



Pensions Committee

Date:	Monday, 25 June 2012
Time:	6.15 pm
Venue:	Committee Room 1 - Wallasey Town Hall

Contact Officer: Pat Phillips
Tel: 0151 691 8488
e-mail: patphillips@wirral.gov.uk
Website: <http://www.wirral.gov.uk>

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 - 8)

To receive the minutes of the meeting held on 20 March, 2012.

3. APPOINTMENT OF VICE-CHAIR

The Committee is invited to appoint a Vice-Chair.

4. LGPS UPDATE (Pages 9 - 20)

5. INVESTMENT MONITORING WORKING PARTY - MINUTES 11 APRIL 2012 (Pages 21 - 24)

6. LOCAL GOVERNMENT CHRONICLE CONFERENCE NEWPORT (Pages 25 - 26)

7. REPRESENTATION ON OUTSIDE BODIES (Pages 27 - 30)

8. TREASURY MANAGEMENT ANNUAL REPORT 2011/12 (Pages 31 - 36)

9. INVESTMENT PERFORMANCE (Pages 37 - 40)

10. **ADMISSION BODY APPLICATION - HALL CLEANING SERVICES (Pages 41 - 44)**
11. **CUNARD BUILDING (Pages 45 - 46)**
12. **APPOINTMENT OF A PROVIDER OF GLOBAL CUSTODY SERVICES (Pages 47 - 50)**
13. **CUNARD BUILDING, LIVERPOOL - SECOND FLOOR REFURBISHMENT (Pages 51 - 54)**
14. **THREE YEAR REVIEW OF EXTERNAL INVESTMENT MANDATES FOR UK AND EUROPEAN EQUITIES (Pages 55 - 58)**
15. **CAPITAL DYNAMICS TRAINING EVENT (Pages 59 - 62)**
16. **PROPERTY PORTFOLIO INSURANCE ARRANGEMENTS (Pages 63 - 66)**
17. **EXTENSION OF MINIMUM VARIANCE STRATEGY (Pages 67 - 68)**
18. **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.

19. **EXEMPT APPENDIX - INVESTMENT MONITORING WORKING PARTY - MINUTES 11 APRIL 2012 (Pages 69 - 72)**

Appendix 1 to agenda item 5, exempt by virtue of paragraph 3.

20. **EXEMPT APPENDIX - INVESTMENT MONITORING WORKING PARTY - MINUTES 6 JUNE 2012 (Pages 73 - 76)**

Appendix 2 to agenda item 5, exempt by virtue of paragraph 3.

21. **EXEMPT APPENDIX - ADMISSION BODY APPLICATION - HALL CLEANING SERVICES (Pages 77 - 78)**

Appendix 1 to agenda item 10, exempt by virtue of paragraph 3.

22. EXEMPT APPENDIX - CUNARD BUILDING (Pages 79 - 82)

Appendix 1 to agenda item 11, exempt by virtue of paragraph 3.

23. EXEMPT APPENDIX - APPOINTMENT OF A PROVIDER OF GLOBAL CUSTODY SERVICES (Pages 83 - 88)

Appendix 1 to agenda item 12, exempt by virtue of paragraph 3.

24. EXEMPT APPENDIX - CUNARD BUILDING, LIVERPOOL - SECOND FLOOR REFURBISHMENT (Pages 89 - 90)

Appendix 1 to agenda item 13, exempt by virtue of paragraph 3.

25. EXEMPT APPENDIX - MPF INVESTMENTS REVIEW OF EXTERNAL INVESTMENTS MANDATES (Pages 91 - 108)

Appendix 1 to agenda item 14, exempt by virtue of paragraph 3.

26. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR

This page is intentionally left blank

PENSIONS COMMITTEE

Tuesday, 20 March 2012

<u>Present:</u>	Councillor	G Watt (Chair)	
	Councillors	P Doughty T Harney M Hornby	P Johnson AR McLachlan H Smith
	Councillors	N Keats, Knowsley Council J Hanson, Liverpool City Council D McIvor, Sefton Council McCarthy, (NonDistrict Council Employers)	
<u>Apologies</u>	Councillors	L McGuire G Davies	

83 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 Paul Doughty declared a personal interest by virtue of his relative being a member of Merseyside Pension Fund.

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

Councillor Tom Harney declared a personal interest in respect of item 15 by virtue of his membership on a governing body of a school with academy status.

84 MINUTES

The Director of Law, HR and Asset Management submitted the minutes of the meeting held on 17 January 2012.

Resolved - That the minutes be received.

85 **LGPS UPDATE**

A report by the Director of Finance updated 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.

The report also summarised the MPF technical responses to the Draft LGPS (Miscellaneous) Regulations 2012.

Resolved - That the report be noted

86 **IMWP MINUTES**

A report by the Director of Finance provided Members with the minutes of the Investment Monitoring Working Party held on 22 February 2012.

The minutes of the IWMP on 22 February 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.

87 **MINUTES OF GOVERNANCE & RISK WORKING PARTY 24 JANUARY 2012.**

A report by the Director of Finance provided Members with the minutes of the Governance & Risk Working Party (GRWP) held on 24 January 2012.

The minutes of the Governance & Risk working Party on 24 January 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 GRWP meeting which formed an exempt report on the agenda be approved.

88 **PRIVATE EQUITY PROGRAMME 2012**

A report by the Director of Finance updated Members on the progress on the Private Equity Programme 2011-2014 and asked Members to approve the proposed Private Equity investments for 2012.

An exempt report contained the Private Equity Programme 2011-2014 was reported to Pensions Committee on 23 March 2011 with a review of this programme and the Plan for 2012. This was 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).

Resolved – That

1) 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.

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

89 APPOINTMENT OF A MANAGER SELECTION FRAMEWORK

A report by the Director of Finance informed Members of the outcome of a procurement process to appoint a framework list of consultants specialising in the selection of investment managers. Members were requested to accept the recommendation given in the Exempt Report to appoint Mercer to assist with the deferred passive investment management search.

An exempt report contained 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).

Resolved- That

1) Members agree to appoint Mercer, Xafinity, Deloitte, bFinance and JLT to a framework list.

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

90 COMPLIANCE MANUAL

A report by the Director of Finance sought approval by Members of a revised Compliance Manual.

Resolved – That Members approve the revised Compliance Manual

91 PENSIONS 5 - GENERAL FILING

A report by the Director of Finance updated Members on commissioned works by the system provided by Civica to extend the coverage of the Pensions5 IT system to more general, non-member documents.

Resolved - That the report be noted

92 **NAPF CONFERENCE**

A report by the Director of Finance requested nominations to attend the National Association of Pension Funds (NAPF) Local Authority Conference 2012 2Paving the way foward2, to be held in Gloucester from 21 May to 23 May 2012.

Resolved - That the Pensions Committee confirms that a representative of the Committee attend the NAPF Conference due to be held in Gloucester from 21 May to 23 May 2012

93 **CIPFA ANNUAL CONFERENCE.**

A report by the Director of Finance requested nominations from Members to attend the CIPFA Annual Conference to be held in Liverpool from 3 July to 5 July 2012.

Resolved - That the Pensions Committee confirms that a representative of the Committee attend the CIPFA Annual Conference due to be held in Liverpool from 3 July to 5 July 2012

94 **LGPS TRUSTEES CONFERENCE.**

A report by the Director of Finance requested 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.

Resolved –

1) That six places be reserved for the LGPS trustees conference by the Department of Finance; and

2) the names of interested parties and their availability are to be forwarded to the Director of Finance.

95 **FOOD WASTE PROCESSING FUND**

A report by the Director of Finance provided Members with information on an investment which provides financing for the development of Food Waste Processing Plants.

An exempt report contained 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).

Resolved - That Members note the investment

96 **ADMISSION BODY APPLICATION - ADDACTION**

A report by the Director of Finance informed Members of his 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 a period of two years from 1 April 2012 to 31 March 2014.

