Public Document Pack

Pensions Committee

Date:	**Monday, 24 June 2013**
Time:	**6.00 pm**
Venue:	Committee Room 1 - Wallasey Town Hall

Contact Officer:	Pat Phillips
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AGENDA

1. **MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST**

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

2. **MINUTES (Pages 1 - 6)**

   To receive the minutes of the meeting held on 25 March, 2013.

3. **MERSEYSIDE PENSION FUND - EXTERNAL AUDIT PLAN 2012-13. (Pages 7 - 26)**

4. **LGPS UPDATE (Pages 27 - 54)**

5. **ANNUAL INVESTMENT PERFORMANCE (Pages 55 - 58)**

6. **TREASURY MANAGEMENT ANNUAL REPORT (Pages 59 - 62)**

7. **BUDGET FINANCIAL YEAR 2013/2014, BUDGET OUT TURN 2012/13 AND ANNUAL REPORT 2012/13. (Pages 63 - 72)**

8. **LGC INVESTMENT SUMMIT (Pages 73 - 76)**

9. **PENSIONS ADMINISTRATION STRATEGY STATEMENT (Pages 77 - 108)**

10. **OFFICIAL OPENING OF GWYNEDD AD PLANT. (Pages 109 - 112)**

11. **COMPLIANCE MANUAL - SECTION 6 PERSONAL CONDUCT ARRANGEMENTS. (Pages 113 - 126)**

12. **TACTICAL ASSET ALLOCATION**

    Report to follow.

13. **TUNSGATE SQUARE - ROOFING TENDER (Pages 127 - 130)**

14. **IMWP MINUTES**

    Report to follow.

15. **CASTLE CHAMBERS 4TH FLOOR REFURBISHMENT. (Pages 131 - 134)**

16. **ESSENTIALS TRAINING FOR LOCAL AUTHORITY PENSION SCHEMES.**

    Report to follow.

17. **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.

18. **TACTICAL ASSET ALLOCATION EXEMPT APPENDIX.**

    Appendix to follow.

19. **TUNSGATE SQUARE - ROOFING TENDER EXEMPT APPENDIX. (Pages 135 - 138)**

20. **IMWP MINUTES 10/04/13 & 12/06/13.**

    Minutes to follow.

21. **CASTLE CHAMBERS 4TH FLOOR REFURBISHMENT. (Pages 139 - 144)**

22. **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR**

PENSIONS COMMITTEE

Monday, 25 March 2013

Present:	Councillor	P Glasman (Chair)	
	Councillors	G Davies T Harney S Hodrien M Hornby AER Jones	AR McLachlan C Povall H Smith A Sykes G Watt
	Councillors	N Keats, Knowsley Council J Fulham, St Helens Council	
In attendance:		Phil Goodwin (Unison)	
Apologies	Councillors	P Tweed P Hurley P McCarthy Paul Wiggins (Unison)	

76 **MEMBERS CODE OF CONDUCT - DECLARATIONS OF INTEREST.**

Members were asked whether they had any pecuniary or non pecuniary interests in connection with any application on the agenda and, if so, to declare them and state the nature of the interest.

Councillor Norman Keats declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund.

Councillor Geoffrey Watt declared a pecuniary interest by virtue of a relative being a member of Merseyside Pension Fund.

77 **MINUTES**

The Acting Director of Law, HR and Asset Management submitted the minutes of the meeting held on 15 January, 2013.

Resolved – That the minutes be received.

78 **ORDER OF BUSINESS**

The Chair agreed to vary the order of business.

79 **LGPS UPDATE**

A report of the Interim Director of Finance updated the Pensions Committee on the MPF technical response to the statutory consultation on the LGPS 2014 draft membership, contributions and benefit regulations. The timetable for the remaining elements of the regulatory framework was outlined to enable the new Scheme to be assessed as fit for purpose on the grounds of affordability, governance and administrative ease.

The report also covered the revised earning bands used to assess employee contribution rates from April 2013, the Government's white paper on State Pension Reform and a position update on both the 'Universal Credit' and Auto–enrolment legislation.

The Pension Funds submission to DCLG Consultation on Draft LGPS 2014 Regulations, dated 5 February, 2013 was attached as an appendix to the report.

Yvonne Caddock, Principal Pension Officer, outlined the report and responded to members questions.

Resolved – That the report be noted.

80 **WITHHOLDING TAX CLAIMS**

A report of the Interim Director of Finance provided the Pensions Committee with an update on the progress made by the Fund in reclaiming withholding tax from the UK and European tax authorities and sought approval to continue the group action in respect of Manufactured Overseas Dividends (MODs).

In January 2009, the Pensions Committee had been informed of the engagement of KPMG and McGrigors (now Pinsent Masons) to assist in the recovery of withholding taxes (WHT) suffered on EU sourced dividend income and non-recoverable under existing Double Tax Agreements.

It was reported that in April 2009 this had been extended to the recovery of UK withholding tax suffered on Manufactured Overseas Dividend (MOD) income arising from stocklending.

Updates had been brought to Committee in September 2009 and March 2011.

Peter Wallach, Head of Pension Fund, outlined the report and responded to Members questions.

Resolved – That;

1. **the progress of the European Withholding Tax Claims be noted.**
2. **the contribution from the internal team be noted.**
3. **the continuation of the MOD claim be noted.**

81 **PRIVATE EQUITY PROGRAMME 2011-2014**

A report of the Interim Director of Finance updated Members on progress made on the Private Equity Programme 2011-14 and asked Members to approve the proposed Private Equity investments for 2013.

The appendix to the report, MPF Private Equity Programme 2011-14, as updated March 2013, 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).

Paddy Dowdall, Investment Manager, Merseyside Pension Fund, outlined the report and responded to Members questions.

Resolved – That;

1 the report including the programme for 2011-14 in the Exempt Appendix and the proposed Private Equity investments for 2013 be approved and noted.

2 the Interim Director of Finance make the individual investments under delegated authority and use this delegated authority to make changes as and when circumstances demand.

3 the Pensions Committee continue to receive annual updates on the private equity programme and reports be continued to be made to the IMWP on a quarterly basis.

82 **INTERNAL DISPUTE RESOLUTION PROCEDURE**

A report of the Interim Director of Finance informed the Pensions Committee that the Local Government Pension Scheme (LGPS) had an inbuilt complaints procedure for dissatisfied members, called the Internal Dispute Resolution Procedure (IDRP).

The report sought to appoint and authorise officers who could consider appeals at stage 1 and stage 2 of the IDRP process in respect of MPF.

Resolved – That the proposed changes to the panel of authorised officers to consider appeals under the Internal Dispute Resolution Procedure be agreed.

83 **NAPF LOCAL AUTHORITY CONFERENCE**

A report of the Interim Director of Finance requested nominations to attend the National Association of Pension Funds (NAPF) Local Authority Conference 2013 to be held in Gloucester from 20 May to 22 May 2013.

Members discussed the possibility of the Spokespersons and Chair attending and suggested that there should be review of the rationale of who needs to be trained. .Peter Wallach, Head of Pensions, indicated that it was for members to determine attendance but future reports would try to provide more information to enable this.

On a motion by Councillor Harry Smith and seconded by Councillor George Davies it was;

Resolved – That the wording of future reports be amended to clarify who needs to attend Pensions conferences.

84 **PIRC ANNUAL CORPORATE GOVERNANCE CONFERENCE 2013**

A report of the Interim Director of Finance sought approval for the Chair to attend the PIRC Annual Corporate Governance Conference 2013 to be held in London on 26 March, 2013.

Resolved – That the attendance of the Chair at the PIRC Annual Corporate Governance Conference 2013 be approved.

85 **GOVERNANCE & RISK WORKING PARTY MINUTES**

A report of the Interim Director of Finance provided members with the minutes of the Governance & Risk Working Party (GRWP) held 30 January 2013.

An exempt report on the agenda, the minutes of the GRWP on 30 January 2013, 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 Governance & Risk Working Party (GRWP) held on 30 January 2013 contained in the Exempt Appendix be approved.

86 **AUDIT PLAN**

Mike Thomas, Director Merseyside Pension Fund, presented the Audit Plan for Merseyside Pension Fund and responded to Members questions.

Resolved – That the Audit Plan be noted.

87 **LGPS TRUSTEES CONFERENCE AND CIPFA ANNUAL CONFERENCE.**

A report of the Interim Director of Finance requested nominations to attend the Tenth Annual LGPS ‘Trustees’ Conference 2013 to be held in Sheffield from 27 to 28 June 2013.

The report sought approval for the Chair of Pensions Committee to attend the Annual CIPFA Conference 2013 to be held in London from 9 to 11 July 2013.

Resolved – That :

1. **Peter Wallach, Head of MPF, contact members of the Pensions Committee by email to confirm those members who wish to attend the Trustees conference.**

2. **attendance at the CIPFA conference by the Chair and an officer be agreed.**

88 **ADMISSION BODY APPLICATION GRAYSONS RESTAURANTS LTD LIVERPOOL CITY COUNCIL - CATERING CONTRACT**

A report of the Interim Director of Finance informed members of his decision, taken under delegation, to approve the application received from Graysons Catering Services Limited for admission to Merseyside Pension Fund as a Transferee

Admission Body. The company had secured a catering contract with Liverpool City Council for a period of 3 years with effect from 1st March 2012 with an option to extend for a further 2 years.

The appendix attached to the report 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 approval of the application for admission to the Merseyside Pension Fund of Graysons Restaurants Ltd be noted.

89 EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC

Resolved - That in accordance with section 100 (A) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business, on the grounds that it involves the likely disclosure of exempt information as defined by relevant paragraphs of Part 1 of Schedule 12A (as amended) to that Act. The public interest test had been applied and favoured exclusion.

90 PRIVATE EQUITY PROGRAMME 2011-2014 EXEMPT APPENDIX

The appendix to the report on Private Equity Programme (Minute 81 refers) was exempt by virtue of paragraph 3.

91 MINUTES OF THE MEETING OF THE GOVERNANCE AND RISK WORKING PARTY WEDNESDAY 30 JANUARY 2013 EXEMPT APPENDICES

The appendix to the report on the Minutes of the Governance and Risk Working Party 30 January 2013 (Minute 85 refers) was exempt by virtue of paragraph 3.

92 IMWP MINUTES 20/02/13 & 12/03/13

The appendix of the report on IMWP minutes 20/02/13 & 12/03/13 was exempt by virtue of paragraph 3.

Resolved – That the IMWP minutes of 20/02/13 & 12/03/13 attached as exempt appendices to the report be approved.

93 EXEMPT APPENDIX 2 MINUTES OF INVESTMENT MONITORING WORKING PARTY, 12TH MARCH 2013

The appendix to the report on IMWP MINUTES (Minute 92 refers) was exempt by virtue of paragraph 3.

94 EXEMPT APPENDIX 3 MEDIUM TERM ASSET ALLOCATION FRAMEWORK

The appendix to the report on IMWP MINUTES (Minute 92 refers) was exempt by virtue of paragraph 3.

95 **EXEMPT APPENDIX 1 MINUTES OF INVESTMENT MONITORING WORKING PARTY, 20TH FEBRUARY 2013**

The appendix to the report on IMWP MINUTES (Minute 92 refers) was exempt by virtue of paragraph 3.

96 **EXEMPT APPENDIX ADMISSION BODY APPLICATION GRAYSONS RESTAURANTS LTD LIVERPOOL CITY COUNCIL - CATERING CONTRACT**

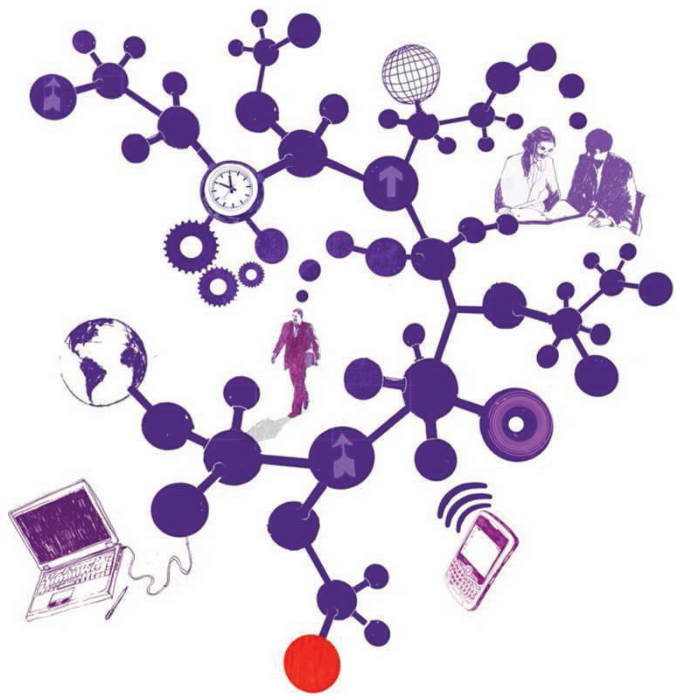
The appendix to the report on Graysons Restaurants (Minute 88 refers) was exempt by virtue of paragraph 3.

Grant Thornton

The Audit Plan for Merseyside Pension Fund

Year ended 31 March 2013

30 May 2013



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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Pension fund is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Change in custodian

- The Pension Fund has appointed a new custodian, Northern Trust, in 2012/13. All holdings/records under the safeguard of State Street transferred to Northern Trust in year. There is a risk of inaccurate transfer of assets which may lead to misstatement in the financial statements.

2. AXISe to Altair

- The pensions administration system AXISe is being upgraded to Altair in the year.

3. Appointment of passive management services.

- MPF have appointed a provider of passive management services. This has lead to a £1.4bn movement of asset class in the year.

4. Change in bank

- The pension fund has changed its provider of banking services from RBS to Lloyds TSB.

Our response

1. Change in custodian

- We will review and test the pension funds reconciliations of the assets before and after the date of transfer.
- We will have regard to the custodian's project plans, and review to assess adherence to the plans.
- We will obtain direct confirmation from state street to confirm they no longer hold assets for the pension fund, and to gain assurance that securities are transferred to Northern Trust.
- We will, where possible, take assurance from the work of internal audit.

2. AXISe to Altair

- We will gain assurance that the new system is operating effectively, and generates correct information for inclusion within the financial statements.
- We will review the data migration from AXISe to Altair, reviewing reconciliations prior and post system change to ensure the records held in the new system are accurate.
- We will, where possible, take assurance from the work of internal audit.

3. Appointment of passive management services.

- We will substantively test the assets to ensure that all assets were transferred, and that classification and valuation are materially accurate at year end.

4. Change in bank

- We will review and test the pension funds reconciliations before and after the date of transfer of banks.
- We will obtain direct confirmation from RBS to confirm that balances have been transferred to Lloyds TSB.

Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements				
1.Financial reporting • CIPFA publication of a revised set of example accounts for pension funds in 2013.	**2. LGPS 2014** • Planning for the impact of the implementation of career average re-valued earnings scheme (CARE) from 1 April 2014.	**3. Financial Pressures – scheduled and admitted bodies** • Managing pensions administration where contributing bodies are offering early retirement and redundancies placing additional workload on the pension fund in dealing with severance arrangements.	**4. Financial Pressures – Pension fund** • Pension funds are increasingly requiring to withdraw from assets to fund the demand on benefits payable that are not covered by contributions in year. Pension fund investment strategies need to be able to respond to these demands as well as the changing nature of investment markets.	**5. Triennial valuation** • Demands on pension funds' time in terms of administrating the information to pass to the actuary and regular dialogue with the actuary.
Our response				
• We will ensure that the Pension Fund complies with the requirements of the CIPFA Code of Practice through our substantive testing	• We will discuss the impact of the changes with the Pension Fund through our regular meetings with senior management and those charged with governance, providing a view where appropriate.	• We will maintain regular dialogue with management to assess the impact this may have on the administration of the Pension fund. We will raise any concerns with those charged with governance.	• We will monitor the changes being made to the pension fund investment strategy through our regular discussions with senior management and those charged with governance. • We will consider the impact of changes on the nature of investments held by the pension fund and adjust our testing strategy as appropriate.	• We will maintain regular dialogue with management to assess the impact this may have on the administration of the Pension fund. We will raise any concerns with those charged with governance.

