to coincide with the above recommendation.

12.4 That the Japanese and Pacific Rim procurement exercises commence in 2017 subject to review.

13.0 REASON FOR RECOMMENDATIONS

13.1 Pensions Committee is required to set the overall investment strategy for the Pension Fund. Active investment managers are a key component of the investment strategy. This policy sets a clear framework to control risk in the selection and monitoring of investment managers.

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APPENDICES

The revised policy for the monitoring of investment mandates is an exempt report on this agenda.

REFERENCE MATERIAL

None used in the preparation of this report.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

**WIRRAL COUNCIL
PENSIONS COMMITTEE
20 MARCH 2012**

SUBJECT:	BANK AND OTHER AUTHORISED SIGNATORIES
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report sets out revised authorised signatories for Merseyside Pension Fund.
- 1.2 The report describes the different requirements for different institutions and functions, including the banks, custodian, and overseas pensions payment agent, as well as the granting of power of attorney where appropriate.
- 1.3 The report also refers to operational decisions regarding authorised signatories for other transactions and procedures, by officers nominated by the Director of Finance. This report avoids doubt by organisations undertaking due diligence on MPF as an investee company or as a financial services provider, or for overseas jurisdiction.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 For the accounts with the bankers (Royal Bank of Scotland) and the Global Custodian (State Street) approval is requested for the following signatories:-

Director of Finance	Ian E. Coleman
Deputy Director of Finance	David L.H. 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
Principal Pensions Officer	Yvonne M. Caddock
Members Services Manager	Margaret M Rourke
Members Services Manager	Susan J. Roberts
Operations Manager	Guy W. Hayton
Group Accountant	Donna S. Smith

- 2.2 These responsibilities will include powers 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), and 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:

- 2.3 For reasons of internal control, officers are empowered to authorise investment decisions and relevant documentation, but without powers to authorise the transfer of monies:

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

- 2.4 Other officers can make investment decisions up to their limits as specified in the Compliance Manual. Following the staffing changes, an updated version of the Compliance Manual is presented elsewhere on this agenda.

- 2.5 Authorisation of the routine monthly pension payroll is subject to separate internal arrangements by personnel nominated under the operational responsibilities of the Director of Finance. These cover both the release of the monthly domestic BACSTEL payments and the release via Citi bank of the payment of pensions overseas.

- 2.6 On 27 June 2011, Pensions Committee confirmed that the Director of Finance can designate officers of MPF to exercise powers of attorney with a minimum of two signatures from four designated officers and that the following officers shall have such powers:

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

- 2.7 Investee companies, financial services providers and overseas jurisdictions perform due diligence work on MPF as an investor organisation. To facilitate the provision of relevant information, in addition to those mentioned above, the following officer can duly certify:

Investment Manager	Patrick G. Dowdall
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3.0 RELEVANT RISKS

- 3.1 Without the appropriate number of authorising officers, there is a risk of delayed settlement of trades. This could manifest itself both as financial risk, as there could be a cost to delayed settlement, and as a reputational risk to MPF in financial markets.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 The option of operating with fewer authorisers would increase the dangers of transactions in financial markets not settling in a timely manner due to delays in their authorisation.

5.0 CONSULTATION

- 5.1 No consultation took place with other organisations or stakeholders.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 None arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 There are no additional resource implications in this proposal.

8.0 LEGAL IMPLICATIONS

8.1 None arising from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 None arising from this report.

9.2 Equality Impact Assessment (EIA)

(a) Is an EIA required? No

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none within these proposals for change,

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 None arising from this report.

12.0 RECOMMENDATIONS

12.1 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
Deputy Director of Finance
Head of Financial Services
Head of Benefits, Revenues
and Customer Services
Head of IT Services
Principal Pensions Officer
Members Services Manager
Members Services Manager
Operations Manager
Group Accountant

Ian E. Coleman
David L.H. Taylor-Smith
Thomas W. Sault

Malcolm J. Flanagan
Geoffrey W. Paterson
Yvonne M. Caddock
Margaret M Rourke
Susan J. Roberts
Guy W. Hayton
Donna S. Smith

12.2 That Members confirm 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
Senior Investment Manager
Investment Manager

Peter J. Wallach
Leyland K. Otter
Patrick G. Dowdall

12.3 That Members note that, for the purposes of due diligence verification, Patrick G. Dowdall, Investment Manager, is designated an authorised officer.