An exempt report contained 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).

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

97 **ACADEMIES FUNDING**

A report by the Director of Finance informed 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.

Resolved - 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.

98 **PASSIVE MANAGEMENT CONTRACT**

A report by the Director of Finance updated Members on progress made so far on the procurement exercise for passive management mandates and in the light of this it was recommended that Members agree to the extension of the existing contract with Legal and General (L&G) and UBS to 31 December 2012.

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

99 **INVESTMENT CONTRACT MONITORING**

A report by the Director of Finance requested that Members approve a revised policy for the monitoring of investment mandates for MPF. This policy set out a schedule for procurement exercises and a framework for monitoring mandates

The Policy for Monitoring of Investment Mandates 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

- 1) Members agree the updated policy for the monitoring of investment mandates**
- 2) The European Equity procurement exercises are to be combined and will commence in 2014.**
- 3) The contract held by J.P. Morgan to manage European equities be extended to coincide with the above resolution.**
- 4) The Japanese and Pacific Rim procurement exercises will commence in 2017 subject to review.**

100 **BANK AND OTHER AUTHORISED SIGNATORIES**

A report by the Director of Finance set out revised authorised signatures for Merseyside Pension Fund.

The report described 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.

The report also referred to operational decisions regarding authorised signatories for other transactions and procedures, by officers nominated by the Director of Finance. The report avoided doubt by organisations undertaking due diligence on MPF as an investee company or as a financial services provider, or for overseas jurisdiction.

Resolved – 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**

**Peter J. Wallach
Leyland K. Otter
Yvonne M. Caddock**

101 **GLOBAL CUSTODIAN CONTRACT**

A report by the Director of Finance updated Members on progress made on the procurement exercise for global custodian services and, in the light of this, recommended that Members agree to the extension of the existing contract with State Street to 31 December 2012.

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

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

103 **CUNARD BUILDING DEVELOPMENT**

A report by the Director of Finance referred to an exempt report providing Members with options, proposed by CBRE, the property advisers, for the Cunard Building.

Members considered the contents of the exempt report and;

Resolved– That the matter be deferred until Members have attended and met with Property Advisors at the Investment Monitoring Working Party on 11 April 2012.

This page is intentionally left blank

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 JUNE 2012

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

1.0 EXECUTIVE SUMMARY

- 1.1 This report updates Members on the progress of the Local Government Pension Scheme 2014 project and the proposal to introduce a 'low cost option' as part of the future scheme design.
- 1.2 It also covers the reform of the State Pension Scheme and the planned changes to National Insurance contracting-out provisions that will affect the LGPS and the latest development on the RPI/CPI judicial appeal.

2.0 BACKGROUND AND KEY ISSUES

Reform of the LGPS – The 2014 Project

- 2.1 The "project board" which consists of lead officials from the Local Government Association (LGA), Trade Unions, and the Department for Communities and Local Government (DCLG) submitted a set of recommendations on the fundamental elements of the scheme design on 13 February 2012.
- 2.2 The DCLG and the Treasury are now satisfied that the proposals are within the total cost parameters defined for the scheme which was set at 20.4% of pay with an employer ceiling of 10.9%.
- 2.3 On 31 May 2012, the LGA and Trade Unions co-ordinated a public announcement on the basis of the new Scheme Benefits under Workstream 1 of the reform process. An overview document is attached at Appendix 1. The main provisions of the proposed new LGPS from 1 April 2014 are as follows:

Basis of Pension	Career Average Revalued Earnings
Accrual Rate	1/49 th
Revaluation Rate	Consumer Price Index (CPI)
Normal Pension Age	Equal to individual member's State Pension Age
Death in Service	3 x pensionable pay
Pensionable Pay	actual pay, including non-contractual overtime and additional hours for part time staff
Vesting Period	2 years

- 2.4 The proposed terms will now be subject to consultation with members of Unison, Unite and GMB Unions and with individual councils through the Local Government Association. There is a planned statutory consultation scheduled to commence by November 2012.
- 2.5 The management of future cost and governance is to be achieved through an employer contribution cost cap approach which is important for the long term sustainability of the scheme. The specific details will be negotiated under Workstream 2 of the reform project with a completion deadline of November 2012.
- 2.6 Further announcements and ongoing communications are to be carried out jointly by the LGA and Trade Unions to ensure consistency in message and explanation to the LGPS membership and employers. It is imperative that these communications reinforce the message that pension entitlements already earned will be protected and provide a clear description of the revised pension benefits package from 1 April 2014.
- 2.7 The Acting Chief Executive has been approached by the LGA to enter a shared-services arrangement with MPF specifically to design, host and maintain the official LGPS 2014 Scheme Reform website.
- 2.8 The “project team” has acknowledged MPF’s recent communications to the membership in respect of Scheme reform; a dedicated website and examples that members can readily understand. The Acting Chief Executive has agreed to the collaborative working and work has commenced to rebrand the site as a joint initiative by LGA, Unison, GMB and Unite.
- 2.9 MPF’s involvement with the hosting and development will be acknowledged and any costs incurred will be reimbursed as part of the shared-service arrangement with the LGA.

Reform of the LGPS – “low cost option” to members

- 2.10 A “low cost option” is being proposed to help reduce the number of members opting-out of the LGPS because of immediate financial pressures.
- 2.11 The “low cost option” is now titled “The 50/50 Option” and would see members’ paying 50% of the contributions for a 50% pension whilst retaining the full value of other benefits of the scheme such as ill health, death in service and redundancy.
- 2.12 At the end of the period members could either opt out or transfer back to the main LGPS arrangement.
- 2.13 A recent Unison consultation of non-members showed 70% would consider a low cost alternative to full scheme membership.

Reform of the LGPS – Governance

- 2.14 The Local Government Pension Committee (LGPC) has set up a Governance working party to consider Lord Hutton's recommendations and how they may be implemented in the LGPS.
- 2.15 The Queen announced in her speech at the State Opening of Parliament that a Public Sector Pensions Reform Bill will be developed. The primary and secondary legislation that would emerge from that Bill will direct the governance agenda. It is not expected that any formal body will be created that would over-rule democratically elected administering authorities.
- 2.16 A paper on the mechanism to vary the elements of the scheme design to maintain costs within the employer cap and collar values and recommendations on best practice in governance and procurement has been developed by the project team and submitted to the Government on 9 May 2012.

Reform of the State Pension System and Ending of Contracting Out

- 2.17 The state pension is made up of two parts:
- the **Basic State Pension** (£107.45 a week in 2012-13) which depends on the number of qualifying years that a person has built up in their working life;
 - the **Additional Pension** was introduced in 1978, in the form of the State Earnings Related Pension Scheme (SERPS). In 2002, this was reformed and the **State Second Pension** was introduced.
- 2.18 Since 1978, it has been possible to “contract-out” of the Additional Pension into an occupational pension scheme which fulfils certain criteria of which the LGPS is fully compliant. The contracted out scheme then has to provide a minimum level of benefits broadly equivalent to what the individual would have earned under the **State Second Pension** arrangements. In return, the employee and employer both pay reduced National Insurance Contributions.
- 2.19 In the period 2007 to 2012, the reduction to National Insurance Contributions was 1.6% for members and 3.7% for employers (a total of 5.3%). For the five years from 6 April 2012 the reduction will be 1.4% for members and 3.4% for employers (a total of 4.8%).
- 2.20 The Chancellor of the Exchequer announced in the 2012 Budget that the Government is committed to the merger of the Basic State Pension and the State Second Pension into a Single Tier Foundation Pension. The impetus for reform is to deliver a fair and simple state pension and reduce the reliance on means-tested benefits.
- 2.21 The policy objective is to develop greater personal responsibility for individuals to save and plan for retirement and old age. Enabling individuals to understand clearly what they would receive from the State when they reach State Pension Age (SPA) is believed to be an important step towards that objective.