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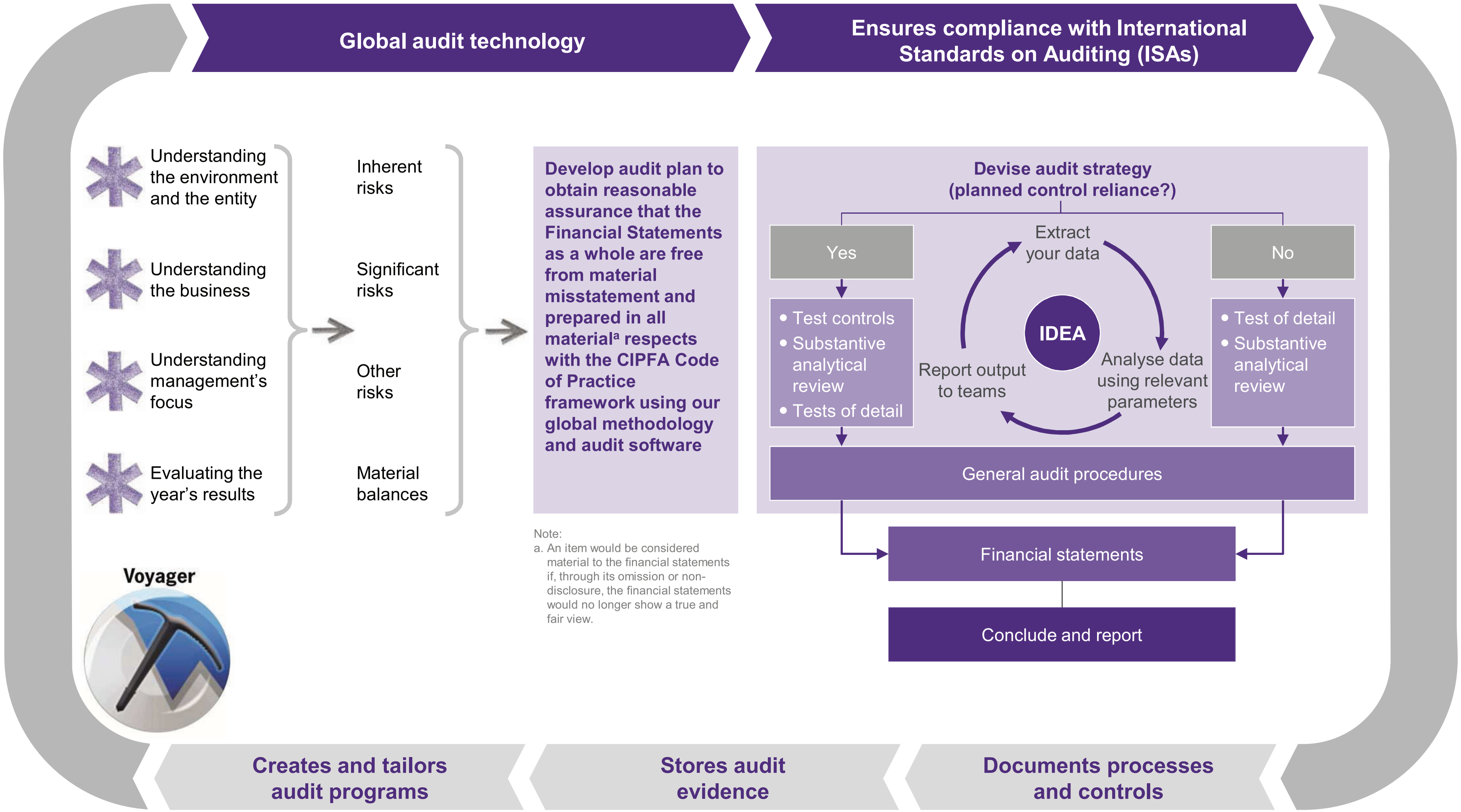
Our audit approach



Note:
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

Significant – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

Other – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

None – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Planned control reliance?	Substantive testing?
Contributions receivable	Yes	Scheme Contributions	Medium	Other	Recorded contributions not correct	Yes	✓
Transfers in	Yes	Transfers in to the scheme	Low	None		No	✓ If material
Pensions payable	Yes	Benefit payments	Medium	Other	Member data not correct/Benefits improperly computed/claims liability understated	Yes	✓
Payments to and on account of leavers	Yes	Benefit payments	Low	None		No	✓ If material
Administrative expenses	No	Administrative expenses	Low	None		No	X
Investment income	Yes	Investments	Medium	Other	Investment activity not valid	No	✓

An audit focused on risks (continued)

	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Planned controls assurance?	Substantive testing?
Profit and loss on disposal of investments and changes in value of investments	Yes	Investments	Medium	Other	Investment activity not valid	No	✓
Taxes on income	No	Investments	Low	None		No	×
Investment management expenses	No	Investments	Low	None		No	X
Investments	Yes	Investments	Medium	Other	Investments not valid Fair value measurement not correct	No	✓
Current assets	No	Scheme Contributions, investments and cash	Low	None		No	X
Current liabilities	No	Benefit payments, investments	Low	None		No	x

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgemental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgemental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
Revenue	Under ISA 240 there is a presumed risk that revenue (which for the purposes of Merseyside Pension Fund we have considered as investment income, transfers into the scheme and contributions) may be misstated due to the improper recognition of revenue.	• Review and testing of revenue recognition policies for both contributions and investment income; and • Performance of sample testing on material contribution and investment income streams.
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	• Review of accounting estimates, judgements and decisions made by management; • Testing of journals entries; and • Review of unusual significant transactions.

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Planned audit procedure
Investments	Investments not valid Investments activity not valid Fair value measurement not correct	• We will review the reconciliation between information provided by the fund managers, the custodian and the pension fund's own records and seek explanations for any variances. • We will have particular regard to the in year change of custodian and seek to gain assurance over the accuracy and completeness of the transfer of assets. • We will also have particular regard to the appointment of passive management services and subsequent transfer of £1.4bn of assets in the year. • We will select a sample of the individual investments held by the Scheme at the year end and then test the valuation of the sample by agreeing prices to third party sources where published (quoted investments) or by critically assessing the assumptions used in the valuation (unquoted investments and direct property investments). • The existence of investments will be confirmed directly with independent custodians or by agreement to legal documentation. • We will test a sample of sales and disposals during the year back to detailed information provided by the custodian and fund managers.
Benefit Payments	Benefits improperly computed/claims liability understated	• We will select a sample of individual transfers, pensions in payment (new and existing), lump sum benefits and refunds which are tested by reference to the member files. This testing is designed to ensure that all the appropriate documentation is correctly filed and internal control procedures operated by Merseyside Pension Fund have been followed. • We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year together with comparing pensions paid on a monthly basis to ensure that any unusual trends are satisfactorily explained. • The movements on membership statistics will also be compared to transactions in the accounting records.

Other risks continued

Other reasonably possible risks	Description	Planned audit procedure
Contributions	Recorded contributions not correct.	• We will test the controls the pension fund operates to ensure that it receives all expected contributions from member bodies. • We will rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.
AXISe to Altair	The funds AXISe system (pensions payroll and membership administration system) is being changed in year to Altair.	• We will gain assurance that the new system is operating effectively, and generates correct information for inclusion within the financial statements.; • We will review the data migration from AXISe to Altair, reviewing reconciliations prior and post system change, to ensure the records held in the new system are accurate; and • We will, where possible, seek to obtain assurance from the work of internal audit .
Change in bank	The pension fund has changed its provider of banking services from RBS to Lloyds TSB	• We will review and test the pension funds reconciliations before and after the date of transfer of banks; and • We will obtain direct confirmation from RBS to confirm they no longer hold assets of the pension fund.

Results of interim audit work

Scope

As part of the interim audit work and in advance of our final accounts audit fieldwork, we have considered:

- the effectiveness of the internal audit function
- internal audit's work on the Pension fund's key financial systems
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement
- a review of Information Technology (IT) controls

	Work performed	Conclusion/ Summary
Internal audit	We are reviewing internal audit's overall arrangements against the CIPFA Code of Practice. Where the arrangements are deemed to be adequate, we can take assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Pension Fund.	The Internal Audit Service has been subject to significant changes during the year. For the first part of the year we cannot conclude that the Internal Audit service has provided an independent and satisfactory service to the Pension Fund , and therefore we can not take assurance from their work in contributing to an effective internal control environment at the Pension Fund. We are now assessing the new arrangements that have been in place for the second part of the year. We will review and assess the work undertaken by Internal Audit in respect of the risks to the Pension Fund, and conclude on whether the Internal Audit Service is now contributing positively to the internal control environment and overall governance arrangements within the Pension Fund.
Walkthrough testing	Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements.	With the exception of year end processes, we have walked through all material systems that we consider present a risk of material misstatements. Whilst no significant issues were noted, and in-year internal controls were observed to have been implemented in accordance with our documented understanding, we have identified the following control weaknesses which we wish to report to you: ❑ We have evidenced that bank reconciliations are being carried out. However, the reconciliation selected for review was not signed or dated. Therefore we cannot confirm the timeliness of review. The Pension Fund must ensure that it signs and dates reconciliations , in accordance with its policies and procedures.

Results of interim audit work (continued)

	Work performed	Conclusion/ Summary
Review of information technology (IT) controls	Our information systems specialist will perform a high level review of the general IT control environment covering both the administering authority (Wirral Council) and Merseyside Pension Fund, as part of the overall review of the internal controls system. We will also follow up the issues that have been raised in the previous year. We will conclude whether there are any material weaknesses which are likely to adversely impact on the Pension Fund's financial statements.	This work is in progress. We will report any significant findings to you as part of the Audit Findings Report.
Journal entry controls	We have reviewed the Pension Fund's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Pension Fund's control environment or financial statements.	We undertake detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have currently been identified that require to be reported. We will test journal transaction for the remaining part of the year as part of the final accounts visit.

Logistics and our team

The audit cycle

Date	Activity
February/ March 2013	Interim site work
10 June 2013	The audit plan presented to Audit Committee
1 July 2013	Year end fieldwork commences
August 2013	Audit findings clearance meeting
TBC	Pensions Committee meeting to report our findings
September 2013	Audit Committee meeting to report our findings
September 2013	Issue opinion on the financial statement and annual report

Our team

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Fees and independence

Fees

	£
Pension fund audit	**36,580**

Fees for other services

Service	Fees £
Additional work as a result of the extra risks identified. We have identified risks in 2012/13 that may require additional work, over and above the work we would normally expect to undertake to audit your financial statements. The amount of additional work required will be determined by the adequacy of plans and controls implemented by Management, and the level of work undertaken by Internal Audit. If we identify that significant additional work and additional fee is required , we will discuss this in the first instance with Management .	TBC

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Pension fund and its activities have not changed significantly
- The Pension fund will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to those charged with governance.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council and Pension fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Pension Fund's key risks when reaching our conclusions under the Code.

The audit of the Pension fund's financial statements does not relieve management or those charged with governance of their responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Action plan

Priority
High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	We have evidenced that bank reconciliations are being carried out. However, the reconciliation selected for review was not signed or dated. Therefore we cannot confirm the timeliness of review. The Pension Fund must ensure that it signs and dates reconciliations, in accordance with its policies and procedures.	Medium	Bank reconciliations are undertaken on a monthly basis. However, MPF will ensure all future bank reconciliations are signed and dated to evidence this.	Immediately. Peter Wallach

Grant Thornton

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WIRRAL COUNCIL

PENSIONS COMMITTEE

24 JUNE 2013

SUBJECT:	**LGPS UPDATE**
WARDS AFFECTED:	**ALL**
REPORT OF:	**STRATEGIC DIRECTOR OF TRANSFORMATION AND RESOURCES**
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1 This report updates Members on the technical responses from MPF to the second round of Statutory Consultations in regard the new LGPS from 1 April 2014.

1.2 In addition, the report summarises the draft Miscellaneous Amendments Regulations 2013 in relation to the current Scheme and also an overview of the intended national communication strategy to promote understanding of the new Scheme.

1.3 It also covers the enactment of the Public Service Pension Act 2013 and MPF's response to the recent DWP consultation on Automatic Enrolment simplification.

2.0 BACKGROUND AND KEY ISSUES

Reform of the LGPS – The 2014 Project

2.1 Members previously considered the Fund's formal response to the first consultation on the main elements of the new Scheme at the last committee meeting on 25 March 2013 (minute 79 refers).

2.2 On 28 March the DCLG published a further three part consultation:

Part A: a second issue of the main Scheme elements from April 2014;

Part B: transitional provisions to protect members' previous pension entitlement on the introduction of the new Scheme

Part C: relates to miscellaneous amendments to the current Scheme regulations.

2.3 The consultation closing date for Part A was 3 May 2013 and 24 May 2013 for both Part B and C. MPF submitted formal responses within the prescribed deadlines after seeking the approval of the Chair of the Pension Committee. The respective responses are attached as Appendices 1 & 2.

Consultation - Part A: Draft Main Scheme Regulations 2013

2.4 The focus of the response related to the provisions that lacked clarity within the draft Regulations and a consideration of the technical and operational practicalities; including administrative ease and areas of inequitable treatment of the Fund's diverse membership.

In acknowledgment of the increasing complexity resulting from the statutory protection of accrued pension rights, the underlying theme taken by MPF is that simplification should be sought where possible. This will assist funds and employers in both operational delivery and in communicating the continuing value of Scheme participation to the membership.

2.5 The consultation also requested comments on outstanding policy issues within the main Scheme regulations and this formed the main part of the MPF response (Appendix 1). Specifically the main issues of contention relate to the disparate revaluation of specific pension accounts and the requirement for Certificates of Protection within a CARE scheme - these issues are summarised as:

2.6 Revaluation

A fundamental component of a Career Average scheme relates to the revaluation of active pension accounts. The use of a single index for all categories of pension accounts would provide transparency with regard to the growth in value and this was advocated in the MPF response.

The use of a separate index for active accounts in accordance with Treasury Orders as opposed to the use of the Pension Increase (Review) Order for deferred and pensioner accounts may lead to inequitable treatment of members - as there is the potential that the value of Pension Increase Orders may exceed Treasury Orders.

This mismatch of approach will complicate the decision process for re-employed members considering the merits of aggregating previous benefits

2.7 Certificate of Protection

The design of a Career Average scheme does not generally lend itself to the former concept of a 'Certificate of Protection' in circumstances of reduced pay.

In the current Final Salary arrangement, a reduction in pay can retrospectively reduce the value of a member's accrued pension – that may go back decades. The new career average arrangement means that there is an annual pension accrual based on their contributions and pensionable pay earned; this is then banked going forward and unaffected by future changes to pay.

However, there is a case to protect future pension accrual in circumstances where a member reduces pay due to an illness that ultimately leads to an ill health retirement or death.

Consultation - Part B: Draft Transitional Provisions & Savings Regulations

2.8 MPF responded with the opinion that, in the main, the Transitional Provisions achieve the intended objective of protecting members' previous pension entitlements (Appendix 2)

However, there are a number of areas within the draft Regulations that appear ambiguous, that may lead to misunderstandings and ultimately erroneous benefit payments. This could result in increased employer costs or increased administration costs for MPF. The main issues are summarised as:

2.9 Regulation 4 – Statutory Underpin

The general consensus within the LGPS is that the Statutory underpin was intended to ensure that no member within 10 years of age 65 as at 1 April 2012 is worse off under the new Scheme provisions. 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.

The wording of the regulation is unclear with regard to the applicable underpin date as, although the current Scheme's normal retirement age is 65, members may access unreduced benefits from age 60 if they qualify under the '85 Year Rule'.

If it is the intention to set the underpin date at age 65 this would disadvantage members who qualify for an early release of unreduced benefits from age 60.

2.10 Regulation 23 – Councillor Pensions

Although there is a separate consultation on the subject of councillor pensions, it would appear that in the event of councillors retaining their right to participate to the LGPS it is the intention for future benefit entitlements to remain under the former 1997 Regulations.

MPF reiterated its opinion provided to earlier consultations that to simplify operational requirements and reduce administration costs the future benefit structure of councillor pensions should mirror the provisions within the main scheme.

Furthermore, if it is deemed that councillor access to the Scheme should cease, provisions will be required to deal with the payment of deferred benefits, particularly in circumstances of attainment of normal retirement age when remaining as an elected office holder.

2.11 Regulation 25 Calculation of Final Pay

Members who were active on 31 March 2014 are afforded the benefit of a protected 'Final Pensionable Pay' which, as currently drafted, allows pre-2014 benefits to be calculated using the definition of pensionable pay under the 2014 scheme if it is of a higher value.

The post-2014 salary will result in a higher figure for many members as it includes 'non-contractual' overtime and provides the opportunity for members to inflate their

‘Final Pensionable Pay’ pay prior to retirement - leading to a windfall gain rather than a preservation of previous benefit entitlements.

Consequently if this is the policy intent and not a drafting error, this measure would place significant cost pressures on employer budgets - pension liabilities will increase as will employer funding deficits and the associated deficit recovery contributions.

Consultation - Part C: Draft Miscellaneous Amendment Regulations

2.12 These provisions make amendments to the current LGPS Benefits and Administration Regulations as part of the ongoing stewardship of the 2008 Scheme. The key comments made in the response relate to the amendments on entry provisions and Actuarial Certificates.

2.13 Regulation 6 – Joining the Scheme

It is recognised that this provision ensures that the LGPS satisfies the criteria as a qualifying scheme, as defined within the 2008 Pension Act and it will affect all employers who employ staff on employment contracts of less than three months.

This amendment removes the exclusion of employees with a contract of less than three months from being automatically enrolled into the Scheme upon the member’s automatic enrolment or re-enrolment date.

However, this change of admitting such members to the Scheme will result in burdensome administration for both employers and funds. It may therefore be practical for employers to issue postponement notices to the affected employees until they have been employed for three months by virtue of a contract extension.