12.4 That Members confirm, for the avoidance of doubt, 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 requires two of the following officers:

Head of Pension Fund
Senior Investment Manager
Principal Pensions Officer
Investment Manager

Peter J. Wallach
Leyland K. Otter
Yvonne M. Caddock
Patrick G. Dowdall

13.0 REASON FOR RECOMMENDATIONS

13.1 The bank signatories were last approved by the Pensions Committee on 19 September 2011 and now requires minor amendment to reflect revised responsibilities.

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FNCE/46/12

APPENDICES

None

REFERENCE MATERIAL

None

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	19 September 2011
Pensions Committee	27 June 2011
Pensions Committee	29 March 2011
Cabinet	17 March 2011
Pensions Committee	22 September 2009
Pensions Committee	18 June 2009

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WIRRAL COUNCIL

PENSIONS COMMITTEE

20 MARCH 2012

SUBJECT:	CUNARD BUILDING
WARD/S AFFECTED:	NONE
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to provide Members with a review of options, proposed by CBRE, the property advisers, for the Cunard Building. The report by CBRE forms an exempt report on this agenda.

2.0 BACKGROUND AND KEY ISSUES

2.1 MPF owns a portfolio of properties around the UK and this report forms part of an assessment by CBRE, the property advisers of the Cunard Building.

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered

5.0 CONSULTATION

5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising out of this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 There are no implications arising directly from this report.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATION

12.1 That Members consider the report and agree the most suitable option.

13.0 REASON FOR RECOMMENDATION

13.1 The exempt report provides a summary of matters considered pertinent by the property advisers and their assessment of the situation.

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FNCE/69/12

APPENDICES

Exempt Report – Cunard Building – CBRE – February 2012.

REFERENCE MATERIAL

NONE

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	23 March 2010

WIRRAL COUNCIL

PENSIONS COMMITTEE

20 MARCH 2012

SUBJECT:	GLOBAL CUSTODIAN SERVICES
WARD/S AFFECTED:	ALL
REPORT OF:	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to update Members on progress made on the procurement exercise for global custodian services and, in the light of this, to recommend that Members agree to the extension of the existing contract with State Street to 31 December 2012.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The range of services provided by the current global custodian, State Street, includes safekeeping, income collection, tax reclaims, voting, accounting and reporting, currency conversion, corporate actions and securities lending.
- 2.2 On 29 March 2011 Pensions Committee agreed to an extension of the contract with State Street to 31 March 2012 and the commencement of a procurement exercise.
- 2.3 The preparations for the procurement exercise commenced during the summer and the exercise has been ongoing since September 2011.
- 2.4 There have been delays to process due to unforeseen circumstances principally changes required to the banking contract. The table below sets out the key dates at present.

Date	Action	Comments
19 October 2011	OJEU advert on a two stage basis issued	Complete
18 November 2011	Pre Qualification Questionnaires Received	Complete 4 of the 5 submissions put forward to next stage
16 January 2012	Invitations to Tender sent out	There were issues over producing this complex document
21 February 2012	Deadline for receipt of submissions	Complete

March/April 2012	Assessment of tenders including site visits	Pending
18 April 2012	Final Selection Interviews	Pending
June 2012	Recommendation to Pensions Committee	Date of Pensions Committee Meeting not confirmed
30 September 2012	Commencement of project planning for transition	This is due to start after audit of accounts
31 December 2012	New contract commences	Either new contract with incumbent or replacement

2.5 The timetable includes a recommendation to Pensions Committee in June 2012. The reason for a delay until September for any transfer of custodians is that a transition between custodians is a complex event that requires a high level of input from staff within the accounting team. This team is pre-occupied with closure of accounts until the end of September and transfer of the clearing bank.

3.0 RELEVANT RISKS

3.1 The key risk that is mitigated by the recommendation within this report is that a transition between custodians during the accounts close down period has a high probability of operational failings in relation to safekeeping of assets, settlement of transactions and accuracy of accounting. The delay of a potential transfer of custodians until after accounts close down mitigates these risks by allowing staff to focus on the transition.

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report.

5.0 CONSULTATION

5.1 Not relevant for this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are no implications arising directly from this report

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 There are no implications arising directly from this report.

8.0 LEGAL IMPLICATIONS

8.1 There are no implications arising directly from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are no implications arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are no implications arising directly from this report.

12.0 RECOMMENDATION

12.1 That Members agree to the extension of the contract with State Street until 31 December 2012.

13.0 REASON FOR RECOMMENDATION

13.1 The reason for the recommendation is to ensure that the day to day operation of the Fund can continue during the procurement exercise and to control risk.

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APPENDICES

REFERENCE MATERIAL

None used in the preparation of this report.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee : Global Custodian Services	29 March 2011
Pensions Committee : Custodian Services	17 November 2009

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