- 2.22 The revised provision will be introduced during the course of the next Parliament. It is expected that the initial level of the new single tier pension will be **£140** per week, which will be above the means tested standard Guaranteed Credit. The single pension would, as with the Basic State Pension, be increased in payment in accordance with the 'triple guarantee', which is the higher of the increase in average earnings, CPI inflation and 2.5%.
- 2.23 Pensioners with a 30 year national insurance record will receive the flat rate pension from 2016. This means that while those on low incomes who have made small or no contributions to the State Second Pension will benefit from a higher pension than they could currently expect, people who earn higher salaries will lose out. Those who have accrued additional benefits at the implementation date will continue to benefit with pensioners already receiving the state pension remaining under the former arrangement.
- 2.24 The move to a single tier benefit will result in the ending of contracting out which would have significant implications on members and employers contributing to the LGPS as they would face an increase in their National Insurance Contributions. This would lead to an increase to the cost of scheme participation for both the member and the sponsoring employer.
- 2.25 Final decisions on the implementation of the new single tier pension will be taken at the next Spending Review.
- 2.26 The Budget document re-affirmed the Government intention to ensure SPA rises in future to match increases in longevity. It will publish proposals simultaneously with the Office of Budget Responsibility 2012 Fiscal sustainability report.
- 2.27 The Government has already announced increases in the SPA to age 66 by October 2020 and 67 by 2028, but it is expected that this measure could lead to longer working lives beyond age 70.

Judicial Appeal on Indexation by Reference to CPI

- 2.28 Members previously considered the judicial review initiated by the Trade Unions against the Government decision to change the indexation of Public Sector Pensions on 17 January 2012.
- 2.29 The High Court ruled on 2 December 2011 that the Government decision to switch from RPI to CPI, when up-rating pensions was lawful. The Unions subsequently took a challenge to the Court of Appeal. The High Court ruling was upheld as the judgement found that the Secretary of State could choose any index, provided that he acts rationally and takes all appropriate matters into account.
- 2.30 The Court of Appeal has not granted the Trade Unions permission for a further referral to the Supreme Court. The Unions however can request the Supreme Court directly for permission for consideration.

3.0 RELEVANT RISKS

- 3.1 If the negotiations on reform between the Scheme stakeholders are not agreed within the prescribed timeframe, the cost savings emanating from the revised scheme cannot be considered at the 2013 valuation.
- 3.2 The Government still retains the right to impose contribution increases on members if agreement on Scheme design cannot be reached. In this event, it is likely that industrial action will restart with a danger of a significant increase in the number of members opting out of the scheme.
- 3.3 The Government proposal to introduce a single tier state pension with the associated ending of contracting out and increased employer costs could lead to Community Admission Bodies deciding to exit the scheme and offer an alternative pension arrangement. This would lead to a reduction in the membership base and potential issues regarding recovery of substantial liabilities.

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 proposal to reform the State Pension Scheme will increase LGPS participation costs for both the member and employer due to the removal of the relief on National Insurance Contributions.
- 7.2 The reforms to the State Pension Scheme and interaction with the LGPS will require MPF to undertake a communication campaign to ensure members understand the reasoning as to the increases in participation costs and to raise awareness that the new State Pension Scheme will be above the threshold for means-tested welfare benefits.
- 7.3 “The 50/50 Option” proposed as part of LGPS Scheme Reform may financially increase an employer’s contribution commitment as employees who previously declined Scheme membership on affordability, may elect to join.
- 7.4 There will be additional administration resources required for members who decide on the new “low cost option”. The proposals add a significant layer of complexity around administration and communication requirements for pension funds and employers. Depending on the extent of the requirements, MPF may require increased staffing resources to continue to deliver the core business service and comply with statutory provisions.

7.5 It has been agreed with the LGA, that there will be reimbursement of any additional costs incurred in developing and maintaining the central website for Scheme Reform.

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 Department for Work and Pensions (DWP) proposals to amend the state scheme and the RPI/CPI revised indexation regime has already been assessed by Government 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
Telephone: 0151 242 1333
email: yvonnecaddock@wirral.gov.uk

REFERENCE MATERIAL

LGE Bulletin 91

APPENDIX 1 - LGPS 2013 Overview

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
An LGPS Update report is presented to each meeting of the Pensions Committee.	

For an explanation of the terms underlined see the LGPS 2014- Glossary

These documents describe proposals and do not override any existing legislation. Any examples given are for illustration only, not as an estimate of the benefits you may receive.

LGPS 2014 - OVERVIEW

This overview sets out the main features of the proposed LGPS 2014 starting from 1st April 2014. This new scheme has resulted from the first phase (Workstream 1) of the LGPS 2014 project - a process of negotiation between the Local Government Association (LGA) and the local government unions in consultation with government.

The process is set out in the Project Initiation Document which can be found on the LGPS website (www.lgps.org.uk).

Underlined terms used throughout this and other LGPS 2014 documents are explained in the LGPS 2014 – Glossary.

THE PROPOSED CHANGES APPLY FROM APRIL 2014

All pensions in payment or built up before April 2014 will be fully protected. If you are currently in receipt of a pension or have left with a deferred pension these changes do not affect you. If you are currently a contributing scheme member your pre April 2014 pension will still be based on final salary at retirement, and current Normal Pension Age.

NEW SCHEME DESIGN PRINCIPLES

In December 2011 the following principles were agreed by employers, unions and government. They have guided the development of the proposed LGPS 2014 during Workstream 1 of the project: The full principles document can be found on the LGPS website at www.lgps.org.uk/lge/aio/15431141

PRINCIPLE 1

A single solution to both short and long term issues by the early introduction of the new scheme (regulations by April 2013 and implementation from April 2014) negating the need for scheme changes prior to April 2014.

PRINCIPLE 2

That the single solution be designed around options that will be worked on the basis of career average and can include zero increases in employee contributions for all or the vast majority of members provided overall financial constraints are met (recognising that such constraints may change subject to further negotiations with Treasury on meeting the costs of protections – Principle 7 - and that there will be no triple counting of recycled savings).

PRINCIPLE 3

That the new scheme incorporates some elements of choice designed to encourage both retention of existing membership and encourage new membership.

LGPS 2014 – Overview v 5.0 – 31st May 2012 © The LGPS 2014 Project



PRINCIPLE 4

That scheme costs are based on actual experience and the base numbers are provided by Government Actuary's Department (GAD) from the model fund data, can be independently verified and are supported by the Association of Consulting Actuaries (ACA).

PRINCIPLE 5

In order to encourage flexible retirement, the age at which benefits may be taken (the pension age) is to be any time between 55 and 75. Benefits are to be adjusted up or down relative to the proximity of the pension age to the Normal Pension Age (NPA) which is to be linked to State Pension Age (SPA) or age 65 whichever is later.

PRINCIPLE 6

That access to the scheme be provided for a broad range of employees who deliver public services through the continuation of current Admitted Body Status (ABS) arrangements.

PRINCIPLE 7

That the method of meeting the cost of protections (final salary and retirement age in the old scheme and the 10 year protection of pension and age into the new scheme), their value relative to other public sector schemes and their scope for recycling need to be confirmed by Treasury.

PRINCIPLE 8

That scheme cost efficiencies be realised through more effective procurement and provision of both administration and investment services.

PRINCIPLE 9

That the LGPS maintain its relative value in terms of benefits in relation to other public sector schemes.

PRINCIPLE 10

That the scheme design be subject to robust and independent equality impact assessment to ensure it meets all legislative equality requirements in both effect and intent.

FUTURE SCHEME MANAGEMENT PRINCIPLES

In the next phase of the project (Workstream 2) future cost management and scheme governance is being discussed based on Principles 11 to 17 as set out in the December 2011 document. This includes agreeing a method for managing the future costs of the LGPS within certain limits. There will also be discussions between unions, employers and government about how further improvements to scheme governance, including wider representation, can be achieved. Further information on this subject will be covered in future communications on Workstream 2 of the LGPS 2014 project.