2.14 Regulation 7 – Revised Actuarial Certificates

The amendment deals with employer terminations and it introduces the definition of an exiting employer to clarify that cessation provisions apply to all employers within the Scheme. It also defines the framework for recovering exit debts

The proposed changes explicitly enable the Administering Authority to spread debts over a reasonable period where the debt falls to another Scheme employer.

MPF commented that it would be prudent to also permit the exiting employer to spread the debts assessed at termination to mitigate the risk of unrecoverable debt falling to back on the Fund.

Regulatory Framework for April 2014 – outstanding regulations

2.15 As part of the ongoing creation of the regulatory framework for the new Scheme, a further set of regulations are expected shortly, covering the areas of Governance and Cost Management.

There will also be regulations to cover the outstanding LGPS Administration items, which are required prior to implementation of the new Scheme.

LGPS 2014 – Member Communications

2.16 The LGA is collaboratively working with funds and Trade Unions on creating communication resources for members on the new Scheme. MPF has representatives on the main working party and also individual sub-groups tasked with specific areas of communication work.

The communication strategy has been drafted over the past three months and there are plans to provide a suite of topic based leaflets and videos. There also plans to develop and deliver a ‘Benefit Modeller’ to act as an educational tool for members with their understanding of the new Scheme.

2.17 As part of the shared services arrangement with the LGA, MPF has arranged for the first of a series of short videos to be accessed on the LGPS 2014 website.

“This is a short lively graphics based video with music and is intended to engage scheme members and introduce them to the high level changes being made from next April.”

2.18 Further short topic based videos are also planned to be available later this year to cover:

- When can I retire/take my benefits?
- How is my pension worked out/pension accounts?
- Contribution Flexibility – including 50/50 option
- If you joined the LGPS before 1 April 2014

It is also intended to produce a promotional video solely covering the new Scheme provisions for new members.

The Public Service Pension Act 2013

2.19 The Public Service Pension Bill received Royal Assent on 25 April 2013 providing the framework for the forthcoming changes to public sector pension schemes, with the key implications for the LGPS can be summarised as:

- provides for scheme regulations to be made within a common framework and establishes new Career Average Revalued Earning schemes across public sector schemes.
- links the normal retirement age to State Pension age;
- develops a new governance framework and introduces new terms including the

  - Responsible Authority (the Secretary of State for Communities and Local Government),

  - Scheme Manager (the Administering Authority),

  - Pension Board (assisting the Scheme Manager at a local level)

  - Scheme Advisory Board (providing advice to the Responsible Authority and the Pension Boards)

- requires a cost control mechanism to keep the ongoing cost of the schemes within defined margins with steps outlining action to be taken.

2.20 **Auto-Enrolment**

The DWP published a consultation on 25 March 2013 with a closing date of 7 May 2013. This consultation proposed a series of technical changes to simplify the Automatic Enrolment legislation and the subsequent administration processes for employers.

The MPF response is attached as Appendix 3 and supports the proposal to provide easements for employers who go beyond the minimum statutory requirements.

Specifically, for those employers who automatically enrol all of their staff into a qualifying occupational pension scheme such as the LGPS, a national scheme exemption under the Auto–Enrolment legislation would remove the administrative burden of employers continually monitoring the ‘age and earnings of employees who have actively chosen not to be a member of the LGPS’.

3.0 RELEVANT RISKS

3.1 Paragraph 2.11 makes reference to what is believed to be a drafting error in defining protected 'Final Pensionable Pay'. If the definition as currently drafted is carried through into the final regulations it will impose substantial extra liabilities and funding costs for some employers.

If, as it has been suggested across the LGPS as a whole, non-contractual overtime were to represent 1% to 2% of pensionable pay then past service deficits could increase by c.£50m to c.£100m within the Merseyside Fund; with some employers being significantly more affected than others.

3.2 There is a risk that due to the increasing complexity being built into the Scheme (as a consequence of the disparate benefit protections in relation to membership previously accrued) it will become challenging to persuade members of the relative merits of remaining in the Scheme which is fundamental to the ongoing funding of the LGPS.

3.3 There is a risk that the complexities within the regulations will make it impractical to get the systems in place to administer the new Scheme, requiring manual intervention to ensure continuity of effective service levels.

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.

It is important that MPF responds to the statutory consultations that will lead to revised regulations and a reformed LGPS, particularly when relating to Governance, Cost Control and Administration, as it is crucial to ensure the scheme is well–run and affordable in the long term.

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 MPF needs to initiate a formal strategic change programme to overhaul current administration arrangements, resources and communications; in recognition of the fundamental change of introducing a Career Average benefit pension arrangement complete with ongoing protections to the pre-2014 Final Salary benefits.

7.2 The increased complexity of administration and data provision from employers will require MPF to strengthen its Quality Control activities and develop an appropriately resourced Quality Assurance programme.

7.3 The introduction of protected accrued benefit promises with the associated disparate pensionable pay definitions will introduce additional operational costs and resource issues for both employers and MPF.

7.4 Employers would see a saving in operational payroll costs if the Auto-Enrolment easement is brought in by the DWP (paragraph 2.20) – they would no longer need to monitor employees in the intervening period between the date that the employee opted-out of contractual enrolment and the employer's re-enrolment date,

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?

The reforms to the LGPS have 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/S

12.1 That Members note the report.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 There is a requirement for Members of the Pension 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

APPENDICES

1 **MPF submission dated 3 May 2013 to DCLG Consultation on Draft LGPS 2013 Regulations**

2 **MPF submission dated 24 May 2013 to DCLG Consultation on Draft Transitional Provisions and Draft Miscellaneous Amendment Regulations 2013**

3 **MPF submission dated 3 May 2013 to DWP Consultation on Technical Changes To Automatic Enrolment**

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	**Date**
The LGPS update is a standing item on the Pensions Committee agenda.	

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Merseyside
PENSION FUND

LGPS Regulations 2013
Department for Communities & Local Government
Zone 5/G6
Elland House
Bressenden Place
London, SW1E 5DU

Direct Line: 0151 242-1390

Please ask for: Yvonne Caddock

Date: 3 May 2013

Dear Mr Perry

CONSULTATION RESPONSE: DRAFT REGULATIONS LGPS 2013

[PART A: draft regulations & related Annex B policy issues]

Wirral Council is responsible for the administration of the Merseyside Pension Fund which is part of the Local Government Pension Scheme (LGPS). The Merseyside Pension Fund deals with the LGPS pension administration and investments on behalf of the 5 Merseyside District Councils, and over 130 other employers on Merseyside and elsewhere throughout the UK.

The Fund has over 46,000 active contributing members, 43,500 pensioners and 31,500 deferred pensioners. It is responsible for the investment and accounting for a pension fund of £5.6 billion.

I would be grateful if you would consider the following comments in relation to the Local Government Pensions Scheme consultation launched on 27 March 2013. This response is specific to **Part A** of the three-part document, specifically the draft regulations and the connected "outstanding policy issues" in **Annex B.** A further response will be submitted on Part B and Part C by the secondary deadline of 24 May.

A - GENERAL COMMENTS ON THE "OUTSTANDING POLICY ISSUES"

1/ AGGREGATION

The Fund welcomes the re-introduction of a two year vesting period, reducing liabilities and avoiding the need to administer lots of small value deferred accounts along with the attendant costs. For example, the requirement to issue annual benefit statements to members with small value deferred pensions.

For members who have more than two years membership in a former employment, who are then subsequently re-employed, we believe the right to continue to aggregate pension accounts at the member's choice within the existing 12 month option period should be retained, as opposed to automatic aggregation.

Members need to retain the opportunity to consider the financial implications of aggregation and compulsory aggregation could be detrimental in certain circumstances. For instance,

- where members have pre-2014 membership with a break of more than 5 years, the final salary link and any 85 year rule protection would be lost on aggregation;
- in circumstances of breaks of less than 5 years, the pay in the new employment might be less than that applied to the former deferred benefit, resulting in the member receiving a reduced pension at retirement;
- losing the ability to draw deferred benefits in respect of pre-2014 membership at a different time to the new employment.

Conversely where a member has less than two years membership and becomes an active member of the scheme, therefore prohibiting a refund, it would be necessary to automatically aggregate the deferred refund account with the active account as provided within regulation 19 (1) (a) and (d) of the draft provisions.

2/ ASSUMED PENSIONABLE PAY (APP)

The requirement to calculate a number of pay figures for each member places significant burdens on both employers and pension administrators when seeking to calculate the value of pre-2014 membership and future accruals.

In view of the complex administrative requirements, there is significant merit in simplifying the method of determining 'Assumed Pensionable Pay'.

This could be achieved by removing the requirements as defined within regulation 21(5) and substituting with **"contractual pay at the date of the event, adjusted by the average non-contractual overtime over either the last 12 weeks or the previous scheme year"**.

This would in our view represent the fairest option as it would deliver the closest match for expected pay levels and simplest in terms of data collection for all interested parties.

3/ PERIODS OF REDUCED OR UNPAID ABSENCE

To ameliorate the complexities within the assessment of pensionable pay, the Fund in theory supports the use of ARCs as an alternative method of making up any deficit for a period of absence. This would avoid the need for 'Assumed Pensionable Pay' to be determined for the period, as the amount of pension for the year has been purchased via the ARC.

However, as the cost of an ARC is dependent on age and gender, weighted against older members, this option could be viewed as an inequitable method of covering the loss of pension accrual during absence.

4/ REVALUATION

As an intrinsic component of the CARE scheme relates to the revaluation of active pension accounts, the use of a single index for both active and deferred accounts would provide transparency in relation to the growth of pension benefits. This is particularly important in regard to re-employed members making informed decisions on the relative value of aggregating previous benefits.

We fear that the use of a separate indexation of active member's pension accrual as defined within the draft provisions and supported by the draft Public Service Pension Bill, would lead to the inequitable treatment of member pension rights.

In addition, the potential for different revaluation rates in the event of negative revaluations will also result in even further confusion when members need to consider their options regarding aggregation.

The concept of apportionment of increases for the first and last year of service would appear equitable, however, the method of application needs to be clear and comprehensively cover all accruals.

5/ NPA-SPA LINK

The revised definition of normal pension age and its alignment to the Pensions Act 1995 introduces the concept of individual member retirement ages. The definition appears to deliver the desired intent of the Public Service Pension Bill, to facilitate variations to retirement ages for accrued benefits in conjunction with future revisions to state pension age.

However, as written this would not permit the LGPS to have any flexibility in regard to any observed longevity change within its membership.

6/ SURVIVOR PENSIONS

The regulations appear to cover all eventualities for payment of survivor pensions. However, we believe it is necessary to address the inequality in relation to survivor benefits in respect of members who enter into a post-retirement marriage compared to a post-retirement civil partnership. This could be achieved by providing survivor pensions based on all membership for post-retirement marriages as currently afforded to a post-retirement civil partnership.

7/ EMPLOYER CONTRIBUTIONS

It is noted that provisions for the payment of employers' contributions, reflecting the valuation process and cessation of employer's participation will be covered within the draft Governance and Administration Regulations.

The provisions within these regulations that require employers to pay additional contributions over the certified rate are;

Regulation 30(5) to cover early payment strain costs on redundancy

Regulation 30(6) in respect of waiver of actuarial reductions

Regulation 16 and **31**, to cover the cost of any discretionary award of additional pension to a member.

8/ CERTIFICATES OF PROTECTION

The design of a CARE scheme where pension accrual is determined annually, based on contributions and pensionable pay earned within the scheme year, does not generally lend itself to the former concept of a 'Certificate of Protection' in circumstances of reduced pay.

The previous rationale for issuing certificates under a final salary scheme was because contributions had been paid on the pre-reduced salary with the expectation that benefits at retirement would be calculated on a comparable or higher final salary. Under a CARE arrangement, this is no longer appropriate as pension accrual will be 'banked' going forward on the pay earned within the scheme year at the associated contribution level.

We do note that the draft Transitional Provisions and Savings regulations have continued provision for the protection of final pay for pre-2014 benefits under regulation 8 to 11 of the 2008 Benefit Regulations, where a pay restriction has occurred. Certificate of Protections awarded under the 1997 regulations were carried forward into the 2008 scheme and may still be valid until 31 March 2018.

We believe there is justification to protect a future pension accrual in circumstances where a member reduces pay due to an illness that ultimately leads to an ill health retirement or death. Without some form of 'protection' the required benefits to be paid would be based on the 'restricted' pay level.

However, it could be argued in the interests of scheme participation, that members have assumed their retirement income whilst working for an employer, and if their future pay is restricted then some form of 'employee protection' may be required.

Consequently, if 'Certificates of Protection' were re-introduced as a general provision, the actual cost of protection to employers would be limited as the certificate will only apply to future pension accrual during the period of a valid certificate and not for all past service.

9/ INTEREST

Given the current financial situation facing the Public Sector, and in light of the continued affordability pressures that have driven scheme reform, it would appear imprudent to continue to pay interest above the Bank of England base rate.

10/ PENSION ACCOUNT ADJUSTMENTS

If 'Certificates of Protection' are re-introduced as a provision within the 2014 scheme, it would be necessary to include the requirement for subsequent adjustments to pension accounts if the certificate is used to recalculate pension values.

Pension Account Adjustments may also be required to recover monetary obligations under forfeiture/recovery provisions and outstanding employee contributions that may be identified in the event of unforeseen circumstances.

11/ AVCs

The redefinition of the relationship between the administering authority and the AVC provider as an “arrangement” as opposed to a “scheme” is a sensible approach to avoid the likelihood of HMRC reducing the current entitlement to access tax free cash from 100% to 25% of the AVC pot at retirement.

MPF welcomes the alignment of the 50% limit on AVC contributions to each pay period to remove any misconceptions by members and employers of the ability to contribute 50% of the annual pensionable pay when contracts commence part way through a scheme year or as intermittent payments.

It should be noted that due to changes to pensionable pay the amount of pay may vary significantly in different pay periods and where the AVC deduction is expressed as a flat sum, there is the possibility of payments exceeding the limit which will require employers to proactively monitor payment schedules.

However, as the realisable value of the AVC fund can be taken as a cash sum - within HMRC limits - the 50% restriction also prevents members circumventing the main scheme commutation provisions to provide a tax free sum. Commutation within the main scheme provides employer savings as it reduces the ongoing liabilities of providing the pension provision.

Conversely, if it is the desired intent to remove the 50% limit, the incidence of members contributing in excess of that limit is likely to be low; any excessive pension growth will be subject to charges under the reduced Annual Allowance tax provisions.

It would be of benefit if the link between AVC pots and the main scheme benefits was strengthened to ensure orphaned AVC pots are avoided. The requirement to link the AVC with other LGPS funds at retirement is administratively time consuming and in some cases limits the member’s options at retirement.

MPF supports the change to allow the value of AVCs, on the death of a member, to be paid at the discretion of the Administering Authority - either for the benefit of the member’s nominee or personal representative.

To provide a consistent approach with main scheme benefits, AVCs transferred from the LGPS in Scotland/Northern Ireland should be transferred into the member’s active pension account.

12/ Pensions Increase

Our preference, for the purposes of clarity and good housekeeping within these regulations, would be for the Pensions (Increase) Act references to be carried forward into the new Local Government Pension Scheme Regulations 2013.

B - COMMENTS ON THE "PART A: DRAFT REGULATIONS"

The provisions that appear to require amendment to deliver clarity to ensure the timely effective administration of the LGPS are as follows;

Regulation 10 – Temporary Reduction in contributions

Regulation 10 (5) requires redrafting to demonstrate a member in the 50/50 section will not have an "automatic enrolment date" in relation to that employment because they are already an active member of the scheme in the employment.

The provision should refer to the "automatic re-enrolment date" as defined in Schedule 1 which relates to the date the employer has chosen as its re-enrolment date and is not member specific which will allow all members in the 50/50 section to be placed into the full section regardless of the categorisation of workers under the 2008 Pension Act.

Regulation 14 – Contributions during Trade Dispute Absence

Regulation 14(1) should refer to the current cost envelope of 19.5% for the scheme as agreed by the Government rather than the historical 16% contribution figure that has been carried forward from previous legislation.

Regulation 21 – Assumed Pensionable Pay

Regulation 21(7) provides for revaluation of the 'Assumed Pensionable Pay' that a member is treated as receiving, but if the amount relates to the last 12 weeks' pay figure then it will not be necessary to increase the pay until the member remains on reduced or no pay for a period that crosses two scheme year ends.

Regulation 32 – Commencement of Pensions

Regulation 32(9) specifies the commencement date for payment of an ill health pension from deferred status is the date the member is certified as being permanently incapable by an IRMP. This could be deemed to apply to a retrospective date to the request and is contrary to the current approach under regulation 31 of the 2007 Benefits Regulations to assess eligibility from the date of application.

Regulation 35 Ill Health: Active Members

The requirement that a member's employment must be 'terminated by an employing authority' prevents employees who voluntarily resign due to permanent ill health being entitled to a pension under this provision.

Regulation 37 Ill Health Tier 3 Reviews

At the 18 month review of a Tier 3 ill-health award or upon a members request, the uplift is restricted to a Tier 2 – consequently, regulations 37(7)(ii) and 37(10)(ii) are superfluous as they relate specifically to the definition of a Tier 1 award.

SCHEDULE 2 , PART 3

Regulation 4 requires a scheme employer that provides funding which equates to 50% or less of an admission body's total revenue to act as a guarantor; but the necessity to indemnify the body would appear more appropriate in circumstances where the Scheme employer is providing more than 50% of the funding.

Regulation 5 - the proposed clarification carried forward from 2008 Administration Regulations that a Transferee Admission Body should enter into separate admission agreement in respect of different contracts with the same employer is a sensible position statement.

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

It is administratively burdensome and costly for all parties concerned to draw up separate agreements with numerous schools when the contractor has secured a framework contract with the local authority permitting a number of schools to engage the services. In practice the schools enter into individual arrangements at different dates under the original contract but the regulation as currently worded requires separate admission agreements to include each school and the local authority

C - CONCLUSION

The increased complexity due to the protection of accrued benefit promises and the revised benefit design will require a more in-depth quality assurance regime with significant additional operational costs and resource issues for both employers and administering authorities.

As such there is a consensus of opinion amongst administrators that any potential for simplification should be sought to ease the burden on administering the LGPS and assist with the mammoth task of explaining and communicating the benefits of the scheme to members and employers.

Yours sincerely

Y Caddock

Yvonne Caddock

Principal Pensions Officer

cc. Jeff Houston, Director of Pensions - LGA

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Merseyside
PENSION FUND

LGPS Regulations 2013
Department for Communities & Local Government
Zone 5/G6
Elland House
Bressenden Place
London, SW1E 5DU

Direct Line: 0151 242-1390

Please ask for: Yvonne Caddock

Date: 24 May 2013

Dear Mr Perry

CONSULTATION RESPONSE

PART B: Draft Transitional Provisions & Savings Regulations
PART C: Draft Miscellaneous Amendments Regulations

Wirral Council is responsible for the administration of the Merseyside Pension Fund which is part of the Local Government Pension Scheme (LGPS). The Merseyside Pension Fund deals with the LGPS pension administration and investments on behalf of the 5 Merseyside District Councils, and over 130 other employers on Merseyside and elsewhere throughout the UK.

The Fund has over 46,000 active contributing members, 43,500 pensioners and 31,500 deferred pensioners. It is responsible for the investment and accounting for a pension fund of £5.6 billion.

I would be grateful if you would consider the following comments in relation to the Local Government Pensions Scheme consultation launched on 27 March 2013. This response covers **Part B** and **Part C** of the three-part document.

B: DRAFT LGPS (TRANSITIONAL PROVISIONS & SAVINGS) REGULATIONS 2013

The objectives to both protect member pension entitlements secured under the former regulations and to facilitate the seamless introduction of the 2014 benefit structure have generally been achieved. The focus of this response draws attention to the following areas of ambiguity or exclusion within the regulations that may lead to misunderstanding and erroneous benefit payments which would result in increased administration costs on Funds.

1/ REGULATION 2 – REVOCATION OF REGULATIONS

In compliance with the Public Service Pension Bill, Regulation 2(2) prohibits any further accrual of membership within the 2008 Scheme apart from members who are covered under the 'statutory underpin' that is created by these Transitional Provisions.

However, flexibility may be required to permit members who are compulsorily transferred to the LGPS from other Public Service Schemes (also with retained final salary rights) to be awarded actuarially equivalent benefits within the 2008 Scheme - thus maintaining the final salary link in respect of their former accrued benefits.

Similarly, in accordance with schedule 7 of the Public Service Pension Bill, should the same flexibility defined above be afforded to members who are active on 31 March 2014 and utilise the option to transfer former retained rights from a Public Service Scheme? This flexibility would be on the condition that there had been no disqualifying break of more than 5 years in the member's public sector employment.

It would improve clarity and administrative ease if regulation 2(2) could directly reference the exception clauses within the later provisions, specifically on the further accrual under the 2008 Scheme post April 2014.

As it is the broad intention that no further membership should accrue in the 2008 Scheme post April 2014, it would appear that 'Added Years Contracts' could not continue beyond 31 March 2014, unless the member is protected by the 'statutory underpin'.

As contracts taken out before 1 October 2006 affect the application of the '85 Year Rule', it could be considered equitable for the member to be provided with the option to buy–out the balance of the contract via a single capitalised payment or spreading that capitalised payment over a set period of time.

2/ REGULATION 3 – MEMBERSHIP BEFORE 1 APRIL 2014

The regulations now necessitate that in all cases other than 'flexible retirement' members must draw all of their aggregated retirement benefits at the same time. Regulation 3(4) attempts to ensure that the correct actuarial adjustments are applied to different tranches of benefits which have different retirement ages.

As drafted it is not clear that it delivers the desired intent in regard to the application of actuarial reductions. Specifically, if a member draws their pension prior to age 65 with reduction to their 2008 benefits, Regulation 3(4) appears to have no affect, as it automatically follows that the post 2014 membership would also be subject to reduction - although potentially at different percentage rates.

Conversely the clause correctly applies in circumstances where a late retirement uplift is payable in relation to pre-2008 Scheme benefits, but is not applicable to the post 2014 benefits because of a later State Pension age.

3/ REGULATION 4 – STATUTORY UNDERPIN

It is the consensus within the LGPS that the 'statutory underpin' is considered to apply to **all members** who are within 10 years of normal retirement on 1 April 2012 - which broadly covers members aged 55 or over at that date, with Learning Skills staff afforded the protection from age 50.

Regulation 4(2) defines the underpin date as the normal retirement age under the 2008 scheme which is ambiguous due to the inclusion of the reference 'to that member'. Although normal retirement age is 65 in the 2008 scheme, individual members may access unreduced benefits from age 60 if they qualify under the '85

Year Rule'. Is the intention of the regulation to ensure that members with existing retained rights under the 2008 scheme enjoy protection from their earliest retirement date which could be age 60?

For the avoidance of doubt, it would therefore assist administering authorities if the applicable underpin date could be clarified as either being age 65 or as the members earliest retirement age in accordance with the '85 Year Rule'.

If the underpin date is set at the scheme normal retirement age of 65 this would disadvantage members who qualify for early release of unreduced benefits under the '85 Year Rule'.

The requirements in Regulation 4(3) to establish a 'disqualifying break' of Public Sector service seems quite onerous for administering authorities. It would need Funds to ascertain whether the member was contributing to another public service pension scheme during a break of LGPS service. Given that this protection only applies to a small proportion of the overall membership, it would appear reasonable to remove this provision in the interest of administration easement and cost saving.

Regulation 4(6) sets out the method of calculating the 'statutory underpin' but is silent on the application of any underpin in relation to dependant benefits.

4/ REGULATION 5 – MEMBERSHIP OF THE 2014 SCHEME

To ensure inclusive treatment of all eligible members Regulation 5(2) needs to include the potential for previous opt outs and staff employed on contracts of less than three months who have been issued with a postponement notice to elect to join the scheme on 1 April 2014.

5/ REGULATION 9 – TRANSFER PAYMENTS

In respect of a member who joined the LGPS prior to 31 March 2014:

If a non-Club transfer is completed within 12 months of their commencement date, the application of the relevant date as drafted within Regulation 9(3) is dichotomous to calculating the transfer credit in accordance with GAD guidance and the allocation of pension accrual within the 2008 or 2014 Scheme.

System suppliers would need to develop an interim solution to accommodate the application of the relevant date as intended - ensuring the correct use of appropriate factor tables in accordance with GAD guidance. However, previous experience suggests that this complexity may only be remedied by manual calculation which would bring an additional administrative cost to Funds.

It is also unclear how the LGPS can participate within the Public Sector transfer club in respect of membership from April 2014 to April 2015. This is due to the LGPS moving from Final Salary 12 months in advance of the other Schemes.

6/ REGULATION 12 – ILL HEALTH RETIREMENT

The main Draft LGPS Regulations contain restrictions in respect of a subsequent enhancement award, where a member has received an earlier ill health pension – Regulation 39(6), (7),(8).

A similar restriction where a member has received an earlier ill health pension under the 2008 Scheme appears to have been omitted from the transitional regulations.

7/ REGULATION 15 – ADDITIONAL CONTRIBUTIONS

Regulation 15(3) stipulates that members who subsequently enter into a MARC contract from 1 April 2014 following the systematic termination of an ARC contract are afforded protection to commence the new contract using the member's age and actuarial factors applied at the date of the original contract.

Clarification is therefore required to establish whether it is the intention to use historic actuarial tables in these circumstances or revised 2014 scheme related tables. If historic tables are to be used it would appear to render the previous contract termination futile.

8/ REGULATION 18 - INTEREST

MPF maintains the opinion provided within **Part A** of the consultation that due to affordability pressures driving scheme reform, it would appear imprudent to continue to pay interest above the Bank of England base rate.

9/ REGULATION 23 – COUNCILLOR PENSIONS

Although there is a separate consultation on the subject of councillor pensions, it would appear that in the event of councillors retaining their right to participate to the LGPS it is the intention for future benefit entitlements to remain under the former 1997 Regulations.

MPF reiterates that in order to simplify operational requirements and reduce administration costs that the future benefit structure of councillor pensions should mirror the provisions within the main scheme.

Furthermore, if it is deemed that councillor access to the Scheme should cease, provisions will be required to deal with the payment of deferred benefits; particularly in circumstances of attainment of normal retirement age when remaining as an elected office holder.

10/ REGULATION 25 – CALCULATION OF FINAL PAY

Members who were active on 31 March 2014 are afforded the benefit of a Protected 'Final Pensionable Pay' which as currently drafted allows pre-2014 benefits to be calculated using the definition of pensionable pay under the 2014 scheme if it is of a higher value.

The post 2014 salary will result in a higher figure for many members as it has the inclusion of 'non-contractual' overtime. Particularly this is of concern for those employers where 'non-contractual' overtime is a key part of the pay structure, but it also gives the opportunity for members to inflate their 'Final Pensionable Pay' prior to retirement - resulting in a windfall gain rather than a preservation of previous benefit entitlement.

Consequently if this is not a drafting error, then this 'higher of' condition in Regulation 25(3) would place significant pressure on employer budgets as their liabilities will increase, as will their funding deficits and the required deficit recovery contributions.

C: DRAFT LGPS (MISCELLANEOUS AMENDMENTS) REGULATIONS 2013

In recognition that these provisions make amendments to the LGPS Benefits & Administration Regulations as part of the ongoing stewardship of the 2008 Scheme, MPF make the following comments:

11/ REGULATION 3 – COMMUTATION OF SMALL PAYMENTS

MPF welcomes the inclusion of the 'de minimums rule' enabling administering authorities to compound small pension entitlement into a single lump sum payment capped at £2,000. This measure will remove the requirement for administrators to check that HMRC limits have not been breached due to the member compounding an earlier pension from another registered pension scheme.

This will also be operationally cost effective to the administering authority as there will no longer be the requirement to maintain payroll records for small monthly pension payments. An additional benefit is the earlier crystallisation of liabilities in the Fund.

12/ REGULATION 6 – AUTO-ENROLMENT PROVISION

This amendment removes the exclusion of employees with a contract of less than three months from being automatically enrolled into the Scheme upon the member's automatic enrolment or re-enrolment date.

It is recognised that this provision ensures that the LGPS satisfies the criteria as a qualifying scheme as defined within the 2008 Pension Act and will affect all employers who employ staff on contract of employment of less than three months.

However, this change of admitting such members to the Scheme will result in burdensome administration for both employers and Funds. It may therefore be practical for employers to issue postponement notices to the affected employees until they have been employed for three months by virtue of a contract extension.

13/ REGULATION 7 – REVISED ACTUARIAL CERTIFICATES

Regulation 7 amends the existing provisions dealing with employer terminations and introduces the definition of an exiting employer to clarify that the cessation provisions apply to all employers.

The proposed changes also explicitly enable the administering authority to spread the exit payment over a reasonable period where the exit debt falls to another employer within the Fund.

However, it would be prudent to also explicitly permit the exiting employer to spread the debt. This provision is not included in paragraph 2 and although it is included in paragraph 4, the circumstances stated only appear to relate to debt assessed prior to the employer's exit from the Scheme.

CONCLUSION

The Fund recognises the necessity and value in protecting the accrued benefits of the existing LGPS membership. However, the increased complexity will require a more in-depth quality assurance regime to manage the many nuances of transitional provisions. Ultimately, the operational management of this complexity will manifest as significant additional costs over the coming years, for both MPF and its participating employers.

It is within this context that MPF suggest that serious consideration should be given to the consolidation of all aspects of administration into the same set of Regulations. The current direction of consultation indicates that aspects of administration will be within each set of Statutory Instruments that govern the LGPS.

Yours sincerely

Y Caddock

Yvonne Caddock

Principal Pensions Officer

Merseyside
PENSION FUND

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Automatic Enrolment Policy
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Direct Line: 0151 242-1390

Please ask for: Yvonne Caddock

Date: 3 May 2013

TECHNICAL CHANGES TO AUTOMATIC ENROLMENT CONSULTATION

Dear Mr. Hone

Wirral Council is responsible for the administration of the Merseyside Pension Fund (MPF) which is part of the Local Government Pension Scheme (LGPS). The Merseyside Pension Fund deals with the LGPS pension administration and investments on behalf of the 5 Merseyside District Councils, and over 130 other employers on Merseyside and elsewhere throughout the UK.

The Fund has over 46,000 active contributing members, 43,500 pensioners and 31,500 deferred pensioners. It is responsible for the investment and accounting for a pension fund of £5.6 billion.

I refer to the public consultation on 'Technical Changes to Automatic Enrolment' launched on 25 March 2013. MPF as a pension scheme administrator would like to pass comment on the specific questions **23, 24** & **25** in regard the possible easement for employers providing a good pension scheme.

The LGPS is a public sector, defined benefit pension scheme, regulated in statute by the Secretary of State for Communities & Local Government and exceeds the minimum standards for a qualifying scheme in regard Automatic Enrolment legislation.

Employers participate in the LGPS by either statutory obligation or by a formal admission process where guarantees in regards the 'pension promise' are assured and employer duties clearly defined and agreed. Consequently, in regard to the consultation, employers who offer the LGPS (to workers with a contract of employment) are:

- offering a pension arrangement regardless of age and earnings of the worker;
- contractually enrolling workers;
- contributing towards the cost of pension provision along with the worker;
- allowing workers who have previously 'opted out' to rejoin at any time;
- providing the facility for workers to make additional voluntary contributions;
- allowing workers to transfer in previous pensions savings.

Q23 – Would it be a good idea to allow employers contractually enrolling all workers into an automatic enrolment qualifying scheme to be certified or to self-certify that they are meeting the policy objectives and therefore are exempt from the explicit employer duties?

MPF would consequently support the suggestion posed by **Question 23** of the consultation that the LGPS could be certified as meeting the policy objectives and is therefore exempt from the explicit employer duties.

As the Pensions Regulator already recognises the LGPS as a 'good quality, contracted-out pension arrangement', MPF asserts that the national scheme should be certified for exemption of specific employer duties under the auto-enrolment legislation; thus removing the administrative burden of employers continually monitoring the 'age and earnings' of employees who have actively chosen not be a member of the LGPS.

Specifically, the arrangements for certification could be two fold:

- employers with a statutory obligation to participate to the LGPS could rely on a national scheme certification process;
- admitted employer bodies would be required to individually complete an exemption certificate in respect of the employees covered under the admission agreement. This certificate could be subject to review at agreed intervals to confirm that the terms of the agreement have not been altered in relation to the employees' access to the LGPS.

Q24 – Is there anything employers might need to demonstrate, beyond contractual enrolment of all workers into an automatic enrolment qualifying scheme, in order to be certified or allowed to self-certify?

In regard to **Question 24** and the need for additional demonstration of employer actions, beyond contractual enrolment of all workers into a qualifying scheme - MPF would suggest that it would be beneficial if the certification process considers the requirement to periodically re-enrol eligible jobholders, who have not exercised an 'opt-out' notice within the 12 months of the specified date.

To promote the employers responsibility to encourage workers to save for retirement both non-eligible jobholders and entitled workers should also be made aware of the value of pension saving and their right to join the qualifying scheme on the employers re-enrolment date.

This requirement would ensure that all existing workers are regularly offered membership of occupational pension saving and would complete the remaining policy objective of 'Workforce Pensions Reform' in regard to those employers in the LGPS who have yet to meet their staging date.

Q25 – For the purpose of automatic enrolment, is a quality requirement needed for DB schemes at all?

The consultation also seeks comments on appropriate measures to demonstrate how defined benefit schemes could continue to meet the quality standard post abolition of National Insurance contracting out from 2016.

The statutory nature of the LGPS as a public service pension scheme, with changes undertaken by Government following consultation along with the process of Equality Impact Assessments to identify any inequalities should provide assurance of its status as a qualifying scheme.

Conclusion

The LGPS is a mature public sector pension scheme and has for decades provided excellent pensions for millions of workers. An easement of explicit employer duties under automatic enrolment would be welcomed for practical reasons, but also the cost of administrating those duties with taxpayer money.