NEW SCHEME BENEFITS

The table below shows the main provisions of the proposed new Local Government Pension Scheme (LGPS 2014) for membership from 1st April 2014. Terms used in the table below are explained in the glossary where appropriate.

	LGPS 2014
Basis of Pension	Career Average Revalued Earnings (CARE)
Accrual Rate	1/49 th
Revaluation Rate	Consumer Price Index (CPI)
Normal Pension Age	Equal to the individual member's State Pension Age (minimum 65)
Contribution Flexibility	Members can opt to pay 50% contributions for 50% of the pension benefit
Death in Service Lump Sum	3 x pensionable pay
Definition of Pensionable Pay	Actual pensionable pay - to include non contractual overtime and additional hours for part time staff
Vesting Period	2 years

LGPS 2014 – Overview v 5.0 – 31st May 2012 © The LGPS 2014 Project



LGPS 2014 contains some new features. All other benefits remain the same as in the current scheme - LGPS 2008.

Some of the new features - CARE and the link to State Pension Age - were set down by the government in November 2011 and are features of all 'new' public sector pension schemes. The government also replaced the Retail Price Index (RPI) with Consumer Price Index (CPI) indexation before negotiations began.

LGPS 2014 IS STILL A DEFINED BENEFIT SCHEME

LGPS 2014 is a CARE scheme (Career Average Revalued Earnings). Like the final salary LGPS 2008 it is a defined benefit scheme.

THE 50/50 OPTION

In line with Principle 3 above, LGPS 2014 contains an *option* for members to pay 50% of the contributions for a 50% pension whilst retaining the full value of other benefits of the scheme such as an ill health pension, 'death in service' and redundancy. This is intended to attract non-members on low pay to the scheme and retain members who suffer periods of financial difficulty.

CONTRIBUTIONS BASED ON ACTUAL PAY FOR PART-TIME STAFF

In LGPS 2014, all members will have contribution rates based on *actual* - not full time equivalent - pay which is not the case in the current scheme. This will mean that some part-time workers will pay lower contributions than in LGPS 2008.

NEW SCHEME CONTRIBUTIONS

The average member contribution to LGPS 2014 will remain at 6.5% as now. *In line with Principle 2, most members will pay the same or lower contributions than at present.*

The contribution bandings have been changed from the current ones in LGPS 2008. The new structure has been designed to take tax relief into account and to be more progressive. That means that most contribution bandings *after tax relief* increase with earnings - from 4.4% for those earning less than £13,500 to 6.88% for those earning over £150,000.

PROPOSED CONTRIBUTION BANDS AND RATES FOR APRIL 2014

Pensionable Pay	Headline/Gross Contribution	Contribution After Tax Relief*
Up to £13,500	5.5%	4.40%
£13,501 - £21,000	5.8%	4.64%
£21,001 - £34,000	6.5%	5.20%
£34,001 - £43,000	6.8%	5.44%
£43,001 - £60,000	8.5%	5.10%
£60,001 - £85,000	9.9%	5.94%
£85,001 - £100,000	10.5%	6.30%
£100,001 - £150,000	11.4%	6.84%
More than £150,000	12.5%	6.88%

*Please note that the net contribution rates stated are approximate and will depend on individual members' circumstances.

PROTECTION OF CURRENT BENEFITS

The new LGPS will start on 1st April 2014. Only pensionable service after that point will be in the new scheme, under the new LGPS 2014 rules.

Pensioner and deferred members will not see any change to their benefits. Members with service in the current final salary scheme will retain the link to final salary for all service before 1st April 2014 and the Normal Pension Age as under the current rules. Your final salary pension from the LGPS 1997 and LGPS 2008 will be calculated separately when you retire and be added to your pension from the LGPS 2014.

LGPS 2014 – Overview v 5.0 – 31st May 2012 © The LGPS 2014 Project



In addition, to ensure that no member within 10 years of age 65 as at 1st April 2012 is worse off, there will be an 'underpin'. This means that those members who would see a change in their pension age in that period will get a pension at least equal to that which they would have received in the current scheme.

Previously agreed protection will continue. This includes the retirement age provisions for remaining members with Rule of 85 benefits.

PENSION PROTECTION ON TRANSFER

It is proposed that the provisions of the current scheme are extended to ensure that all staff whose employment is compulsorily transferred will still be able to retain membership of the LGPS when transferred.

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 JUNE 2012

SUBJECT:	MINUTES OF THE INVESTMENT MONITORING WORKING PARTY 11 APRIL 2012
WARD/S AFFECTED:	ALL
REPORT OF:	ACTING CHIEF FINANCE OFFICER
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 (IMWP) held on 11 April 2012 and 6 June 2012.
- 1.2 the minutes of the IMWP on 11 April 2012 and 6 June 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). These form an exempt report on this agenda.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The IMWP meets six times a year to enable Members and their advisers to consider investment 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 IMWP.

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 Fund's Governance Statement on 27 June 2011.

REPORT AUTHOR: Peter Wallach
Head of Pension Fund
telephone: (0151) 242 1309
email: peterwallach@wirral.gov.uk

APPENDICES

Attendance at the IMWP

REFERENCE MATERIAL

NONE

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Minutes of the IMWP are reported to the subsequent Pensions Committee meeting.	

Attendance at the meeting of Investment Monitoring Working Party, 11 April 2012

(Chair) Councillor Geoffrey C.J. Watt (WBC)	Councillor Mike Hornby (WBC)
Councillor Ann McLachlan (WBC)	Councillor Norman Keats (Knowsley BC)
Councillor Tom Harney (WBC)	Councillor George Davies (WBC)
Councillor Harry Smith (WBC)	Councillor David Mclvor (Sefton BC)
Phil Goodwin (Unison)	Paul Wiggins (Unison – Retired Members)
Patrick McCarthy (Wirral Partnership Homes)	Noel Mills (Independent Adviser)
Ian Coleman (Director of Finance, WBC)	David Taylor-Smith (Deputy Director of Finance, WBC)
Peter Wallach (Head of MPF)	Susannah Friar (Property Manager)
Owen Thorne (Investment Officer)	

No apologies for absence had been received.

There were no declarations of interest.

Attendance at the meeting of Investment Monitoring Working Party, 6 June 2012

(Chair) Cllr. Pat Glasman (Wirral MBC)	Cllr. Harry Smith (Wirral MBC)
Cllr. Cherry Povall (Wirral MBC)	Cllr. Sylvia Hodrien (Wirral MBC)
Cllr. Tom Harney (Wirral MBC)	Cllr. Geoffrey Watt (Wirral MBC)
Paul Wiggins (Unison)	Patrick McCarthy (Wirral Partnership Homes)
Peter Wallach (Head of MPF)	Paddy Dowdall (Acting Senior Investment Manager, MPF)
Allister Goulding (Investment Team MPF)	Greg Campbell (Investment Team MPF)
Susannah Friar (Investment Team MPF)	Owen Thorne (Investment Team MPF)
Adam Williamson (Investment Team MPF)	Emma Jones (Investment Team MPF)
Adil Manzoor (Investment Team MPF)	Noel Mills (Independent Adviser)
Emily McGuire (Aon Hewitt)	Louis Hill (Aon Hewitt)

Apologies for absence had been received from:

Cllr. Ann McLachlan (Wirral MBC)	Cllr. George Davies (Wirral MBC)
Cllr. Mike Hornby (Wirral MBC)	Cllr. Norman Keats (Knowsley MBC)
Cllr. David Maclvor (Sefton MBC)	

There were no declarations of interest.

This page is intentionally left blank

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 JUNE 2012

SUBJECT	LGC INVESTMENT CONFERENCE
WARD/S AFFECTED	ALL
REPORT OF	<i>ACTING CHIEF FINANCIAL OFFICER</i>
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1. This report requests nominations to attend the Local Government Chronicle (LGC) Investment Conference, to be held in Newport from 5 to 7 September 2012.

2.0. BACKGROUND AND KEY ISSUES

2.1. The conference is scheduled for 5 to 7 September 2012. It is likely that delegates would require overnight accommodation in Newport for 5 and 6 September 2012.

2.2. The attendance at this conference has traditionally been in the ratio 1:1:1. In recent years the independent adviser has also attended the conference and I would recommend that this decision is continued.

2.3. Conference costs including accommodation are £949 plus VAT per person, with travel an additional cost.

3.0. RELEVANT RISKS

3.1. The Authority is required to demonstrate 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 £949 plus VAT per delegate excluding travel which can be met from the existing 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 SAFET 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 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.

FNCE/95/12

REPORT AUTHOR

IAN COLEMAN

Director of Finance

Telephone (0151) 666 3056

Email: iancoleman@wirral.gov.uk

APPENDICES

NONE

REFERENCE MATERIAL

NONE

SUBJECT HISTORY

Council Meeting	Date
Pensions Committee	27 June 2011
Pensions Committee	28 June 2010
Pensions Committee	18 June 2009

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 JUNE 2012

SUBJECT	REPRESENTATION ON OUTSIDE BODIES
WARD/S AFFECTED	ALL
REPORT OF	ACTING CHIEF FINANCIAL OFFICER
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION	NO

1.0. EXECUTIVE SUMMARY

1.1. The purpose of this report is to request the Committee to review positions held by Elected Members on external bodies on behalf of Merseyside Pension Fund.

2.0. BACKGROUND AND KEY ISSUES

- 2.1. Members of this Committee on occasion represent MPF on external collaborative bodies which promote best practice in particular areas of pensions administration and investment.
- 2.2. Previously attendance on these bodies has been treated as an approved duty and any expenditure incurred met from the MPF budget.
- 2.3. Councillor Geoffrey Watt serves as an Executive Member of the Local Authority Pension Fund Forum (LAPFF).
- 2.4. As a result of being an Executive Member of LAPFF, Councillor Geoffrey Watt also represents MPF on the Institutional Investor Group on Climate Change (IIGCC).
- 2.5. Members are requested to consider whether Councillor Geoffrey Watt should continue as an Executive Member of LAPFF. If a decision is taken to resign the position then it would not be within the power of the Pensions Committee to nominate any other Member. In this situation MPF would cease to be represented on the Executive of LAPFF.
- 2.6. On 22 September 2009 the Pensions Committee agreed to the appointment of Councillor Ann McLachlan to the Local Government Pensions Committee (LGPC) of the Local Government Association (LGA).
- 2.7. This appointment was at the request of the Labour Group on the LGA. If Councillor Ann McLachlan was to resign from this appointment then again it would not be within the power of the Pensions Committee to appoint any other Member.

3.0 RELEVANT RISKS

3.1 If the Committee does not renew these appointments then MPF would not be represented on these bodies.

4.0 OTHER OPTIONS CONSIDERED

4.1. No other options have been considered.

5.0 CONSULTATION

5.1. No consultation has been required in the preparation of this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1. There are none arising directly from this report.

7.0. RESOURCE IMPLICATIONS

7.1. There are none arising directly from this report.

8.0 LEGAL IMPLICATIONS

8.1. There are none arising directly from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 There are none arising directly from this report.

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 directly from this report.

12.0. RECOMMENDATIONS

12.1. That Councillor Geoffrey Watt continues to be an Executive Member of LAPFF.

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

13.0. REASON FOR RECOMMENDATIONS

13.1. To agree representation on outside bodies.

FNCE/100/12

REPORT AUTHOR: IAN COLEMAN
DIRECTOR OF FINANCE
Telephone (0151-666-3056)
Email iancoleman@wirral.gov.uk

APPENDICES:

None

REFERENCE MATERIAL

None

SUBJECT HISTORY

Council Meeting	Date
Pensions Committee	27 June 2011
Pensions Committee	28 June 2010
Pensions Committee	22 September 2009
Pensions Committee	18 June 2009

This page is intentionally left blank

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 JUNE 2012

SUBJECT:	TREASURY MANAGEMENT ANNUAL REPORT 2011/12
WARD/S AFFECTED:	ALL
REPORT OF:	ACTING CHIEF FINANCE OFFICER
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 This report presents a review of treasury management activities within Merseyside Pension Fund (MPF) for the 2011/12 financial year and reports any circumstances of non-compliance with the treasury management strategy and treasury management practices. It has been prepared in accordance with the revised CIPFA Treasury Management Code.

2.0 BACKGROUND AND KEY ISSUES

2.1 Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in the Public Services and in this context is the "management of the Fund's investments and cash flows, its banking, money market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks".

2.2 On 11 January 2011 Pensions Committee approved the Treasury Management Policy and Strategy 2011/12.

2.3 This report relates to money managed in-house during the period. It excludes cash balances held by investment managers in respect of the external mandates and the internal UK and European investment managers.

TREASURY MANAGEMENT

2.4 As at 31 March 2012, MPF had a cash balance of £55 million (excluding Iceland deposits) as against £53.8 million at 31 March 2011. All of these funds were held on call (instant access) accounts with Royal Bank of Scotland, Bank of Scotland and Santander.

2.5 Managing counterparty risk continued to be the overarching investment priority. Investments during the year included:

- Call (instant access) accounts and deposits with UK banks
- Investments in AAA rated money market funds with a constant Net Asset Value.

- 2.6 The rate at which MPF can invest money continues to be low, reflecting the record low Bank of England base rate which remained at 0.5% throughout 2011/12.
- 2.7 Over the twelve month period, WM calculated the cash performance to be 3.3% against a benchmark performance (7 day LIBID) of 0.5%. This performance is enhanced by the inclusion of securities lending income.
- 2.8 Transactions were undertaken to reflect the day-to-day cash flows of the Fund, matching inflows from receipts to predicted outflows.
- 2.9 The detailed cash flow plans were managed so as to be compliant with the deposit limits agreed for individual financial institutions as reflected in the Treasury Management Policy for 2011/12, apart from the limit with the Council bankers RBS. There were a number of incidents where MPF was non-compliant with this limit due to the receipt of significant funds 24 hours ahead of when they were expected; in anticipation of cash outflows with the prior agreement of the Head of Pension Fund; and following the approval by Pensions Committee to increase the limit with the bankers. In each case, the anomaly was rectified with no financial disadvantage to the Fund. The fact that RBS, which is the main recipient of surplus cash, is 80% Government owned is viewed as low risk and the limit has since been increased following approval by Pensions Committee on 17 January 2012.
- 2.10 During the year, MPF retained on the counterparty list some banks that fell below the minimum credit rating of A+. Credit rating agencies downgraded a considerable number of institutions over the period, some of which were considered to be systemically important to the financial system including RBS. This was reported to the Governance and Risk Management Working Party on 24 January 2012. The institutions suffering downgrades in credit rating to A- are, nonetheless, defined as having high credit quality, low credit risk and a strong ability to repay. Any deposits however, were restricted to call (instant access) accounts only during this period. The continued inclusion of UK Banks that did not meet the counterparty requirements is also considered low risk as the treasury management consultants were still comfortable with these banks as counterparties. Again, the credit criteria minimum requirements have since been amended following the advice of the treasury management consultants and approved by Pensions Committee on 17 January 2012.

ICELAND DEPOSIT UPDATE

- 2.11 As previously reported MPF had £7.5 million deposited across two Icelandic Banks, Glitnir £5 million and Heritable £2.5 million.

(a) Glitnir

In December 2011, the Icelandic Courts determined that local authority deposits with Glitnir qualified for priority status. Securing priority creditor status means that deposits with Glitnir are set to recover 100%.