Yours sincerely

Y Caddock

Yvonne Caddock

Principal Pensions Officer

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WIRRAL COUNCIL

PENSIONS COMMITTEE

24 JUNE 2013

SUBJECT:	**INVESTMENT PERFORMANCE**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**STRATEGIC DIRECTOR** **TRANSFORMATION AND RESOURCES**
KEY DECISION? *(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)*	NO

1.0 EXECUTIVE SUMMARY

1.1 This report sets out the investment performance of Merseyside Pension Fund for the year ended March 2013 as calculated by the WM Company.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Fund returned 13.2 per cent in the financial year to the end of March 2013 compared to its bespoke benchmark return of 11.6 per cent, an outperformance of 1.4 per cent. Asset allocation detracted from performance by 0.2 per cent but this was significantly outweighed by strong stock selection which contributed 1.7 percent of relative benchmark outperformance.

2.2 Over the same period, the average of all local authority pension funds, based on the WM Local Authority universe of 90 funds, was 13.8 per cent.

2.3 The fiscal year to the end of March 2013 marked a sharp turnaround in investor sentiment with riskier equity markets comfortably outperforming the safer haven bond markets by a considerable margin. As major central banks further eased their monetary stance from already accommodative levels, nominal bond yields sank to record lows. The prospect of low yields in core bond markets contributed to investors searching for yield in so called risk assets such as equities. All the major OECD stock markets delivered positive returns in a market rally which featured the US S&P 500 Index up 18.94 per cent, and the Japanese Nikkei index up 17.34 per cent. The UK's FTSE 100 index ended the fiscal year up 8.71 per cent.

The performance of the Fund against its 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	13.2	8.2	6.8	9.1
Benchmark	11.6	7.5	6.3	9.1
RPI	3.3	4.1	3.2	3.3

CPI	2.8	3.4	3.3	2.7
Average Earnings	-0.1	1.0	1.7	3.4
LGPS average	13.8	8.1	6.5	9.4

2.4 A detailed presentation on the Fund's performance was given by the WM Company at the Investment Monitoring Working Party on 12 June 2013.

3.0 RELEVANT RISKS

3.1 The performance of the Fund, relative to its benchmark, is a key indicator of the successful implementation of the Fund's investment strategy which is established with a view to meeting the Fund's 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 13.2 percent, appreciating in value by circa £638m over the financial year to 31 March 2013.

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/S

12.1 Members note the report.

13.0 REASON/S FOR RECOMMENDATION/S

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

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APPENDICES

NONE

REFERENCE MATERIAL

The WM Company – Merseyside Pension Fund Quarterly Performance Review.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
A report on the Fund's investment performance is brought annually to June Pensions Committee	

WIRRAL COUNCIL

PENSIONS COMMITTEE

24 JUNE 2013

SUBJECT:	**TREASURY MANAGEMENT ANNUAL REPORT 2012/13**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES**
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 2012/13 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 17 January 2012 Pensions Committee approved the Treasury Management Policy and Strategy 2012/13.

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 2013, MPF had a cash balance of £68.1 million (excluding Iceland deposits) as against £55 million at 31 March 2012. All of these funds were held on call (instant access) accounts with Royal Bank of Scotland (RBS) and Lloyds.

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 2012/13.

2.7 Over the twelve month period, WM calculated the cash performance to be 2.9% against a benchmark performance (7 day LIBID) of 0.4%. 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 2012/13, apart from the limit with our previous bankers RBS. There was one incident where MPF was non-compliant with this limit due to the receipt of significant funds after the day's dealings had been completed. The anomaly was rectified the following working day, with no financial disadvantage to the Fund. The fact that RBS, which is one of the main recipient of the Fund's surplus cash, is some 80% Government owned is viewed as low risk.

2.10 The Fund's banking service provider changed during 2012/13 from RBS to Lloyds Banking Group, although the Fund still utilises the deposit account at RBS.

ICELAND DEPOSIT UPDATE

2.11 In 2008, MPF had £7.5 million deposited across two Icelandic Banks, Glitnir £5 million and Heritable £2.5 million.

Glitnir

2.12 As previously reported, 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 the Fund's accounts. The NOK were converted via a spot rate into GBP. The remaining 19% remains held in Icelandic Krona (ISK). The ISK amounts that have been distributed by the Glitnir Winding Up Board 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 4.20%. 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, are working on a practical solution.

Heritable

2.13 The projected return to creditors is to be between 86% and 90% of the claim. To date (May 2013) MPF has received thirteen dividend payments totalling £2m.

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 2013.

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/S

12.1 That the Treasury Management Annual Report for 2012/13 be noted.

13.0 REASON/S FOR RECOMMENDATION/S

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).

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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 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**
Pensions Committee – Treasury Management Policy and Strategy 2012/13	**17 January 2012**
Pensions Committee – Treasury Management Annual Report 2011/12	**25 June 2012**
Pensions Committee – Treasury Management Policy and Strategy 2013/14	**15 January 2013**

WIRRAL COUNCIL

PENSIONS COMMITTEE

24TH JUNE 2013

SUBJECT:	**BUDGET FINANCIAL YEAR 2013/2014** **BUDGET OUT TURN 2012/13** **AND ANNUAL REPORT 2012/13**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**STRATEGIC DIRECTOR** **TRANSFORMATION AND RESOURCES**
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to request that Members note and approve:

- The finalised budget for the financial year 2013/14.
- The out-turn for the financial year 2012/13.
- The 3 year budget for MPF as required for the annual report

1.2 There are no significant changes from the original report in January in terms of the out-turn for 2012/13 and for the budget for 2013/14.

2.0 BACKGROUND AND KEY ISSUES

2.1 Pensions Committee at its meeting on 15th January 2013, agreed the budget for 2013/14 subject to confirmation of departmental & central support charges. It was agreed to report back to Committee with the finalised budget.

2.2 The finalised budget is included in this report as an appendix, the only variances from that reported in January is

- Staffing now reflects pension deficit recovery charges and some small changes.
- Some changes in supplies and services but not significantly affecting the net figure.
- Small reduction in central establishment charges.

2.3 Pensions Committee at its meeting on 15th January 2013 received an estimate of the out-turn for 2012/13, it was also agreed that I would report back on the final out turn. The finalised out-turn is included in appendix 1. There are no significant changes to the projected out turns. The changes are similar to the changes to the budget:

- Staffing now includes pension deficit recovery charges for the year and some small changes.
- Some changes in supplies and services but not significantly affecting the net figure.
- Reduction in central establishment charges from estimated to actual.

2.4 CIPFA have published a document outlining best practice for the contents of the annual reports of LGPS Funds, this includes financial performance including 3 year budgets

2.5 The projected 3 year budget for MPF is as detailed in the table below.

	2013/14	2014/15	2015/16
Employees	£2,627,638	£2,811,573	£2,867,804
Premises	188,193.08	£193,086	£198,106
Transport	£28,040	£28,769	£29,517
Investment fees	£11,555,999	£12,353,363	£13,205,745
Other Supplies and Services	£1,345,634	£1,380,621	£1,416,517
Third Party	£243,878	£250,218	£256,724
Transfers	£173,318	£177,824	£182,448
Recharges	£725,120	£725,120	£725,120
(Income)	-£87,800	-£90,083	-£92,425
Total	**£16,800,020**	**£17,830,492**	**£18,789,556**

2.6 The assumptions used in the preparation of these 3 years budgets are as follows

Staffing		Current Structure to be fully staffed throughout year 2% pay rises in subsequent years plus growth
Investment management Fees		Estimate based on normal market conditions and 50% of investment mandates achieving performance targets.
Rent		Agreed as a charge based on market rates (MPF owns building)
Transport, Conferences and Subsistence		Estimated requirements for current year
Services and Supplies		Contracts where usage and cost is fixed, plus estimate for variable elements.
Inflation adjustments		RPI 2.6% as at September 2012
Investment Performance		4% bonds, 8% equities, 50% of performance targets met for active management This equates to 6.9% growth per annum

2.7 The 3 year budget also includes additional items of additional £100,000 for implementation of the 2014 scheme in terms of IT systems and a 5% growth in staff costs to meet these and other regulatory requirements from 2014 onwards.

3.0 RELEVANT RISKS

3.1 This has not changed since the report in January as below.
The Fund has recently reviewed its Risk Register and identified key risks and mitigating controls for these risks. A key feature of the controls is having appropriate resources available to administer the fund adequately and to manage investments. This budget provides adequate resources for these two core functions.

4.0 OTHER OPTIONS CONSIDERED

4.1 This has not changed since the report in January as below.
The majority of the Pension Fund budget is taken up by investment management costs and staffing. The investment management arrangements have recently been subject to review with another on-going and there was a comprehensive review of staffing arrangements in previous years as part of the EVR exercise. As described earlier, the administering authority is also undertaking a review of its back office services with an aim of reducing costs which should result in a decrease in charges to the Fund. For all other expenditure there has been a careful review process culminating in a planning meeting at which the Head of Service approved the proposals for discretionary expenditure in 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 Pension Fund are charged directly to the Pension Fund and are then ultimately covered by investment income and employee and employer contributions, the full costs are estimated to be per member. (Including active contributors deferred and pensioners). The costs per member at Merseyside Pension Fund are competitive with other pension funds of similar size in both the public and private sector.

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/S

12.1 Members approve the finalised budget for 2013/14 with revised estimates for departmental & central support charges for 2013/14 and finalised salary costs.

12.2 Members approve other issues for inclusion in the 2012/13 Annual Report including 3 year financial estimates

12.3 Members note the out turn for 2012/13.

13.0 REASON FOR RECOMMENDATIONS

13.1 The approval of the budget and annual report for Merseyside Pension Fund by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

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APPENDICES

The budget for 2013/14 including the out-turn for 2012/13 is attached as appendix 1 to this report.
The original appendix as reported to Members on 15th January 2013 is attached as appendix 2 to this report for information

REFERENCE MATERIAL

Internal working papers were used in the production of this report.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee :	
Pension Fund Budget	**15th January 2013**
Pension Fund Budget	**17th January 2012**
Pension Fund Budget	**11th January 2011**
Pension Fund Budget	**13th January 2010**

Value of the Fund	£5,149,000,000	*30/09/2012*
Investment income Received	£93.4m	*Projected 2012/13*
Pensions Paid	£258.9m	*Projected 2012/13*
Contributions Received	£247.9m	*Projected 2012/13*
Active Contributing members	45,521	*31st March 2012*
Deferred members	32,912	*31st March 2012*
Pensioners	37,314	*31st March 2012*
Total Members	115,747	*31st March 2012*

		Budget 2012/13 £	Actual Out-Turn 2012/2013	Budget 2013/2014 £
Employees				
	Pay, NI and Pension	2,534,400	2,438,298.83	2,522,638.16
	Training	40,100	15,070.46	20,000.00
	Other Staffing Costs	82,200	75,197.56	85,000.00
		2,656,700	**2,528,566.85**	**2,627,638.16**
Premises				
	Rents	114,700	208,593.10	188,193.08
		114,700	**208,593.10**	**188,193.08**
Transport				
	Public Transport Expenses	31,450	9,790.97	24,840.00
	Car Allowances	2,000	1,715.80	3,200.00
		33,450	**11,506.77**	**28,040.00**
Supplies				
	Furniture and Office Equipment	40,000	12,522.48	25,000.00

Printing and Stationery	197,500	75,003.89	75,000.00
Computer Development and Hardware	55,000	285,893.33	315,000.00
Postages and Telephones	138,500	109,216.05	104,500.00
External Audit	59,200	28,563.00	40,000.00
Services and Consultants Fees	200,000	345,983.81	590,397.00
Conferences and Subsistence	40,520	28,237.14	34,540.00
Subscriptions	230,000	45,676.25	96,197.36
Other	0	11,700.70	65,000.00
	960,720.00	**942,796.65**	**1,345,634.36**
Third Party			
Medical Fees	10,000	9,600.80	5,000.00
Bank Charges	15,000	14,636.49	15,000.00
Investment Management Fees	10,300,000	10,489,470.75	11,555,999.08
Custodian Fees	450,000	194,176.76	0.00
Actuarial Fees	150,000	290,380.25	163,877.56
Other Hired and Contracted Services	235,000	252,479.95	60,000.00
	11,160,000	**11,250,745.00**	**11,799,876.64**
Transfers			
Payments for Devolved Administration	199,200.00	173,317.87	173,317.87
	199,200.00	**173,317.87**	**173,317.87**
Departmental & Central Support Charges	719,300	739,779.90	725,120.00
	719,300.00	**739,779.90**	**725,120.00**
Total Expenditure	**15,844,070.00**	**15,855,306.14**	**16,887,820.12**
Income			
Fire Service Administration	85,500	85,290.89	87,800.00
	85,500	**85,290.89**	**87,800.00**
Total Net Expenditure	**15,758,570**	**15,770,015.25**	**16,800,020.12**

Appendix 2 As reported on 15th January 2013

Value of the Fund	£5,149,000,000	*30/09/2012*
Investment income Received	£93.4m	*Projected 2012/13*
Pensions Paid	£258.9m	*Projected 2012/13*
Contributions Received	£247.9m	*Projected 2012/13*
Active Contributing members	45,521	*31st March 2012*
Deferred members	32,912	*31st March 2012*
Pensioners	37,314	*31st March 2012*
Total Members	115,747	*31st March 2012*

		Budget 2012/13 £	Probable Out-Turn 2012/2013 £	Budget 2013/2014 £
Employees				
	Pay, NI and Pension	2,534,400	2,265,133.74	2,522,638.16
	Training	40,100	10,220.00	20,000.00
	Other Staffing Costs	82,200	76,597.56	85,000.00
		2,656,700	**2,351,951.30**	**2,627,638.16**
Premises				
	Rents	114,700	208,593.08	188,193.08
		114,700	**208,593.08**	**188,193.08**
Transport				
	Public Transport Expenses	31,450	13,826.12	24,840.00
	Car Allowances	2,000	2,689.66	3,200.00
		33,450	**16,515.78**	**28,040.00**
Supplies				
	Furniture and Office Equipment	40,000	16,668.34	25,000.00

	Printing and Stationery	197,500	69,852.70	75,000.00
	Computer Development and Hardware	55,000	295,106.98	315,000.00
	Postages and Telephones	138,500	129,478.90	104,500.00
	External Audit	59,200	40,000.00	40,000.00
	Services and Consultants Fees	200,000	268,948.92	590,397.00
	Conferences and Subsistence	40,520	14,024.88	34,540.00
	Subscriptions	230,000	39,869.90	96,197.36
	Other	0	10,955.96	65,000.00
		960,720.00	**884,906.58**	**1,345,634.36**
Third Party				
	Medical Fees	10,000	5,778.80	8,500.00
	Bank Charges	15,000	14,459.42	15,000.00
	Investment Management Fees	10,300,000	10,258,077.24	11,555,999.08
	Custodian Fees	450,000	240,000.00	0.00
	Actuarial Fees	150,000	150,000.00	163,877.56
	Other Hired and Contracted Services	235,000	509,454.33	60,000.00
		11,160,000	**11,177,769.79**	**11,803,376.64**
Transfers				
	Payments for Devolved Administration	199,200.00	168,925.80	173,317.87
		199,200.00	**168,925.80**	**173,317.87**
Departmental & Central Support Charges		719,300	896,811.14	725,120.00
		719,300.00	**896,811.14**	**725,120.00**
Total Expenditure		**15,844,070.00**	**15,705,473.47**	**16,891,320.12**
Income				
	Fire Service Administration	85,500	85,500.00	87,800.00
		85,500	**85,500.00**	**87,800.00**
Total Net Expenditure		**15,758,570**	**15,619,973.47**	**16,803,520.12**

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 MARCH 2013

SUBJECT:	**LGC INVESTMENT SUMMIT**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**STRATEGIC DIRECTOR** **TRANSFORMATION AND RESOURCES**
KEY DECISION? *(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)*	NO

1.0 EXECUTIVE SUMMARY

1.1 This report requests nominations to attend the LGC Investment Summit to be held in Newport, South Wales from 5-6 September 2013

2.0 BACKGROUND AND KEY ISSUES

2.2 The conference theme is "We need to know how to control the risk switch!" and the organisers comment "risk management is clearly an important factor in long-term investment strategy and should be handled in a measured way. Funds should not be drawn into tactical plays that can do more to increase risk and costs, than restore funding equilibrium. You need to be in control of strategy, be in charge of that "switch", and know when to turn it on or off".

This year the topics covered include an examination of the UK economy, the impact of LGPS2014, smarter exposure to global equities, some investment ideas, de-risking and defensive assets, opportunities in property, and dealing with valuation outcomes.

2.3 MPF has been represented at all previous conferences usually by the Chair of Pensions Committee and party spokespersons. In view of the strategic focus of the conference, it is recommended that this arrangement is continued. Accommodation will be required for the nights of 4 and 5 September

3.0 RELEVANT RISKS

3.1 The Fund is required to demonstrate that Members of Pensions Committee have been adequately trained. This conference is a recognised training opportunity and many of the topics are relevant to the triennial valuation this year.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered

5.0 CONSULTATION

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

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising from this report.