In March 2012, approximately 81p/£ was recovered from a mixture of GBP, EUR, USD and NOK (£4.2m). The GBP, EUR and USD payments were paid into MPF accounts. The NOK were converted via a spot rate into GBP. The remaining 19% remains held in Icelandic Krona (ISK). The ISK amounts have been distributed by the Glitnir Winding Up Board and are held in escrow accounts because, under the applicable currency controls operating in Iceland, the permission of the Central Bank of Iceland is required to release Icelandic Krona payments held within the Icelandic banking system. The money held in the Glitnir Winding Board escrow account is, however, earning interest at a market rate of 3.4%. There are still uncertainties regarding funds currently held in Icelandic Krona, as they cannot currently be converted into GBP. The LGA in conjunction with those authorities affected, is working on a practical solution.

(b) Heritable

The projected return to creditors is to be between 86% and 90% of the claim. To date (May 2012) MPF has received eleven dividend payments totalling £1.8m.

3.0 RELEVANT RISKS

3.1 All relevant risks have been discussed within section 2 of this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 There are no other options considered in this report

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 financial implications are stated above. In accordance with accounting guidance an appropriate note regarding impairment is being included in the Annual Accounts for the year ended 31 March 2012.

8.0 LEGAL IMPLICATIONS

8.1 The legal implications have been discussed within section 2 of 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 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 the Treasury Management Annual Report for 2011/12 be agreed.*

13.0 REASON FOR RECOMMENDATION

13.1 The Treasury Management Code requires public sector authorities to determine an annual Treasury Management Strategy and, as a minimum to report formally on their treasury activities and arrangements mid-year and after the year-end. These reports enable those tasked with implementing policies and undertaking transactions to demonstrate that they have properly fulfilled their responsibilities and enable those with responsibility/governance of the treasury management function to scrutinise and assess its effectiveness and compliance with policies and objectives. The requirement to report mid-year is met via regular reports to the Investment Monitoring Working Party (IMWP).

REPORT AUTHOR: Donna Smith
Group Accountant
telephone: (0151) 2421312
email: donnasmith@wirral.gov.uk

APPENDICES

None.

REFERENCE MATERIAL

Code of Practice for Treasury Management in Public Services – CIPFA 2009

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee – Treasury Management Annual Report 2008/09	18 June 2009
Pensions Committee – Treasury Management Annual Report 2009/10	28 June 2010
Pensions Committee – Treasury Management Policy and Strategy 2011/12	11 January 2011
Pensions Committee – Treasury Management Annual Report 2010/11	27 June 2011

This page is intentionally left blank

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 JUNE 2012

SUBJECT:	INVESTMENT PERFORMANCE
WARD/S AFFECTED:	ALL
REPORT OF:	ACTING CHIEF FINANCE OFFICER
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 This report sets out the investment performance of Merseyside Pension Fund for the year ended 31 March 2012 as calculated by the WM Company.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Fund returned 2.9 per cent in the financial year to the end of March 2012 compared to the bespoke benchmark return of 3.6 per cent, an underperformance of 0.7 per cent. Asset allocation detracted from performance by 1.2 per cent but was partially offset by a 0.5 per cent contribution from stock selection. Over the same period, the average of all local authority pension funds, based on the WM Local Authority universe of 90 funds, was 2.6 per cent.

2.2 The modest investment returns for the period reflect the economic and geopolitical headwinds faced by investors. Looking back over the 12 months, equity markets started quietly but over the summer reacted badly to a rapid deterioration in the financial stability of the eurozone, particularly in relation to Greek sovereign debt, and signs of a renewed global economic downturn. The MSCI world index troughed in early October 2011, having fallen some 15%, and then staged a recovery, punctuated by further weakness in November 2011, ultimately ending the financial year little changed. This masked a significant divergence in the performance of developed markets with the USA appreciating by nearly 7% whilst European markets were, on average, down by more than 11%. UK equities returned 1.4%.

2.3 Financial markets were characterised by so called "risk on, risk off" reflecting the sharp mood swings by investors between confidence and fear. Investors sought perceived lower risk assets such as gold, US dollars, yen, sterling, Swiss francs and 'safe haven' bonds issued by countries such as the USA, Switzerland, Sweden and the UK. This was reflected in the performance of the fixed interest holdings with index-linked gilts returning 18.1% for the twelve-month period.

2.4 The performance of the Fund against the relevant benchmark and against price and earnings indices over 1, 3, 5 and 10 year periods is tabulated below.

	1 Year	3 Year	5 Year	10 year
MPF	2.9	14.2	3.9	6.1
Benchmark	4.3	14	3.8	5.8
RPI	3.6	4.5	3.3	3.3
CPI	3.5	3.6	3.2	2.6
Average Earnings	0.1	2.9	2.5	3.8
LGPS average	2.6	14.5	3.2	5.7

2.5 A detailed presentation on performance was given by the WM Company at the Investment Monitoring Working Party on 6 June 2012.

3.0 RELEVANT RISKS

3.1 The performance of the Fund, relative to the benchmark, is a key indicator of the successful implementation of the investment strategy which is established with a view to meeting the liabilities over the long-term.

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 The Fund returned 2.9 percent, appreciating in value by £113m over the financial year to 31 March 2012.

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 note the report.

13.0 REASON FOR RECOMMENDATION

13.1 The performance of the Fund, relative to the benchmark, is a key indicator of the successful implementation of the investment strategy which is established with a view to meeting liabilities over the long-term.

REPORT AUTHOR: ***PETER WALLACH***
HEAD OF PENSION FUND
telephone: (0151) 242 1309
email: peterwallach@wirral.gov.uk

APPENDICES

NONE

REFERENCE MATERIAL

The WM Company – Merseyside Pension Fund Quarterly Performance Review.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	27 June 2011
Pensions Committee	28 June 2010
Pensions Committee	18 June 2009

**WIRRAL COUNCIL
PENSIONS COMMITTEE
25 JUNE 2012**

SUBJECT:	ADMISSION BODY APPLICATION HALL CLEANING SERVICES
WARDS AFFECTED:	ALL
REPORT OF:	ACTING CHIEF FINANCE OFFICER
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 Hall Cleaning Services for admission to Merseyside Pension Fund as a Transferee Admission Body. The company has secured a cleaning contract with Wirral Council at Mosslands School for the period of one year from 1 November 2011 to 31 October 2012.
- 1.2 A further report 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 three transferred staff that were employed by Wirral Council and previously contributed to the Local Government Pension Scheme (LGPS) and wish to continue to participate in the Local Government Pension Scheme.
- 2.2 Hall Cleaning Services is a private Limited Company, Company number 01545130, and the date of incorporation was 12 February 1981.
- 2.3 The principal activity of the company is that of office and school cleaning.

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. Wirral 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 30 June 2011 of Hall Cleaning Services has been received.

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 Hall Cleaning Services.

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.

REPORT AUTHOR: YVONNE CADDOCK
PRINCIPAL PENSIONS OFFICER
telephone: (0151- 242-1333)
email: yvonnecaddock@wirral.gov.uk

APPENDICES

Exempt Report on this agenda

REFERENCE MATERIAL

Report produced by Mercer the Actuary, dated 16 January 2012

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

This page is intentionally left blank

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 JUNE 2012

SUBJECT:	CUNARD BUILDING
WARD/S AFFECTED:	NONE
REPORT OF:	ACTING CHIEF FINANCE OFFICER
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to inform Members of the conclusions reached at the Investment Monitoring Working Party (IMWP) on 11 April 2012, following a presentation by CBRE, the property advisers, of options for the Cunard Building and to advise on the progress of implementing, under delegation, the CBRE recommendation.
- 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 At the Pensions Committee on 20 March 2012, Members were provided with an options paper prepared by CBRE. Members requested the opportunity to discuss the recommendation with CBRE at the Investment Monitoring Working Party on 11 April 2012.
- 2.2 Minutes of the IMWP on 11 April 2012 provide additional background to the issues.