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

7.1 The cost of attendance plus two nights' accommodation will be about £949+ 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 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/S

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

13.0 REASON/S FOR RECOMMENDATION/S

13.1 The conference forms a part of the Members' development plan approved by Committee in January 2013 and many of the topics are relevant to the triennial valuation this year.

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APPENDICES

NONE

REFERENCE MATERIAL

NONE

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

WIRRAL COUNCIL

PENSIONS COMMITTEE

24 JUNE 2013

SUBJECT:	**PENSIONS ADMINISTRATION STRATEGY STATEMENT**
WARDS AFFECTED:	**ALL**
REPORT OF:	**STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES**
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1 This report informs Members of the required update to the Pensions Administration Strategy Statement, to reflect recent procedural changes resulting from the introduction of new legislation.

2.0 BACKGROUND AND KEY ISSUES

2.1 From 1 April 2008, Regulation 65 of the Local Government Pension Scheme (Administration) Regulations 2008 provided that each Administering Authority may prepare a written statement of policies in relation to matters it considers appropriate to its pension administration service.

2.2 After consultation with employers and other stakeholders, this document would be published as the Pensions Administration Strategy Statement. Pensions Committee considered and agreed publication on 17 November 2009.

2.3 Regulation 65 further stipulates that the Administering Authority must keep its Pensions Administration Strategy under review and update it as necessary to reflect any material changes in its policies related to any matters contained therein.

Material Change: Automatic Enrolment Legislation

2.4 As a result of the introduction of both the LGPS Miscellaneous Regulations 2012 and overarching Automatic Enrolment Legislation, the procedures involved in the admission of employees into the Local Government Pension Scheme (LGPS) have been amended.

2.5 The required changes to procedures and forms for Automatic Enrolment were developed in collaboration and consultation with the Fund's largest employers.

2.6 The national staged roll out of Automatic Enrolment has meant that the largest employing authority in MPF had to comply with the legislation in March 2013.

2.7 The updated Fund procedures and forms are now in operation across all participating employers. To simplify administration and reduce Fund costs, the decision has been taken to standardise Scheme joining and leaving processes regardless of the individual staging dates of participating employers.

2.8 However, the specific obligations of Automatic Enrolment legislation will still only apply to employers at their individual staging date.

Material Change: Pension Saving Statements

2.9 The Fund must provide a ‘Pension Saving Statement’ to members who exceed tax thresholds within the Scheme. This threshold is referred to as the Annual Allowance and is the amount by which a member’s overall pension savings may increase in any one year without having to pay a tax charge.

2.10 The Government has substantially reduced the Annual Allowance threshold, to the point that many more members within the Fund will require assessment and subsequently receive a ‘Pension Saving Statement’ and possibly a personal tax charge.

2.11 From April 2014, the improvement to the accrual rate will further increase the number of members who will be affected. An addition has been made to the Pensions Administration Strategy to detail the necessary liaison work required between the Fund and employers in meeting this obligation to Scheme members.

Material Change: Year End Contribution Returns

2.12 The LGPS Miscellaneous Regulations 2012 introduced a statutory deadline for the distribution of Annual Benefit Statements to members of the LGPS – this is six months from the end of the previous tax year which is effectively 5 October.

2.13 In order to meet this deadline, the Fund requires employers to submit their Year end contribution returns by the 30 April or the next working day every year. Previously this date was only applicable in a valuation year and the 26 May was acceptable in the other two years.

3.0 RELEVANT RISKS

3.1 Automatic Enrolment legislation mainly impacts the employing authorities and compliance with the new statutory duties is enforced by The Pensions Regulator.

3.2 The Pension Regulator has the power to impose enforcement notices on employers, including escalating financial penalties of up to a maximum daily rate of £10,000

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

5.1 The amended Pensions Administration Strategy has been circulated to all participating employers for consideration and comment.

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 Inevitably, the statutory information and communication requirements of Automatic Enrolment will increase administrative costs for employers.

The Pensions Administration Strategy details the required changes to Fund policies and procedures – it cannot quantify individual employer costs as these will be related to their own workforce and supportive HR/Payroll systems.

7.2 Currently, the employers who have reached their staging date have all invoked the Transitional Delay option within the Automatic Enrolment legislation. This has reduced the amount of resource required of the Fund in processing new Scheme members and any resultant optant-out requests. Current operational requirements are being met by existing resources.

7.3 By meeting and working in consultation with the largest employers the procedural changes are operationally deliverable – smaller employers will benefit from development work and the production of associated guidance.

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?

The reforms to the LGPS have 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/S

12.1 That Members approve the amendments to the Pensions Administration Strategy Statement attached at Appendix 1.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 There is a statutory requirement to review and update as necessary the Pensions Administration Strategy Statement, in relation to any material change to policies and procedures.

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APPENDICES

1 **Pensions Administration Strategy 2013**

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	**Date**

PENSIONS ADMINISTRATION STRATEGY 2013

Merseyside
PENSION FUND

Contents

Revision History

24 June 2013 - Summary of major changes

As a result of the introduction of both the LGPS Miscellaneous Regulations 2012 and Automatic Enrolment Legislation, the procedures involved in the admission of employees into the Local Government Pension Scheme (LGPS) have been amended.

All new employees with contracts of at least three months should be contractually enrolled into the Scheme from their first day of employment. Employees with a contact of employment for less than three months are entitled to actively elect to join the Scheme and pay contributions.

Employers are no longer permitted to issue 'opt-out' forms to employees who wish to stop pension saving. To stop contributing to the LGPS, employees must now obtain the relevant form directly from the Fund; complete the required information and return the form to their employer for processing.

Section	Revision	Page
Service Standards	Additional section on Contractual Enrolment responsibilities as a result of the Miscellaneous Regulations 2012	5
Service Standards	Additional section on the general requirements of employers in regard Automatic Enrolment Legislation.	6
Service Standards	Renamed 'New Starters' section to 'New Scheme Members'	7
Service Standards	Changes to Members Choosing to opt-out of the Scheme	11

The Fund must provide a 'Pension Saving Statement' to member's who exceed tax thresholds within the Scheme. This threshold is referred to as the Annual Allowance and is the amount by which a member's overall pension savings may increase in any one year without having to pay a tax charge.

The Government has substantially reduced the Annual Allowance threshold, to the point that many more members within the Fund will require assessment and subsequently receive a 'Pension Saving Statement' and possibly a personal tax charge. From April 2014, the improvement to the accrual rate will further increase the number of members who will be affected. An addition has been made to detail the necessary liaison work required between the Fund and employers in meeting this obligation.

Section	Revision	Page
Service Standards	Additional of Pension Saving Statements	9

The LGPS Miscellaneous Regulations 2012 introduced a statutory deadline for the distribution of Annual Benefit Statements to members of the LGPS – this is six months from the end of the previous tax year which is effectively **5 October**.

In order to meet this deadline, the Fund requires employers to submit their Year end contribution returns by the **30 April** or the next working day every year. Previously this date was only applicable in a valuation year and the 26 May was acceptable in the other two years.

Section	Revision	Page
Service Standards	Deadline date added to Annual Benefit Statements	9
Standards of data	Year end contribution returns	17

1. Introduction

Merseyside Pension Fund ("the Fund") is responsible for the administration of the Local Government Pension Scheme ("the Scheme") within the geographical area of Merseyside. The Fund also administers the Scheme on behalf of a number of qualifying employers who are not situated within the Merseyside area. The service is carried out by Wirral Council ("the administering authority") on behalf of qualifying employers and ultimately the Scheme members.

This document is the Pensions Administration Strategy statement outlining the policies and performance standards towards providing a cost-effective, inclusive and high quality pensions administration service. Delivery of such an administration service is not the responsibility of one person or one organisation, but is rather the joint working of a number of different stakeholders which between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership.

2. Compliance

Developed in consultation with employers within the Fund, this statement seeks to promote good working relationships, improve efficiency and ensure agreed standards of quality in delivery of the pension administration service amongst the employers and the Fund. A copy of this strategy is issued to each of the relevant employers as well as to the Secretary of State.

In no circumstances does this strategy override any provision or requirement of the Regulations set out below nor is it intended to replace the more extensive commentary provided by the employers' website for day-to-day operations.

3. Review

The Fund will review this policy statement and make revisions as appropriate following a material change in its policies in relation to any of the matters contained in the strategy. Employers will be consulted and informed of the changes and a revised statement will be supplied to the Secretary of State.

4. Regulatory Framework

Regulation 65(1) of the LGPS (Administration) Regulations 2008 enables an LGPS administering authority to prepare a document ("the pension administration strategy") detailing administrative standards, performance measures, data flows and communication with employers - a full transcript of this and other related regulations are in Appendix One.

In addition, Regulation 43 of the (Administration) Regulations 2008 allows an administering authority to recover additional costs from an employing authority where, in its opinion, they are directly related to the poor performance of that employing authority.

5. Liaison & Communication

The delivery of a high quality, cost effective administration service is not the responsibility of just the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure Scheme members, and other interested parties, receive the appropriate level of service and ensure that statutory requirements are met.

Each Employing authority will designate a named individual to act as a **Pensions Liaison Officer**; being the main contact with regard to any aspect of administering the LGPS. A sample recommended "job description" is attached at Appendix Two

Key responsibilities of a Pensions Liaison Officer are:

- to act as a conduit for communications to appropriate staff within the employer – for example, Human Resources, Payroll teams, Directors of Finance;
- to ensure that standards and levels of service are maintained;
- to ensure that details of all nominated representatives and authorised signatures are correct, and to notify the Fund of any changes immediately;
- to arrange distribution of communications literature such as Scheme guides, packs, newsletters and promotional material as and when required;
- to inform the Fund of any alternative service arrangements required to ensure equitable member access, addressing the diverse needs of the membership;
- to assure data quality and ensure the timely submission of data to the Fund; and
- to assist and liaise with the Fund on promotional activities to increase, where appropriate, the Scheme membership and to existing members the overall benefits of the Scheme.

Employers' website

The Fund has a dedicated, private website for all employers. Each Pension Liaison Officer receives a unique username and password to access the site.

This employers' website is the main communication tool between employers and the Fund – it contains the procedural guide for administering the LGPS within Merseyside, copies of forms, a means to submit data securely and information on courses run by the Fund.

Important information is sent out on email to the Pension Liaison Officer, as a **News Alert**, but regular logging in and review of the website news areas is advised.

Additional usernames and passwords can be requested by the Pension Liaison Officer as appropriate.

Practitioner training

The Fund will publish an annual timetable of training days for employing authority staff tasked with administering the LGPS locally. Where resources allow, the Fund will respond to staff development requests from employers, these may be co-ordinated with published training days.

Employers' conference

The Fund holds an annual conference for employers, where officers of the Fund deliver a report on the Financial Statements, Investment Performance and also Administration Performance.

Attendance by Pension Liaison Officers and Senior Management within the employing authority is actively encouraged.

Policy discretions

Each employer is required to produce, publish and maintain a statement of policy regarding the exercise of certain discretionary functions available to them within the LGPS regulations. The policy statement must be kept under review and where revisions are made; the revised policy statement must be sent to the Fund and made readily available to all employees within the employing authority within one month of the effective date. Further information on applicable employer discretions is given in Section 11.

Notification of employees' rights

Any decisions made by an employing authority affecting an employee's rights to membership or entitlement to benefits must be notified to the employee in writing.

Internal Disputes Resolution Procedures (IDRP)

Each employing authority is required to nominate and name the person to whom applications under Stage 1 of the Internal Disputes Resolution Procedures should be made. The name, job title and contact details of this nominated person must be kept up-to-date with the Fund.

Online links to the Fund IT Systems

The Fund can provide secure online access to large employers, in order for staff to enquire on their employees' record of membership. This is provided to aid employers in the regular reconciliation of member data with their Payroll & HR Systems.

As there are system and resource costs associated with granting online access, the Fund reserves the right to only agree online employer access where there is a mutual benefit in managing data quality and overall administration costs.

The Fund will ensure that the IT system is available for use during normal office hours (Mon-Fri, 9am to 5pm) with the exception of any necessary scheduled maintenance of the system as notified by email to the Pensions Liaison Officer.

The Fund will, where resources permit, make the computer system available outside of normal office hours provided sufficient notice is given. Any additional costs to provide such availability will be rechargeable to the employing authority.

6. Service standards to Scheme members

Prospective employees	
Employers' Responsibility	Fund's Responsibility
To provide all prospective employees with a **pensions promotional leaflet** prior to interview.	Make available on the employers' website the latest pensions promotional leaflet and provide sufficient stock within five weeks of request by employer.

New Employees - Contractual Enrolment
Employers must ensure that all new employees, with a contract of at least three months, are contractually enrolled into the Scheme from their date of appointment.
Employers to issue a 'postponement notice' to new employees with a contract of less than three months, making them aware that they can actively join the Scheme. At such time where the employee has their contract extended to last 3 months or more, they must be 'contractually enrolled' into the Scheme, however membership should not be backdated.
To ensure that pensions information is included as part of any induction process. The Fund can provide appropriate materials and presentations.

Existing Employees - Automatic Enrolment [only applicable from an employer's individual staging date]	
Employers' Responsibility	Fund's Responsibility
Employers must comply with the Automatic Enrolment legislation at their individual staging date - as notified by 'The Pensions Regulator'. Employers should consider whether they wish to make use of the 'Transitional Delay Period' within the legislation.	Make available on the employers' website the detailed guidance on the delivery of Automatic Enrolment for the LGPS. To inform employers of any changes announced by the Pensions Regulator/LGA in respect of Automatic Enrolment.
Employers must write to all their employees at their staging date, making use of the appropriate template letters within the LGPC Automatic Enrolment Guide.	To provide relevant contact details for insertion in the template letters.
At each pay-reference period, monitor employees who are not members of the Scheme in regards compliance with Automatic Enrolment legislation.	To accept new members into the Scheme.
On the employer's re-enrolment date the employer must fulfil the obligations of the Automatic Enrolment legislation.	To accept new members into the Scheme.

For more information on employer obligations in regard Automatic Enrolment:
http://mpfemployers.org.uk/content/automatic-enrolment-guide-lgps-employers

New Scheme Members	
Employers’ Responsibility	Fund’s Responsibility
An **LGP1** form should be completed for all enrolled employees and submitted to the Fund within four weeks of membership starting, regardless of whether they have had any pension contribution deducted from pay. Where there is more than one contract of employment with the same employer, each membership shall be maintained separately and the Fund notified via an additional **LGP1.** LGP1 information can be electronically submitted with prior agreement of format and data security protocols.	To accurately record and update member records on pension administration systems within four weeks of receipt of documents. To produce **Certificates of Membership** and forward to the member's home address, within thirteen weeks of joining the Scheme.
To store a copy of the **Certificate of Membership** within their records for that employee.	To provide the employer with a copy of the member’s Certificate of Membership.
To provide each new employee with a **pension information pack**, either with the letter of appointment or within two weeks of joining the Scheme.	Make available on the employers’ website the latest components of the Fund’s pension information packs updated in accordance with regulatory changes and provide sufficient stock within five weeks of request by employer.
To assist the Fund in ensuring that all new members are aware of the importance in completing forms **LGP2** and **LGP25** contained in the information packs.	To apply for Transfer Value details within two weeks of receiving an **LGP2** form where relevant.

Changes in circumstances for active members	
Employers' Responsibility	Fund's Responsibility
To ensure that the Fund is informed of any changes in the circumstances of employees on approved forms or by agreed electronic templates within four weeks of the change.	To provide forms for recording any key change in circumstances and/or provide a template for the secure submission of data electronically.
Status: Change of Name Marital Status National Insurance number National Insurance category Conditions of service: Contractual Hours Remuneration Contribution Rate Department & Payroll Number Membership Start Date (if adjusted) Absence: Maternity & Paternity leave Paid & Unpaid leave of absence (including details of contributions paid) Industrial Action (strikes) Any other material period of absence	To accurately record and update member records on pension administration systems within four weeks of notification or any shorter period as requested by employer with regard to specific requirements.

Annual Benefit Statements	
Employers' Responsibility	Fund's Responsibility
To provide a year end contribution return and ensure all errors and additional information are resolved within four weeks.	To process employer year end contribution returns within two months of receipt. To provide consolidated and grouped error reports for action by employers.
To provide an initial point of contact (Pension Liaison Officer or helpline number) for handling queries – this will be printed on the annual benefit statements sent to members.	To produce annual benefit statements for all active members and post to member's home address, no later than 5th October.

Pension Saving Statements	
Employers' Responsibility	Fund's Responsibility
To consider as part of workforce planning, the potential impact of a member with significant LGPS membership receiving a substantial pay award or promotion.	To respond to employer enquiries on the likelihood that a member may exceed the Annual Allowance threshold.
To respond to queries from the Fund in regard the assessment of members and the Annual Allowance threshold.	To assess from the year end contribution return, those members who are approaching or have exceeded the Annual Allowance threshold.
Provide the Fund with the required information and accurate pay amounts no later than ten days from the request.	To produce a further request for information and pay amounts for the identified cohort of members in order to ensure accuracy of the 'Pension Saving Statement'
To provide a point of contact at the employer to be quoted on the 'Pension Saving Statement'. This person must be able to respond to pay related queries from the member.	To produce 'Pension Saving Statements' for affected members and post to that member's home address, no later than 5th October.

Additional benefits (AVCs)	
Employers' Responsibility	Fund's Responsibility
To collect contributions from employee payroll, and to arrange their prompt payment directly to the appropriate provider according to the published schedule.	To provide information and offer alternative Scheme negotiated providers which offer a portfolio of additional voluntary contribution (AVC) options. To review provision to ensure services offered are reasonable.

Additional benefits (ARCs)	
Employers' Responsibility	Fund's Responsibility
To collect contributions from employee payroll, and to arrange their payment to the Fund as part of the main contribution submission.	To provide information and quotations to a Scheme member on the option of making Additional Regular Contributions (ARCs)

Retirement estimates	
Employers' Responsibility	Fund's Responsibility
To submit request form **LGP88** for estimates to the Fund no later than four months before retirement.	To produce retirement estimates to be returned to employers within two weeks of receiving all the necessary information.
To verify correctness of benefit estimate and distribute to the Scheme member.	Appropriately large employers, with online links to the Fund IT Systems, can be provided with the facility to produce retirement estimates for the purposes of work planning.

<table>
<tr><th colspan="2">Retirement packs (information related to retirement)</th></tr>
<tr><th>Employers’ Responsibility</th><th>Fund’s Responsibility</th></tr>
<tr><td>To provide members retiring with form LGP1b and a retirement pack at least three months before retirement.</td><td rowspan="2">Make available on the employers’ website the latest components of the Fund’s retirement packs and provide sufficient stock within five weeks of request by employer.</td></tr>
<tr><td>To provide, on request, a retirement pack to those members attaining age 58 in any given year.</td></tr>
</table>

<table>
<tr><th colspan="2">Members choosing to opt-out of the Scheme</th></tr>
<tr><th>Employers’ Responsibility</th><th>Fund’s Responsibility</th></tr>
<tr><td>Within three months of joining the Scheme, employers should direct employees wishing to opt-out of pension saving to contact the Membership team at the Fund or to the Fund’s website to request a form (LGP9a).

To process any completed LGP9a’s received from eligible employees, who choose not to remain in the Scheme within their first three months of membership.

To arrange a payroll refund of contributions to the employee with appropriate adjustments for tax and National Insurance.

To store a copy of the LGP9a within their records for that employee and to forward a copy to the Fund for their records along with a completed LGP1 starter form, if not previously submitted.</td><td>To make the LGP9a ‘opt-out form’ available on the Fund’s website.

To respond to phone calls from members, and provide information on the:
benefits to be relinquished;
tax and national insurance implications

The Fund will provide an LGP9a for completion by the member, following their continued wish to leave the Scheme.

To accurately record and update member records on pension administration systems within four weeks of receipt of document.</td></tr>
<tr><td>After three months membership in the Scheme, employers will direct employees to contact the Operations team at the Fund.</td><td>To respond to phone calls from members and provide information on the:
benefits to be relinquished;
tax and national insurance implications;
nature of a deferred pension and when it will come into payment;
need to inform the Fund of future home address changes.</td></tr>
</table>

	The Fund will provide an **LGP9** for completion by the member, following their continued wish to leave the Scheme.
Upon receipt of a completed and signed **LGP9** form from the employee, to accurately update members payroll records to ensure further contributions are not collected and tax and National Insurance obligations are adjusted accordingly from the next appropriate pay date. To store a copy of the **LGP9** within their records for that employee. To complete an **LGP1a** and forward this form together with the **LGP9** to the Fund. On leaving employment, an **LGP1c** is required for the former member and this should be forwarded to the Fund.	To accurately record and update member records on pension administration systems. To inform member of their deferred benefit entitlements in writing within two months of notification by employer.
To inform the Fund within four weeks of any changes affecting former employees, especially re-employment and retrospective pay awards.	To accurately record and update member records on pension administration systems within two months of notification by employer.

Members leaving employment	
Employers' Responsibility	Fund's Responsibility
To notify the Fund of an employee's date and reason for cessation of membership and all other relevant information, on approved forms, within four weeks of the event.	To accurately record and update member records on pension administration systems. To inform members who leave the Scheme, who are not entitled to immediate payment of benefits, the options available and deferred benefit entitlement within two months of receiving all relevant information.
If benefits are to be brought into payment on the member leaving their employment (i.e. retirement, including flexible retirement) the employer is to notify the Fund ideally in advance of the leave date but **no later** than four weeks following the actual date of leaving to enable payments to be made promptly.	To pay Scheme benefits within seven working days of receiving all relevant information.

Former members with deferred benefits

Employers' Responsibility	Fund's Responsibility
To keep adequate records of the following for members who leave the Scheme with deferred benefits: Name & Last known address National Insurance Number Payroll Number Date of Birth Last job **including** job specification Salary details (ten years if available) Date and reason for leaving	To accurately record and update member records on pension administration systems. To provide former members, where possible, an annual benefit statement of their deferred benefits updated by accrued annual pensions increase awards.
To determine whether or not former employees are eligible for early payment on ill health grounds after seeking a suitable medical opinion. To determine whether benefits should be released early and whether any early retirement reduction should be waived.	To provide estimates of benefits that may be payable and any resulting employer costs.
To provide information on former employees as required by the Fund, within four weeks.	To request from former employers historical information that will inform the process crystallising a deferred benefit – for example, immediate payment on the basis of ill health where the last known job specification would be required for any medical assessment.

Death in Service & Terminal Illness

Employers' Responsibility	Fund's Responsibility
To inform the Fund immediately on the death of an employee, and when a member is suffering from a potentially terminal illness.	To assist employers, employees and their Next of Kin in ensuring the pension options are made available and that the payment of benefits are expedited in an appropriate and caring manner.

Ill Health Retirements	
Employers' Responsibility	Fund's Responsibility
To arrange, appoint and inform the Fund of their named, independent occupational medical officer on form **LGP200** in accordance with regulatory requirements. To be satisfied that the occupational medical officers appointed to make retirement decisions are suitably qualified in occupational health medicine and independent. To notify the Fund of any changes in occupational medical officer.	To check the details, approve and hold on record and confirm in writing the details submitted by the employers in regard to their nominated, suitably qualified and independent occupational medical officer. To provide relevant documentation and guidance to employers and for medical practitioners.
To determine based on medical opinion and advice whether an ill health award is to be made and determine which tier 1, 2 or 3. Arrange for the completion of the appropriate **LGP12** form and then submit to the Fund with all signatures.	To calculate and pay required benefits.
To keep a record of all Tier 3 ill health retirements, particularly in regard the 18 month review of their gainful employment and any subsequent appointment with an occupational medical officer for a further medical certificate. To recover any overpayments of pension benefits following subsequent re-employment and notify the Fund	To assist the employer in performing their legislative responsibility to review Tier 3 ill health cases at 18 months.
To review all Tier 3 ill health retirement cases prior to discontinuance at three years. Arrange for the completion of the appropriate **LGP12** form and then submit to the Fund with all signatures.	To notify employers three months prior to scheduled discontinuation of benefit payments and before updating the members records to reflect them becoming a "pensioner member with deferred benefits" from the date of the suspension.

7. Financial obligations

Contributions

Each employing authority must pay the Fund all employee and employer contributions (not including AVCs), no later than the 22nd of the month following deduction from payroll, provided the payment is made electronically. Conversely, if payment to the Fund is made by cheque it should be received by the **19th** of the month.

If an employer has a number of payroll services in respect of its employees, a consolidated monthly return is required on an **LGP41**, duly signed as accurate by an appropriate authorised signatory of the employing authority.

The correct employee contribution rate is to be determined each year at the 1 April by the employing authority in line with the appropriate contribution banding table. Changes to the employee contribution rates at all other times must be in line with the employers' published discretionary policy on adjusting employee contribution rates.

Interest will be charged for late payment as detailed in Regulation 44(4) of the LGPS (Administration) Regulations 2008 – a copy of which is at Appendix One.

AVCs

Each employing authority must pay all AVC related deductions from its employees (plus any employer contributions if a shared cost AVC arrangement) to the appropriate provider according to the published schedule.

Recharges

The Fund will provide employers with a detailed report and/or schedule of any recharge items as they become due. Each employing authority must ensure that all rechargeable items are paid to the Fund within four weeks of invoice.

Interest will be charged for late payment as detailed in Regulation 44(4) of the LGPS (Administration) Regulations 2008 – a copy of which is in Appendix One.

8. Standards of data & timeliness

Overriding legislation

In performing the role of administering the LGPS, the Fund and Employers will comply with overriding legislation, including:

- the Occupational Pensions Schemes (Disclosure of Information) Regulations 1996;
- the Pensions Act 1995, 2004 & 2008;
- the Finance Act 2004 & 2006;
- the Data Protection Act 1998;
- the Freedom of Information Act 2000;
- the Equality Act 2010; and
- Health & Safety legislation.

and any future amendments to the above legislation.

Data quality

The Fund and employers will ensure that all functions and tasks are carried out to agreed quality standards, which are:

- compliance with all the procedural requirements as set out on the employers website;
- work to be completed on the approved forms or in an agreed electronic template;
- information to be legible and accurate;
- information provided to be checked for accuracy by an appropriately qualified member of staff; and
- information provided to be authorised by an agreed signatory.

Timeliness

Overriding legislation dictates minimum standards that Pension Schemes should meet in providing certain pieces of information to the various associated parties – not least of which the Scheme member. The LGPS Regulations also identifies a number of requirements for the Fund and Employers. These performance standards are held within the contents of this Pensions Administration Strategy particularly within this section and the sections titled **Service standards to Scheme members** and **Standards of financial obligations**.

Secure data transfers

The Fund provides a secure email facility for the encrypted transfer of person identifiable data between a Pension Liaison Officer (or a nominated, authorised individual) and the Fund. Access to this provision is coordinated by the Employers' website.

Year end contribution returns

The employer shall provide the Fund with year-end information to 31 March each year in an approved format no later than **30 April** or the next working day.

If an employer has a number of payroll services in respect of its employees, a consolidated contribution return is required. If the payroll is contracted out to a bureau or another third-party organisation, then it remains the responsibility of the employing authority to ensure a complete and accurate data submission to the Fund within timescale.

Such information should be accompanied by a final statement (**LGP40**), duly signed by an authorised officer of the employing authority, balancing the amounts paid during the year with the total amounts on the year end return data file – certifying that the amounts reflect the contributions deducted from employees during the year.

Triennial and Interim Valuations

The Fund has to be re-valued every three years by the Fund Actuary to determine employers' contributions rates. Interim valuations happen within the triennial cycle and are used to monitor, progressively, including the incidence and prevalence of ill health and early retirements.

Valuations	
Employers' Responsibility	Fund's Responsibility
To provide the Fund with up to date and correct information on members working hours, breaks in service and pensionable pay in accordance with agreed timescales.	To provide data to the Fund Actuary and Government Actuary's Department to enable employer contribution rates to be accurately determined and any cost sharing arrangements applied.
To ensure that all errors highlighted from the annual contribution posting exercise are responded to and corrective action taken promptly.	To provide a copy of the valuation report and contributions certificate to each employer and answer any questions arising.

9. Fund administration performance

Measures

Performance measure	Target (working days)
1. Payment of retirement benefits	7 days
2. Payment of monthly pensions	100%
3. Payment of transfer values	7 days
4. Provision of inward transfer quotes	10 days
5. Notification of deferred benefits	22 days
6. Provide valuation in divorce cases	10 days
7. Respond to members enquiries	10 days

All of these measures start from the date of receipt of all relevant information. The annual figures for the Fund performance measures are reported in the Annual Report and Accounts.

Audit

The Fund is subject to an annual audit of its processes and internal controls. Employers are expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations will be considered and where appropriate implemented with Employing authority cooperation.

Benchmarking

The Fund will regularly monitor its costs and service performance by benchmarking with other administering authorities by using benchmarking clubs and other available comparators. Details of costs of administration, quality measures and standards of performance will be published in the Annual Report and Accounts.

Customer satisfaction

The Fund has an established programme of customer satisfaction surveys, and the results of which are to be published on the Employers website and where appropriate the main public website of the Fund.

10. Employer performance

Reporting

The Fund works with employers on reporting on the service standards set out in Section 6 of this document where there is reduction in service level to Scheme Members. This approach to reporting facilitates early engagement with employers and also provides a mechanism for service level review and recognition of best practice.

Poor performance

The Fund will seek, at the earliest opportunity, to work closely with employers in identifying areas of poor performance, provide the necessary training and development to put in place appropriate processes to improve the level of service into the future.

In the event of continued poor performance and a lack of any evidence of any measures being taken to achieve improvement by an employing authority the Fund will seek to recover any additional costs arising.

Any third party costs or regulatory fines incurred by the Fund as a consequence of administrative failures or poor performance by an employing authority will be recovered from the employer. These may include fines imposed by the Courts or the Pensions Ombudsman and additional charges in respect of actuarial fees, third party computer charges and additional printing and distribution costs.

In dealing with poor performance the Fund will:

- write to the employer setting out the area(s) of poor performance;
- meet with the employing authority, to discuss area(s) of poor performance and how these can be addressed;
- issue formal written notice, where no improvement is demonstrated by the employing authority or where there has been a failure to take agreed action by the employing authority;
- make claim for cost recovery, taking account of time and resources in resolving the specific area(s) of poor performance – please see section on Cost Recovery; and
- will report any claim for cost recovery to the Pensions Committee at the next available meeting and may form part of the administrative report in the Fund's published Annual Report and Accounts.

Cost recovery

Any additional costs to Merseyside Pension Fund in the administration of the LGPS that are incurred as a direct result of an employer's poor performance will be recovered from the Employing authority. The circumstances where such additional costs will be recovered from the employing authority are:

- persistent failure to provide relevant information to the administering authority, scheme member or other interested party in accordance with service standards and performance measures (either as a result of timeliness, delivery or quality of information);

- failure to pass relevant information to the Scheme member or potential members;

- failure to deduct, and pay Merseyside Pension Fund, the correct employee and employer contributions within the stated timescales;

- instances where the performance of the employing authority results in fines being levied against the administering authority by the Pension Regulator, Pensions Ombudsman or other regulatory body; and

- additional costs incurred in providing expert third party advice in administering the Scheme on behalf of the employer, including but not exclusive to actuarial services, occupational medical practitioner services and legal services.

Where Merseyside Pension Fund determines cost recovery is appropriate, written notice will be given to the employing authority stating:

- the reasons in their opinion that the Employing authority's poor performance resulted in the additional cost;

- the amount of the additional cost incurred;

- the basis on how the additional cost was calculated; and

- the provision within the Pension Administration Strategy relevant to the decision to give notice.

11. Associated policy statements & discretions

Communications policy

This statement outlines the Fund's policy on:

- Information to members, representatives and employers;
- The format, frequency and method of distributing such information;
- The promotion of the Scheme to prospective members and their employing authorities.

The Fund website has the latest copy of this policy which can be found at:

http://mpfemployers.org.uk/content/communicating-employers

Governance policy

Wirral Metropolitan Borough Council is the Administering Authority for Merseyside Pension Fund. The Council has delegated to the Pensions Committee various powers and duties in respect of its administration of the Fund.

This statement sets out the scheme of delegation and the terms of reference, structure and operational procedures of the delegation and can be found on the Fund website at:

http://mpfemployers.org.uk/content/governance-fund

Employer discretions

Since 1997, the LGPS Regulations have required every employing authority to:

- issue a written policy statement on how it will exercise the various discretions provided by the Scheme;
- keep it under review;
- revise it as necessary.

A list of employer discretions can be found on the Employers website at:

http://mpfemployers.org.uk/content/employer-discretionary-policies

12. Appendix One

Local Government Pension Scheme (Administration) Regulations 2008 Regulation excerpts related to Pensions Administration Strategy Documents

Exchange of information by authorities

64.—(1) An employing authority which is not an administering authority must—

(a) inform the appropriate administering authority of all decisions made by the employer under Part 6 or this Part concerning members; and

(b) give that authority such other information as it requires for discharging its Scheme functions.

(2) If—

(a) an administering authority makes any decision under Part 6 or this Part about a person for whom it is not the employing authority; and

(b) information about the decision is required by his employing authority for discharging that employer's Scheme functions,

that authority must give that employer that information.

Pension administration strategy

65.—(1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

(a) procedures for liaison and communication with employers in relation to which it is the administering authority ("its employers");

(b) the establishment of levels of performance which the administering authority and its employers are expected to achieve in carrying out their Scheme functions by—

(i) the setting of performance targets,

(ii) the making of agreements about levels of performance and associated matters, or

(iii) such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its employers to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its employers under regulation 43(2) on account of that authority's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f) the publication by the administering authority of annual reports dealing with—

(i) the extent to which that authority and its employers have achieved the levels of performance established under sub-paragraph (b), and

(ii) such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority, after consulting its employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

(a) keep its pension administration strategy under review; and

(b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

(a) its pension administration strategy; and

(b) where revisions are made to it, the strategy as revised.

(6) When an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its employers and to the Secretary of State.

(7) An administering authority and its employers must have regard to the current version of any pension administration strategy when carrying out their Scheme functions.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as an employing authority.

Additional costs arising from employing authority's level of performance

43.—(1) This regulation applies where, in the opinion of the appropriate administering authority, it has incurred additional costs which should be recovered from an employing authority because of that employing authority's level of performance in carrying out its functions under these Regulations or the Benefits Regulations.

(2) The administering authority may give written notice to the employing authority stating—

(a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);

(b) the authority's opinion that the employing authority's contribution under regulation 42(1)(d) should include an amount specified in the notice in respect of the additional costs attributable to that authority's level of performance;

(c) the basis on which the specified amount is calculated; and

(d) where the administering authority has prepared a pension administration strategy under regulation 65, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraph (a), (b) or (c).

Interest

44.—(1) An administering authority may require an administering or employing authority from which payment of any amount due under regulations 39 to 42 (employers' contributions or payments) or regulation 86 (changes of fund) is overdue to pay interest on that amount.

(2) The date on which any amount due under regulations 39 to 41 is overdue is the date one month from the date specified by the administering authority for payment.

(3) The date on which any amount due under regulation 42 (other than any extra charge payable under regulation 40 or 41 and referred to in regulation 42(1)(c)) is overdue is the day after the date when that payment is due.

(4) Interest due under paragraph (1) or payable to a person under regulation 45(5) (deduction and recovery of member's contributions), 46(2) (rights to return of contributions) or 51 (interest on late payment of certain benefits) must be calculated at one per cent. above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests.

(5) Interest on any amount due in respect of regulation 86 shall be calculated in accordance with guidance issued by the Government Actuary.

13. Appendix Two

Example job description for a Pensions Liaison Officer

1. To act as the primary link for communication between the Administering Authority (AA) and the organisation and to ensure that systems are in place to disseminate information and collect it from all relevant staff.

2. To identify any pension training needs within the organisation and to ensure with the assistance of the AA that these are met.

3. To be aware of governance arrangements and ensure that all relevant personnel are aware of opportunities for participation in decision making processes.

4. To inform the Fund of any alternative service requirements to ensure equitable access, addressing the diverse needs of the membership.

5. To ensure that the organisation discharges its duties and responsibilities under the Pensions Administration Strategy (PAS), the LGPS regulations and other relevant legislation and specifically determines relevant matters:

   - the appropriate contribution rate based on earnings;
   - whether the employee is whole time, part time, variable time or a casual worker;
   - the date an employee starts and leaves;
   - the reason for leaving;
   - entitlement to benefit;
   - pensionable pay and final pensionable pay.

6. That the employer ensures that:

7. Contributions deducted from payroll are forwarded to the AA and any Additional Voluntary Contributions (AVCs) to the relevant providers on time and in the appropriate form.

8. The AA is informed of any material changes regarding the position of its employees within the deadlines laid down (Hours changes, marital status, breaks in service, certificates of protection, maternity, strikes, etc).

9. All employees are informed of their pension rights and options, whether pensionable or not within the statutory deadlines, including ensuring transfer values and pensions sharing on divorce/dissolution of Civil Partnerships are dealt within timescales prescribed.

10. Procedures are administered as laid down in the Employers Guide and the Pensions Administration Strategy document.

11. To provide information to the AA to enable an annual benefit statement to be issued to all employees.

12. To issue relevant promotional information on the pension scheme to all eligible employees and to obtain required information and pass it promptly to the AA.

13. To cooperate with the AA to ensure that members receive essential pension option information at induction, mid-life, pre retirement and other ad hoc events as necessary.

14. To ensure that employees are able to obtain estimates of benefits and information on any options available them to maximise their benefits including Additional Regular Contributions (ARCs), AVCs, purchase of strikes etc.

15. To ensure required employer policies on discretionary decisions are made and maintained and publicised.

16. To ensure that appropriate arrangements are in place to deal with medical decisions required under the regulations including:

- Ill health retirement from active status including terminal illness cases,
- Review and recovery of overpayments of pension in cases of Tier 3 benefits, and
- Applications for payment of deferred benefits on ill health grounds

17. To ensure that arrangements are in place to operate the Internal Dispute resolution procedures at stage 1 and stage 2 as required by the Regulations.

-- ends

Merseyside

PENSION FUND

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WIRRAL

lgps

INVESTORS IN PEOPLE

WIRRAL COUNCIL

PENSIONS COMMITTEE

24 JUNE 2013

SUBJECT:	**OFFICIAL OPENING OF GWYNEDD AD PLANT**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES**
KEY DECISION? *(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)*	NO

1.0 EXECUTIVE SUMMARY

1.1 This report seeks approval for the Chair of Pensions Committee to attend the official opening of the Gwynedd Anaerobic Digestion Plant on 2 July 2013.

2.0 BACKGROUND AND KEY ISSUES

2.1 In March 2012, Committee was informed of an investment into a fund providing the financing for the construction and operation of anaerobic digestion (AD) plants. The plants process food waste and generate biogas reducing landfill requirements. Potentially, initial investments were into contracts for AD plants being tendered by a number of Welsh local authorities.

2.2 MPF is currently the sole investor in the fund which has successfully won three tenders, two of which are in Wales. Construction of the first plant, "Prosiect GwyriAD" is completing. The facility will treat 11,000 tonnes of food waste from local households and businesses, all of which could otherwise be sent to landfill. The plant is fully licensed and regulated by he Environment Agency and will generate 3,500 MWh per annum of renewable electricity and a biofertiliser for use on local farmland. It is the first AD plant to be commissioned by the Welsh Assembly and to be completed. In recognition of this, a formal opening ceremony has been organised by Gwynedd Council and, as funder of the project, MPF has been invited.

3.0 RELEVANT RISKS

3.1 None

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered

5.0 CONSULTATION

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

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising from this report.

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

7.1 The cost of attendance will be travel which can be met from the existing Pension Fund budget.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

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

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

10.0 CARBON REDUCTION IMPLICATIONS

10.1 The project will generate 3,500 megawatt hours per year of renewable electricity for the national grid.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATION/S

12.1 That Committee approves attendance at this ceremony of the Chair of Pensions Committee, accompanied by an officer.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 To provide recognition and support for this environmental and sustainable initiative.

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	March 2012

WIRRAL COUNCIL

PENSIONS COMMITTEE

24 JUNE 2013

SUBJECT:	**COMPLIANCE MANUAL - SECTION 6 PERSONAL CONDUCT ARRANGEMENTS**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to seek Members approval of a revised Compliance Manual Section 6, Personal Conduct Arrangements.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Compliance Manual sets out the powers, duties and responsibilities of officers in respect of the financial services legislative and regulatory regimes relevant to MPF. Although the Pension Fund is not regulated by the Financial Conduct Authority (FCA) the manual incorporates, where appropriate, best practice as set out by the FCA and the codes of other professional bodies.

2.2 The existing Compliance Manual was approved by Pensions Committee on 20 March 2012.

2.3 At Pensions Committee 20 November 2012, Members were provided with a report on gifts and hospitality. Members requested the arrangements agreed to be reflected in a revised Compliance Manual and brought to Pensions Committee for approval.

2.4 Following approval at Employment and Appointments Committee 14 February 2013, Wirral Council has issued revised policies on gifts and hospitality and conflicts of interest. These policies have also been incorporated into the revised personal conduct arrangements section of the Compliance Manual.

3.0 RELEVANT RISKS

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

4.0 OTHER OPTIONS CONSIDERED

4.1 There are no other options considered in this report

5.0 CONSULTATION

5.1 Consultation on revised policies and procedures has taken place with Internal Audit and Human Resources.

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 There are no implications arising directly from this report.

8.0 LEGAL IMPLICATIONS

8.1 There are no implications arising directly from this report.

9.0 EQUALITIES IMPLICATIONS

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

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

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are 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/S

12.1 That Members approve the revised Section 6, Personal Conduct Arrangements of the Compliance Manual.

13.0 REASON/S FOR RECOMMENDATION/S

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

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APPENDICES

Compliance Manual Section 6 Personal Conduct Arrangements.

REFERENCE MATERIAL

Compliance Manual
Gifts and Hospitality Policy
Conflict of Interest Policy

SUBJECT HISTORY (last 3 years)

Council Meeting	**Date**
Pensions Committee – Compliance Manual	**20 March 2012**
Audit and Risk Management Committee – Gifts and Hospitality	**19 September 2012**
Pensions Committee – Gifts and Hospitality	**20 November 2012**
Employments and Appointments Committee – Gifts and Hospitality and Conflict of Interest Policies	**14 February 2013**

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SECTION 6

PERSONAL CONDUCT ARRANGEMENTS

6.1 Introduction

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

6.2 Personal dealings

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

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

6.3 Personal dealings procedure

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

6.4 Scope of Reporting Requirements

6.4.1 <u>General presumption</u>

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

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

6.5 Obtaining prior approval

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

6.6 What is a personal deal?

6.6.1 Any deal which is:

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

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

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

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

6.7 Validity of permission/procedure for declaration

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

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

6.7.3 The HOPF PA will report returned forms and non returned items to the Fund Accountant (Compliance) and Group Accountant.

6.7.4 The Fund Accountant (Compliance) and Group Accountant will review the returned forms, non returned forms and items which raise concern.

6.7.5 The Group Accountant will report to the HOPF and FOG on a monthly basis. A quarterly review of all personal deals will be undertaken by the Head of Pension Fund and evidence of this review will be included in FOG minutes. A template has been set up for these reviews.

6.7.6 It is recognised that details of individuals' holdings and dealings are confidential and information provided as a consequence of these rules will only be accessible to those employees involved in the reporting system and audit, unless malpractice is suspected.

6.7.7 The returned personal deal forms will be retained on a central file held by HOPF PA

6.8 Holding periods

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

6.9 Conflicts of interest

6.9.1 A conflict of interest can arise if your outside activities, private, personal or financial interests influence or interfere with the decisions you make in the course of your work for the fund, or appear to or could be perceived to influence or interfere with the decisions you make in the course of your work for the fund.

6.9.2 If you consider there **may** be a conflict of interest you should complete the conflict of interest declaration form (M15) and submit to your line manager and then onto Head of Service for consideration.

6.9.3 It is your responsibility to declare any **actual** or **potential** conflicts of interest. If you are in any doubt about whether an actual or potential conflict of interest exists, you should consult your manager or Human Resources.

6.9.4 Nil returns are required from all officers at Head of Service level and above on an annual basis.

6.9.5 You will be notified in writing within 10 working days of any further proportionate actions you will be required to undertake regarding your conflict of interest.

6.9.6 There may be occasions where the conflict declared presents serious concerns about the employee's continued ability to perform the full range of their duties. In such circumstances, a meeting will be arranged to discuss the issue in detail with the Head of Pension Fund and the employee. The employee may be accompanied at this meeting.

6.9.7 Once assessed the form (M15) is passed back to the Administration Officer by the line manager. The Head of Administration will maintain a register of conflict of interest declarations. All completed M15 forms will be retained on the employee's personal file held at MPF.

6.9.8 If there are any material changes which affect your declared conflict of interest in the interim period, this should be reported immediately to your line manager. This is the responsibility of the employee.

6.9.9 Employees should declare any outside interest of a financial or non-financial nature that might cause a potential conflict of interest with their work for the Fund. This would include remunerated and non-remunerated posts such as directorships or employment external to the fund. Care must be taken when considering dealings, as opportunities may arise where an individual could be involved in a company, whether quoted or not, which the individual knows or ought to know is or has been involved in a commercial relationship with the Fund.

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

6.9.11 An officer graded H and above (SCP 31+) needs authorisation to undertake outside work even if, in your view, the work could not possibly conflict with your duty as an employee of the fund. In such circumstances, they should complete the M15 form and submit it to the Head of Pension Fund for authorisation. The Head of Pension Fund may consult with Head of Human Resources as appropriate prior to a decision being made.

6.10 Exempt dealings

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

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

6.11 Exempt discretionary dealings

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

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

6.12 Definition of "Security/ies"

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

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

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

6.13 Inducements

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

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

6.14 CPD and Training Opportunities/Events

The FCA's handbook provides rules and guidance to Investment Managers on what is appropriate for designated investment business to provide to clients.

The Fund has investments with a range of managers, many of whom hold annual general meetings and annual investor conferences to which existing and potential investors are invited and some of the costs of attending are met by the manager.

It is common if an officer is speaking/lecturing at conferences that the organiser will reimburse expenditure.

These situations are not considered to be hospitality but should still be declared using a CPD/training declaration form.

Non hospitality should be reported to HOPF PA within 14 days of the meeting on the CPD/training declaration form. Returned forms will be reviewed by the Fund Accountant (Compliance) and Group Accountant.

CPD/training declaration returns will be reviewed by the HOPF and be reported to Pensions Committee annually.

The returned non hospitality forms will be retained on a central file held by HOPF PA.

6.14.1 Roles on Boards

Employees may not accept roles on boards without prior written permission from the Head of Pension Fund (HOPF). The Fund Accountant (Compliance) must be informed immediately after permission has been granted/refused and evidence of the HOPF's decision must be given to the Fund Accountant (Compliance) at the time of notification. All meetings attended must be disclosed to the Fund Accountant (Compliance) in advance of the meeting and all non-hospitality, travel and accommodation expenses, reimbursed out of pocket expenses and any salary must be declared to the Fund Accountant (Compliance) via HOPF PA on the CPD/training declaration form within 14 days of the meeting taking place.

CPD/training declaration forms will be reviewed by the HOPF and be reported to Pensions Committee annually.

The returned CPD/training declaration forms will be retained on a central file held by HOPF PA.

6.15 Gifts & Hospitality

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

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

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

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

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

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

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

(a) If the Head of Pension Fund can justify acceptance in the context of fulfilling duties as a representatives of the Fund e.g. representing the Fund at business meetings.

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

(c) If details of the hospitality/entertainment are recorded as soon as practicable (within 14 days), in a register to be maintained by the Head of Pension Fund PA, reviewed by the Fund Accountant (Compliance).

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

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

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

6.16 Procedure for declaration

Prior approval must be sought from the Head of Pension Fund prior to acceptance of any hospitality.

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

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

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

All employees must ensure that gifts and hospitality offered, as well as received, are declared using the M17 form. Employees are required to make a return within 14 days. Forms (see appendix 5) are available at Gifts-Hospitality notification form.

Returns should be submitted to the Head of Pension Fund PA and reviewed by the Fund Accountant (Compliance) and Group Accountant. They must include evidence of approval.

Signed copies of all M17 forms are sent to the Administration officer to be retained on the employee's personal file held at MPF.

The HOPF PA will maintain a register (M21) for the fund. The register will consist of a full record of all offers of gifts and hospitality offered and received, irrespective of whether they were accepted. This register is reviewed by the HOPF every month.

The register will be reviewed by Department Management Team on a quarterly basis.

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

Any breach of this policy is likely to be considered under the disciplinary policy and this could, in some circumstances, lead to dismissal.

6.17 Whistleblowing

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

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

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

6.18 Confidentiality

6.18.1 Employees

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

6.19 Home Working

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

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

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

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

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

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

WIRRAL COUNCIL

PENSIONS COMMITTEE

24 JUNE 2013

SUBJECT:	**TUNSGATE SQUARE – ROOFING TENDER**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES**
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to request that Members note the outcome of the recent tendering exercise in respect of a replacement patio roof at the Tunsgare shopping centre in Guildford.

1.2 The appendix to the 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 The Tunsgare Square shopping centre is owned by MPF as part of the direct property investment portfolio. The consisted of replacing the patio roof covering for the flats which form part of the shopping centre.

2.2 The tender process was managed by CBRE in accordance with Wirral's financial guidelines. Full details of the tenders are set out in the appendix.

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 financial implications are set out in the appendix. There are no other 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 from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATION/S

12.1 That Members note acceptance of the most economically advantageous tender by the Interim Director of Resources.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 As set out in the appendix, there were a number of issues with the tenders submitted and the reasons for CBRE's recommendation are detailed.

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APPENDICES

Exempt Appendix 1

REFERENCE MATERIAL

NONE

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSIONS COMMITTEE

24 JUNE 2013

SUBJECT:	**CASTLE CHAMBERS 4TH FLOOR REFURBISHMENT**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES**
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to request that Members note the outcome of the recent tendering exercise in respect of refurbishing two offices on the 4th floor of Castle Chambers.

1.2 The appendix to the 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 Castle Chambers is owned by MPF as part of the direct property investment portfolio. The refurbishment work consisted of stripping out partitions, constructing a new entrance for one office, repairing and replacing suspended ceiling tiles, new carpets, redecoration and new lighting installation throughout.

2.2 The tender process was managed by CBRE in accordance with Wirral's financial guidelines. Full details of the tenders are set out in the appendix.

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 financial implications are set out in the appendix. There are no other 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 from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATION/S

12.1 That Members note acceptance of the lowest cost tender by the Interim Director of Resources.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 The appendix sets out full details of the tenders and the reasons for CBRE's recommendation.

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APPENDICES

Exempt Appendix 1

REFERENCE MATERIAL

NONE

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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

Agenda Item 19

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

Agenda Item 21

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