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 anticipated costs of the feasibility study are set out in the exempt 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 note the report.

13.0 REASON FOR RECOMMENDATION

13.1 The exempt report provides a summary of matters considered pertinent by the property advisers in formulating their recommendation and discussed at the Investment Monitoring Working Party on 11 April 2012.

REPORT AUTHOR: **Peter Wallach**
Head of Pension Fund
telephone: (0151) 242 1309
email: peterwallach@wirral.gov.uk

APPENDICES

NONE

REFERENCE MATERIAL

NONE

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	20 March 2012

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 JUNE 2012

SUBJECT:	APPOINTMENT OF A PROVIDER OF GLOBAL CUSTODY SERVICES
WARD/S AFFECTED:	ALL
REPORT OF:	ACTING CHIEF FINANCE OFFICER
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 provider of global custody services to the Merseyside Pension Fund and to recommend that Members approve the award of the contract. The detail of the recommendation is provided in an exempt report.
- 1.2 The exempt report 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 20 March 2012 Pensions Committee received an update on the procurement exercise for global custody services and approved an extension of the contract with the existing service provider (State Street) to 31 December 2012. The procurement exercise has now been completed and the full results are given in an exempt report.
- 2.2 The services of the global custody provider are considered to be a critical component of the Fund's mitigation of operational risk. The custodian is responsible for safekeeping assets, processing investment transactions, collection of entitlements and comprehensive accounting and reporting services. The custodian also provides certain value-added services, including participation in securities lending, which generates an income stream for the Fund.
- 2.3 The Invitations To Tender (ITT) were issued to a pre-selected short-list of four bidders on 16 January 2012. The services of a specialist in global custody services (from Aon Hewitt) were used to prepare the ITT document, which comprised a detailed questionnaire covering all aspects of the services required. Responses to the ITT were received on 21 February 2012 and officers assessed these during March, as well as carrying out a series of site visits. The assessment process culminated in a series of interviews on 18 April 2012.

2.4 The bids were evaluated on price (35%) and quality (65%). Details of the assessment criteria and method of assessment are given in the exempt report. The most economically advantageous tender based on these criteria has been selected, which also has the lowest price submission.

2.5 The contract will run for three years, with an option to extend for a further three years.

3.0 RELEVANT RISKS

3.1 The provision of global custody services is of critical importance to the operations of Merseyside Pension Fund. Any recommendation arising from this procurement process has the potential to be disruptive. The risks are mitigated by the timing of the procurement exercise to ensure continuity of service and the use of open market competition to ensure that MPF obtains value for money. The extension of the contract with the existing provider should mitigate this risk by providing the internal team with time to prepare for any change, should that be necessary.

3.2 The procurement exercise has been carried out with support from the Procurement Unit, to ensure compliance with EU procurement regulations. This mitigates the risk of challenge.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered as MPF requires global custody services and it is necessary to tender at this time as reported previously to Pensions Committee.

5.0 CONSULTATION

5.1 There has been no consultation undertaken or proposed for this report. There are no significant 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 All of the bids submitted represent a saving to MPF versus current budget provision. Existing provision can meet any staffing or IT resource implications.

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 appoint the firm recommended in the exempt report to provide global custody services to the Merseyside Pension Fund.

13.0 REASON FOR RECOMMENDATION

13.1 Global custody services are considered essential for operational effectiveness and risk management at Merseyside Pension Fund.

REPORT AUTHOR: **Paddy Dowdall**
Investment Manager Merseyside Pension Fund
telephone: (0151) 242 1310
email: paddydowdall@wirral.gov.uk

APPENDICES

None

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee, Global Custodian Services	20 March 2012
Pensions Committee, Global Custodian Services	29 March 2011
Pensions Committee, Global Custodian Services	17 November 2009

This page is intentionally left blank

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 JUNE 2012

SUBJECT:	CUNARD BUILDING, LIVERPOOL SECOND FLOOR REFURBISHMENT
WARD/S AFFECTED:	NONE
REPORT OF:	ACTING CHIEF FINANCE OFFICER
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 the recent tendering exercise in respect of the 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).
- 1.2 An exempt report (report from CBRE on the tender process) 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 Seven small individual offices and one fire exit on the second floor require refurbishing to form serviced office accommodation to take advantage of the current market where demand for larger spaces is limited. The strategy is to capture the smaller business enterprises where short lets are required as and when operations expand.
- 2.2 The works include stripping out and constructing new partitions to create separate offices, complete redecoration, new floor covering, new lighting installation, new IT and data installations together with new office furniture for the show suite.
- 2.3 The tender process was managed by CBRE in accordance with financial guidelines.

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 The costs of the work will be £183,871 excluding VAT

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 note that the tender by Rotary, in the sum outlined in the exempt report, was accepted under delegation.

13.0 REASON FOR RECOMMENDATION

13.1 The tender recommended is the lowest cost tender.

REPORT AUTHOR: **Paddy Dowdall**
Investment Manager
telephone: (0151) 2421310
email: paddydowdall@wirral.gov.uk

APPENDICES

None.

REFERENCE MATERIAL

No reference material used in the production of this report.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	20 March 2012

This page is intentionally left blank

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 JUNE 2012

SUBJECT:	THREE YEAR REVIEW OF EXTERNAL INVESTMENT MANAGEMENT MANDATES FOR UK AND EUROPEAN EQUITIES
WARD/S AFFECTED:	ALL
REPORT OF:	ACTING CHIEF FINANCE OFFICER
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report informs Members of the results of recent reviews of the external investment mandates for UK and European Equities; Black Rock, M&G, Newton, TT International and Unigestion.
- 1.2 The result of the reviews is that all mandates are to be retained subject to further monitoring for up to three years in line with the original procurement. For one of the mandates this was a borderline decision and therefore this mandate is subject to closer scrutiny in ongoing monitoring as reported to previous IMWP meetings.
- 1.3 The detailed mandate reviews are provided in an exempt report. 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 These mandates were approved by Pensions Committee on 17 November 2008 and subsequently funded on 9 March 2009. The term of these mandates as advertised at procurement was three years with a potential three year extension. The policy of MPF as detailed in the Policy for the Monitoring of Investment Mandates is to conduct a review and report to Pensions Committee before formally extending the contract. Given the long term nature of these investments it is anticipated that future mandates will be let on a five year plus five year option basis.
- 2.2 The reviews have been conducted by the internal team over the past three months and consisted of meetings and reviews of documentation from the managers and Analytics, in addition to drawing from the regular monitoring which has been reported to the IMWP on a quarterly basis.
- 2.3 As detailed in the Policy for the Monitoring of Investment Mandates, the contracts for investment management are made on a 28 day rolling basis and are subject to quarterly review of performance and that the Director of Finance can, under delegation, take any action required. This process will continue.

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 is a change in the fee basis of Unigestion which is covered in the exempt report. For the other mandates there are no implications arising directly from this report as there are no changes to existing arrangements which are covered in existing budgets.

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 note the reviews and the three year extension, subject to continued monitoring of performance of the investment mandates for Black Rock, M&G, Newton, TT International and Unigestion change in fee arrangement detailed in the exempt report is noted.

12.2 That Members note the change in the fee arrangement detailed in the exempt report.

13.0 REASONS FOR RECOMMENDATION

13.1 The purpose of the recommendation is to inform Members of work undertaken within the monitoring regime detailed in the Statement of Investment Principles and the Policy for the Monitoring of Investment Mandates.

13.2 The change in fee arrangements for one of the mandates which is detailed in the exempt report is reported consistent with Contract Procedure Rule 16.1.

REPORT AUTHOR: Paddy Dowdall
Investment Manager
telephone: (0151) 242 1310
email: paddydowdall@wirral.gov.uk

APPENDICES

None

REFERENCE MATERIAL

Investment Manager Reports, Analytics Reports, Internal notes of meetings, WM Reports

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee Management of UK Equities	17 November 2008
Pensions Committee Management of European Equities	17 November 2008
Pensions Committee Investment Contract Monitoring	20 March 2012
Pensions Committee IMWP Minutes	Various

This page is intentionally left blank

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 JUNE 2012

SUBJECT:	CAPITAL DYNAMICS TRAINING EVENT
WARD/S AFFECTED:	ALL
REPORT OF:	ACTING CHIEF FINANCE OFFICER
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 This report informs Members of a training opportunity organised by Capital Dynamics and recommends attendance at the event.

2.0 BACKGROUND AND KEY ISSUES

2.1 Under the CIPFA Knowledge and Skills Framework, the Pensions Committee has accepted the need to demonstrate that it is actively managing the development of the Members of the Committee.

2.2 Alternative assets are an important element of the investment portfolio and this training event provides the opportunity for Members to gain further understanding of private equity, infrastructure and clean energy as potential investments.

2.3 Capital Dynamics has organised a seminar at the Deansgate Hilton, Manchester on Thursday 11 October 2012, commencing at 10.00 a.m. The morning session is aimed at pension fund trustees and new comers to private equity, infrastructure and clean energy. The afternoon will explore private equity in greater detail.

2.4 Members are welcome to attend a part of or the entire event. The agenda is set out in appendix 1.

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 The seminar is free to attend and travel costs can be covered from the training budget.

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 attend the training event.

13.0 REASON FOR RECOMMENDATION

13.1 Training is an important element of Members' responsibilities.

REPORT AUTHOR: PETER WALLACH
HEAD OF PENSION FUND
telephone: (0151) 242 1309
email: peterwallach@wirral.gov.uk

APPENDICES

Agenda for the training course.

REFERENCE MATERIAL

None

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

APPENDIX 1

Agenda

Time	Activity
10:00 – 10.30	Registration/Coffee & Pastries
Asset Class Training	
10:30 – 12:00	Introduction to Private Equity
	An instructive high level overview of private equity for trustees: debunking myths and providing a user-friendly guide to investor allocation and risk management in this sector. Includes a discussion on benchmarking techniques. A private equity information pack will be provided to attendees during this session.
12:00 – 12:45	Clean Energy and Infrastructure: allocation benefits
	Clean energy and Infrastructure as an enhancement to asset allocation.
12:45 – 13:30	Buffet Lunch
Private Equity: Old, New and Forgotten Friends	
13:30 – 14:15	US mid-market: what recession?
	The engine to economic reinvigoration; capturing the upside while protecting the downside.
14:15 – 15:00	Secondaries: the constant friend
	Utilizing the secondary market as an active portfolio management tool.
15:00 – 15.30	Break
15:30 – 16:15	Asia: can they sustain the pace?
	Is Asia overheating or just beginning to warm up?
16:15 – 17:00	Frontiers: has the time come?
	Will the next wave of emerging markets create the same opportunities as India, China and Brazil?
17:00 – 19:00	Drinks and Canapés
Location	Hilton Manchester Deansgate Hotel 303 Deansgate Manchester M3 4LQ, United Kingdom Main Switchboard: +44 (0)161 870 1600

This page is intentionally left blank

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 JUNE 2012

SUBJECT:	PROPERTY PORTFOLIO INSURANCE ARRANGEMENTS
WARD/S AFFECTED:	ALL
REPORT OF:	ACTING CHIEF FINANCE OFFICER
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1 This report informs Members of the commencement of a tender exercise for insurance arrangements for the property portfolio and recommends the extension by six months of the existing arrangements.

2.0 BACKGROUND AND KEY ISSUES

2.1 CBRE are the managing agents for the property portfolio and as such are responsible for tendering for various services required for the property portfolio including insurance.

2.2 CBRE ensures that insurance is provided for the entire property portfolio for buildings, shared contents, fire, terrorism and business interruption. Tenants are responsible for their own contents insurance. The cost of this insurance is passed on to the tenants through the service charge along with other services provided. The Fund has to bear the costs for voids.

2.3 CBRE is required to comply with the Council contract procedural rules and European legislation when procuring on behalf of MPF.

2.4 The current insurance policies are due for renewal on 25 June 2012.

2.5 There have been some changes in the way in which CBRE procures on behalf of MPF, most notably the use of the Chest (an electronic form of posting notices and receiving tender documents).

2.6 It is clearly vital for MPF to have insurance for the property portfolio, and it is also important to ensure that procurement procedures are followed correctly. Therefore processes have been put in place to extend the existing insurance arrangement for six months and a procurement exercise for insurance has commenced. The value of the extension is £286,000.

2.7 The procurement exercise will be undertaken by CBRE through the Chest with support from the Procurement Unit and should be complete in time for a recommendation to be made to Pensions Committee on 18 September 2012.

3.0 RELEVANT RISKS

3.1 The purpose of the actions taken and covered in this report is to mitigate the two key potential risks of

- Not having insurance cover for the property portfolio
- Not complying with contract procedure rules.

The actions recommended in this report fully mitigate these 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 direct implications arising from this report. The costs of insurance are met by tenants. The current market conditions are such that following the procurement exercise insurance premiums should be lower. The extension is at the same level of cost as existing arrangements.

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 RECOMMENDATIONS

12.1 That Members agree the extension to existing arrangements for insurance.

12.2 That Members note the commencement of a procurement exercise for insurance for the property portfolio of Merseyside Pension Fund.

13.0 REASON FOR RECOMMENDATIONS

13.1 The purpose of recommendation 12.1 is to comply with Contract Procedural Rule 16.1.2 which requires Pensions Committee to agree an extension to an existing contract.

REPORT AUTHOR: Paddy Dowdall
Investment Manager
telephone: (0151) 242 1310
email: paddydowdall@wirral.gov.uk

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

	Date
Pensions Committee - Insurance of the Property Portfolio	18 June 2009
Pensions Committee - Appointment of Property Asset Manager	11 January 2011

This page is intentionally left blank

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 JUNE 2012

SUBJECT:	EXTENSION OF MINIMUM VARIANCE STRATEGY
WARD/S AFFECTED:	ALL
REPORT OF:	ACTING CHIEF FINANCE OFFICER
RESPONSIBLE PORTFOLIO HOLDER	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 This report informs Members of the intention to extend the use of minimum variance strategies in relation to emerging markets equities.

2.0 BACKGROUND AND KEY ISSUES

2.1 Minimum variance strategies seek to exploit the anomaly that has seen low-risk stocks outperform higher risk stocks over the past 20 years, in contradiction to conventional financial theory. It is believed that this anomaly will persist and can be exploited.

2.2 MPF first implemented a minimum variance strategy in March 2009 in relation to European equities. Since then, the strategy has delivered returns in accordance with expectations and has provided useful diversification to the existing European mandates, performing strongly in down markets and benefitting from continuing market volatility.

2.3 MPF reduced an underweight position in emerging markets exposure earlier this year through a passive allocation. With little likelihood of the turbulence in financial markets easing in the foreseeable future, officers intend to switch the passive exposure to a minimum variance strategy when appropriate. The characteristics of emerging markets are favourable to this strategy and it is believed that this will prove similarly complementary to the existing emerging markets mandates.

3.0 RELEVANT RISKS

3.1 All equity investments carry risks but it is believed that this strategy should reduce 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 The anticipated outperformance of the mandate should more than cover the additional management fees incurred by the change.

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 note the report.

13.0 REASON FOR RECOMMENDATION

13.1 The transaction will be implemented under delegation.

REPORT AUTHOR: PETER WALLACH
HEAD OF PENSION FUND
telephone: (0151) 242 1309
email: peterwallach@wirral.gov.uk

APPENDICES

None

REFERENCE MATERIAL

None

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank