



## Pensions Committee

**Date:** Monday, 16 September 2013

**Time:** 6.00 pm

**Venue:** Committee Room 1 - Wallasey Town Hall

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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 - 8)**

To approve the accuracy of the minutes of the meeting held on 24 June, 2013.

**3. GRANT THORNTON - ANNUAL GOVERNANCE REPORT (Pages 9 - 28)**

**4. DRAFT ANNUAL REPORT (Pages 29 - 32)**

**5. FUND ACCOUNTS 2012/13 (Pages 33 - 36)**

**6. LGPS UPDATE (Pages 37 - 66)**

**7. FUTURE STRUCTURE OF THE LGPS (Pages 67 - 78)**

**8. TACTICAL ASSET ALLOCATION (Pages 79 - 82)**

**9. IT COSTS 2014 REFORM (Pages 83 - 86)**

**10. ANNUAL EMPLOYERS CONFERENCE (Pages 87 - 90)**

- 11. LGPS FUNDAMENTALS TRAINING (Pages 91 - 98)**
- 12. LAPFF CONFERENCE (Pages 99 - 102)**
- 13. INFRASTRUCTURE & PRIVATE EQUITY SEMINAR (Pages 103 - 106)**
- 14. NAPF CONFERENCE (Pages 107 - 130)**
- 15. AMEY SERVICES (Pages 131 - 134)**
- 16. TUNSGATE SQUARE TENDER (Pages 135 - 138)**
- 17. GRWP MINUTES 18 JULY 2013 (Pages 139 - 142)**
- 18. EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

The following items contain exempt information.

RECOMMENDATION: That, under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined by the relevant paragraphs of Part I of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

- 19. TACTICAL ASSET ALLOCATION EXEMPT APPENDICES (Pages 143 - 164)**
- 20. IT COSTS 2014 REFORM EXEMPT APPENDIX (Pages 165 - 166)**
- 21. AMEY SERVICES EXEMPT APPENDIX (Pages 167 - 168)**
- 22. TUNSGATE SQUARE TENDER EXEMPT APPENDIX (Pages 169 - 172)**
- 23. GRWP MINUTES EXEMPT APPENDIX (Pages 173 - 180)**
- 24. IMWP MINUTES 11 SEPTEMBER 2013 EXEMPT APPENDIX**

Minutes to follow.

- 25. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR**

## PENSIONS COMMITTEE

Monday, 24 June 2013

|                       |             |  |                                 |
|-----------------------|-------------|--|---------------------------------|
| <u>Present:</u>       | Councillor  | AR McLachlan (Vice-Chair)                                |                                 |
|                       | Councillors | G Watt<br>G Davies<br>S Hodrien                          | H Smith<br>M Hornby<br>C Povall |
|                       | Councillors | N Keats, Knowsley Council<br>J Fulham, St Helens Council |                                 |
| <u>In attendance:</u> |             | P Goodwin (Unison)                                       |                                 |
| <u>Apologies</u>      | Councillors | P Glasman<br>T Harney<br>A Jones<br>P Tweed<br>P Hurley  |                                 |
|                       |             | Mr P Wiggins (Unison)<br>Mr P McCarthy                   |                                 |

### 1 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.

### 2 MINUTES

The Strategic Director Transformation and Resources submitted the minutes of the meeting held on 25 March 2013.

**Resolved – That the minutes be received.**

### 3 PAUL WIGGINS

The Chair informed the Committee of a number of apologies for this meeting including that of Paul Wiggins, UNISON representative who had recently had a period of ill health requiring a stay in hospital. The Chair was pleased to inform members that he was now on the road to good health and offered the Committee's best wishes for a speedy recovery.

**Resolved – That members of the Pensions Committee send their good wishes to Paul Wiggins for a speedy recovery.**

**4 ORDER OF BUSINESS**

The Chair agreed to vary the order of business.

**5 MERSEYSIDE PENSION FUND - EXTERNAL AUDIT PLAN 2012-13.**

The Strategic Director of Transformation and Resources submitted the Audit Plan for Merseyside Pension Fund.

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

**6 LGPS UPDATE**

A report of the Strategic Director of Transformation and Resources updated Members on the technical responses from MPF to the second round of Statutory Consultations in regard to the new LGPS from 1 April 2014.

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

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

MPF submission dated 3 May 2013 to DCLG Consultation on Draft LGPS 2013 Regulations, MPF submission dated 24 May 2013 to DCLG Consultation on Draft Transitional Provisions and Draft Miscellaneous Amendment Regulations 2013 and MPF submission dated 3 May 2013 to DWP Consultation on Technical Changes To Automatic Enrolment were included as appendices to the report.

Yvonne Caddock, Principal Pensions Officer, outlined the key issues of the report and responded to members comments.

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

**7 ANNUAL INVESTMENT PERFORMANCE**

A report of the Strategic Director of Transformation and Resources set out the investment performance of Merseyside Pension Fund for the year ended March 2013 as calculated by the WM Company.

**Resolved – That**

**1 the report be noted.**

**2 the officers be congratulated on the success of the Fund.**

**8 TREASURY MANAGEMENT ANNUAL REPORT**

A report of the Strategic Director of Transformation and Resources presented a review of treasury management activities within Merseyside Pension Fund (MPF) for the 2012/13 financial year and reported any circumstances of non-compliance with the treasury management strategy and treasury management practices. It had been prepared in accordance with the revised CIPFA Treasury Management Code.

Peter Wallach, Head of Merseyside Pension Fund, outlined the key issues of the report and responded to members questions.

**Resolved – That the Treasury Management Annual Report for 2012/13 be noted.**

**9 BUDGET FINANCIAL YEAR 2013/2014, BUDGET OUT TURN 2012/13 AND ANNUAL REPORT 2012/13.**

A report of the Strategic Director of Transformation and Resources requested 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

It was reported that there were 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. The budget for 2013/14 including the out-turn for 2012/13 and the original appendix as reported to Members on 15th January 2013 were included as appendices to the report for information.

**Resolved – That**

**1 the finalised budget for 2013/14 with revised estimates for departmental & central support charges for 2013/14 and finalised salary costs be approved.**

**2 the 2012/13 Annual Report including 3 year financial estimates be approved.**

**3 the out turn for 2012/13 be noted.**

**10 LGC INVESTMENT SUMMIT**

A report of the Strategic Director of Transformation and Resources requested nominations to attend the LGC Investment Summit to be held in Newport, South Wales from 5-6 September 2013.

**Resolved – That attendance at the conference be approved in principle in the ratio 1:1:1.**

**11 PENSIONS ADMINISTRATION STRATEGY STATEMENT**

A report of the Strategic Director of Transformation and Resources informed the Pension Committee of the required update to the Pensions Administration Strategy

Statement, to reflect recent procedural changes resulting from the introduction of new legislation.

A copy of the Pensions Administration Strategy 2013 was attached as an appendix to the report for information.

**Resolved - That the amendments to the Pensions Administration Strategy Statement attached as appendix 1 to the report be approved.**

**12 OFFICIAL OPENING OF GWYNEDD AD PLANT.**

A report of the Strategic Director of Transformation and Resources sought approval for the Chair of Pensions Committee to attend the official opening of the Gwynedd Anaerobic Digestion Plant on 2 July 2013.

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

**Resolved – That attendance at this ceremony of the Chair of the Pensions Committee and the Head of the Pensions Fund be agreed.**

**13 COMPLIANCE MANUAL - SECTION 6 PERSONAL CONDUCT ARRANGEMENTS.**

A report of the Strategic Director of Transformation and Resources sought the Committees approval of a revised Compliance Manual Section 6, Personal Conduct Arrangements.

A copy of the Compliance Manual Section 6 Personal Conduct Arrangements was attached as an appendix to the report.

**Resolved - That the revised Section 6, Personal Conduct Arrangements of the Compliance Manual be approved.**

**14 TACTICAL ASSET ALLOCATION**

A report of the Strategic Director of Transformation and Resources requested that the Pensions Committee approve a framework for active management of medium term asset allocation.

Appendix 2 to the report contained 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).

Aon Hewitt attended the meeting and presented a report on the Principles of MTAA and the proposals for implementation. An earlier version of this report had been presented to members at the meeting of the IMWP on 12 March 2013. Members questions were invited and responded to.

**Resolved – That**

- 1 a framework for active management of medium term asset allocation including the following key aspects be approved:**
  - the setting up of a MTTA panel as outlined in the appendix.
  - the appointment of an overlay manager subject to completion of due diligence work by Aon Hewitt (This would be delegated to officers and reported to Committee in September).
  - the provision of additional services from Aon Hewitt as MTAA advisors under their existing contract.
- 2 subject to approval, the Compliance Manual would be amended to reflect the MTAA framework.**
- 3 the additional consultancy fees paid to Aon Hewitt for conducting due diligence on the recommended arrangements be noted.**

**15 TUNSGATE SQUARE - ROOFING TENDER**

A report of the Strategic Director of Transformation and Resources requested that Members note the outcome of the recent tendering exercise in respect of a replacement patio roof at the Tunsgate shopping centre in Guildford.

The appendix to the report (report from CBRE on the tender process) 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 acceptance of the most economically advantageous tender by the Interim Director of Resources be noted.**

**16 IMWP MINUTES**

A report of the Strategic Director of Transformation and Resources provided Members with the minutes of the Investment Monitoring Working Parties (IMWP) held on 10 April and 12 June 2013.

The appendices to the report, the minutes of the IMWP's on 10 April and 12 June 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 IMWP’s which were attached as an exempt appendix to this report be approved.**

**17 CASTLE CHAMBERS 4TH FLOOR REFURBISHMENT.**

A report of Strategic Director of Transformation and Resources requested that Members note the outcome of the recent tendering exercise in respect of refurbishing two offices on the 4<sup>th</sup> floor of Castle Chambers.

The appendix to the report (report from CBRE on the tender process) 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 acceptance of the lowest cost tender by the Interim Director of Resources be noted.**

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

A report of the Strategic Director of Transformation and Resources informed Members of a training opportunity to be held on 10 September 2013 at the Monastery, Manchester and asked if Members wish to attend.

**Resolved – That**

- 1 attendance at this event for those Members who wish to avail themselves of the opportunity be approved.**
- 2 the Head of Merseyside Pension Fund circulate details and dates of the training to members of the Pension Committee.**

**19 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 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.**

**20 TACTICAL ASSET ALLOCATION EXEMPT APPENDIX.**

The appendix to the report on Tactical Asset Allocation (Minute 14 refers) was exempt by virtue of paragraph 3.

**21 TUNSGATE SQUARE - ROOFING TENDER EXEMPT APPENDIX.**

The appendix to the report on Tunsgate Square – Roofing Tender (Minute 15 refers) was exempt by virtue of paragraph 3.

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



The appendix to the report on IMWP Minutes 10/04/13 & 12/06/13 Tunsgate Square – Roofing Tender (Minute 16 refers) was exempt by virtue of paragraph 3.

**23 CASTLE CHAMBERS 4TH FLOOR REFURBISHMENT.**

The appendix to the report on Castle Chambers (Minute 17 refers) was exempt by virtue of paragraph 3.

**24 ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR**

**25 CORPORATE GOVERNANCE - GMI CONFERENCE AND UPDATE ON IFRS FRAMEWORK**

A report of the Strategic Director of Transformation and Resources sought approval for the Chair of Pensions Committee to attend the GMI Ratings' 2013 Public Funds Forum – The Future of Corporate Reform in Newport, California. The Head of the Pension Fund indicated that the event covered topics that should be relevant and useful to Committee and it would be free to attend.

As an appendix to this report, Members were also advised of the potentially significant findings of a Counsel's opinion commissioned by the Local Authority Pension Fund Forum in relation to the International Financial Reporting Standards (IFRS) framework.

The issues identified in the opinion raised fundamental concerns about accounting practices in recent years, which had had a particularly damaging effect on the banking sectors in the UK and Ireland. This in turn raised significant questions about the decisions taken by bank directors which, in LAPFF's view, were based on faulty numbers produced under the IFRS framework.

**Resolved – That**

- 1 attendance at this prestigious event by the Chair of Pensions Committee be approved.**
- 2 Counsels advice in relation to the International Financial Reporting Standards (IFRS) framework attached as an appendix to the report be noted.**

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# The Audit Plan for Merseyside Pension Fund

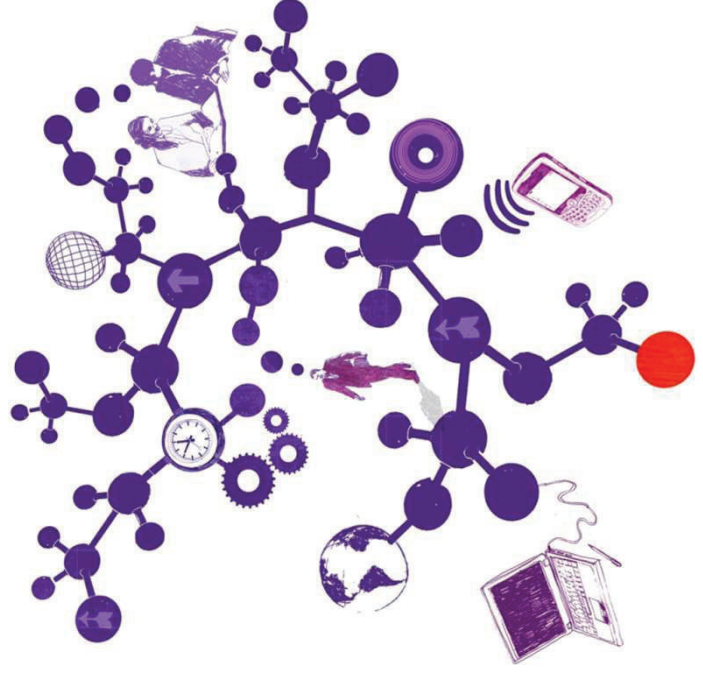
Year ended 31 March 2013  
30 May 2013

Page 9

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.





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# Contents

| Section   | Page |
|---|------|
| 1. Understanding your business  | 4    |
| 2. Developments relevant to your business and the audit               | 5    |
| 3. Our audit approach   | 6    |
| 4. An audit focused on risks  | 7    |
| 5. Significant risks identified                                       | 9    |
| 6. Other risks  | 10   |
| 7. Results of interim work  | 12   |
| 8. Logistics and our team   | 14   |
| 9. Fees and independence  | 15   |
| 10. Communication of audit matters with those charged with governance | 16   |
| <b>Appendices</b>   |      |
| A. Action plan  | 18   |

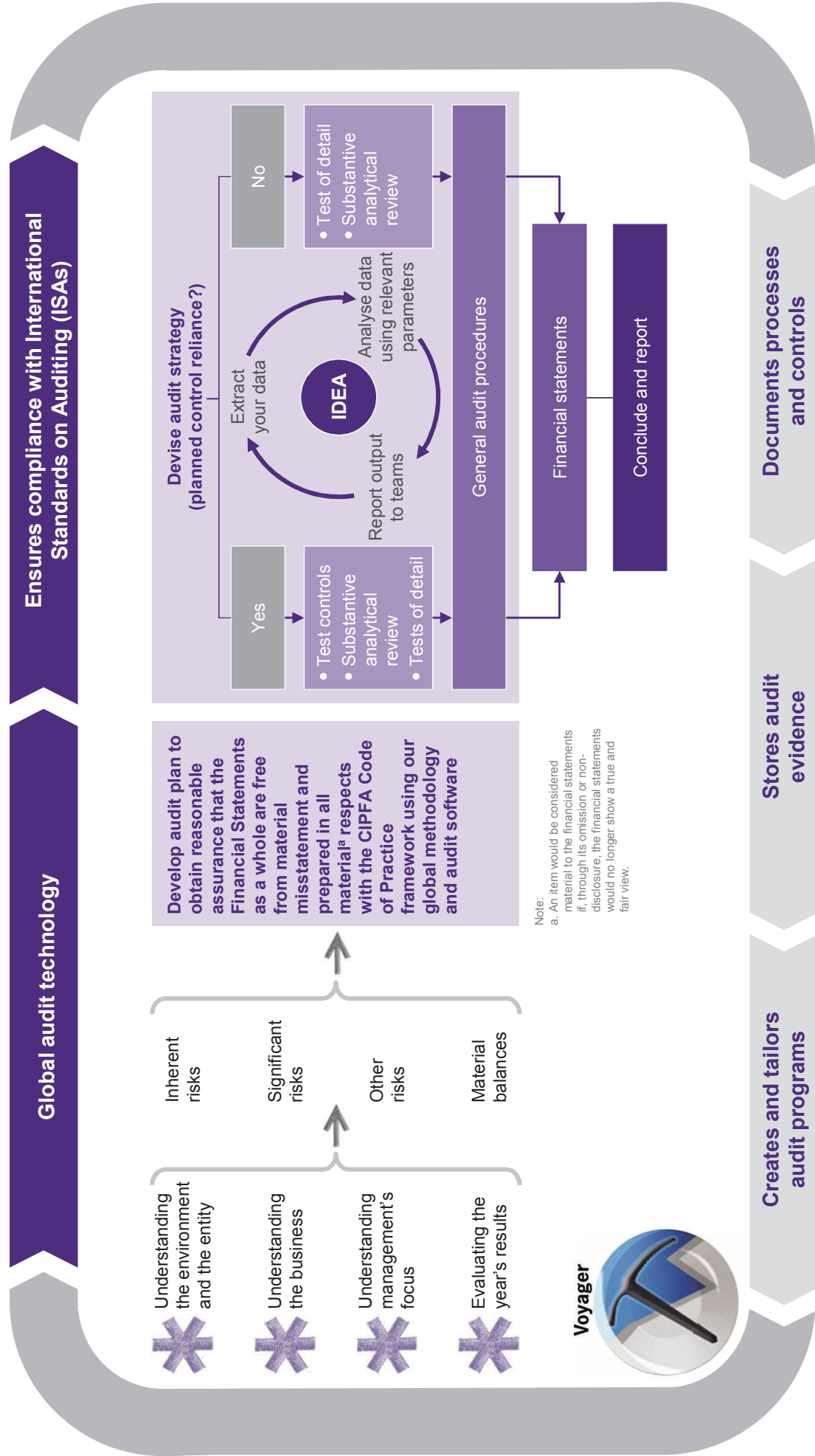
# Understanding your business

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  |  |  |  |
|---|--|--|--|
| <b>1. Change in custodian</b> <ul style="list-style-type: none"> <li>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.</li> </ul>  | <b>2. AXISe to Altair</b> <ul style="list-style-type: none"> <li>The pensions administration system AXISe is being upgraded to Altair in the year.</li> </ul>  | <b>3. Appointment of passive management services.</b> <ul style="list-style-type: none"> <li>MPF have appointed a provider of passive management services. This has lead to a £1.4bn movement of asset class in the year.</li> </ul> | <b>4. Change in bank</b> <ul style="list-style-type: none"> <li>The pension fund has changed its provider of banking services from RBS to Lloyds TSB.</li> </ul>   |
| <div>     </div>  |  |  |  |
| Our response  |  |  |  |
| <ul style="list-style-type: none"> <li>We will review and test the pension funds reconciliations of the assets before and after the date of transfer.</li> <li>We will have regard to the custodian's project plans, and review to assess adherence to the plans.</li> <li>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.</li> <li>We will, where possible, take assurance from the work of internal audit.</li> </ul> | <ul style="list-style-type: none"> <li>We will gain assurance that the new system is operating effectively, and generates correct information for inclusion within the financial statements.</li> <li>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.</li> <li>We will, where possible, take assurance from the work of internal audit.</li> </ul> | <ul style="list-style-type: none"> <li>We will substantively test the assets to ensure that all assets were transferred, and that classification and valuation are materially accurate at year end.</li> </ul>                       | <ul style="list-style-type: none"> <li>We will review and test the pension funds reconciliations before and after the date of transfer of banks.</li> <li>We will obtain direct confirmation from RBS to confirm that balances have been transferred to Lloyds TSB.</li> </ul> |



# Our audit approach





## 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                          | ×                    |
| Investments  | Yes   | Investments                                | Medium        | Other                       | Investments not valid<br>Fair value measurement not correct | No                          | ✓                    |
| Current assets   | No  | Scheme Contributions, investments and cash | Low           | None                        |   | No                          | ×                    |
| Current liabilities  | No  | Benefit payments, investments              | Low           | None                        |   | No                          | ×                    |

## 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  |
|---|---|---|
| <b>Revenue</b>                          | 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. | <ul style="list-style-type: none"> <li>• Review and testing of revenue recognition policies for both contributions and investment income; and</li> <li>• Performance of sample testing on material contribution and investment income streams.</li> </ul> |
| <b>Management over-ride of controls</b> | Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.  | <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgements and decisions made by management;</li> <li>• Testing of journals entries; and</li> <li>• Review of unusual significant transactions.</li> </ul>                       |

## 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<br>Investments activity not valid<br>Fair value measurement not correct | <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>We will also have particular regard to the appointment of passive management services and subsequent transfer of £1.4bn of assets in the year.</li> <li>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).</li> <li>The existence of investments will be confirmed directly with independent custodians or by agreement to legal documentation.</li> <li>We will test a sample of sales and disposals during the year back to detailed information provided by the custodian and fund managers.</li> </ul> |
| Benefit Payments                | Benefits improperly computed/claims liability understated                                     | <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>The movements on membership statistics will also be compared to transactions in the accounting records.</li> </ul>  |

## Other risks continued

| Other reasonably possible risks | Description  | Planned audit procedure   |
|---------------------------------|--|---|
| Contributions                   | Recorded contributions not correct.  | <ul style="list-style-type: none"> <li>We will test the controls the pension fund operates to ensure that it receives all expected contributions from member bodies.</li> <li>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.</li> </ul>   |
| AXISe to Altair                 | The funds AXISe system (pensions payroll and membership administration system) is being changed in year to Altair. | <ul style="list-style-type: none"> <li>We will gain assurance that the new system is operating effectively, and generates correct information for inclusion within the financial statements.;</li> <li>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</li> <li>We will, where possible, seek to obtain assurance from the work of internal audit .</li> </ul> |
| Change in bank                  | The pension fund has changed its provider of banking services from RBS to Lloyds TSB                               | <ul style="list-style-type: none"> <li>We will review and test the pension funds reconciliations before and after the date of transfer of banks; and</li> <li>We will obtain direct confirmation from RBS to confirm they no longer hold assets of the pension fund.</li> </ul>   |

# 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:

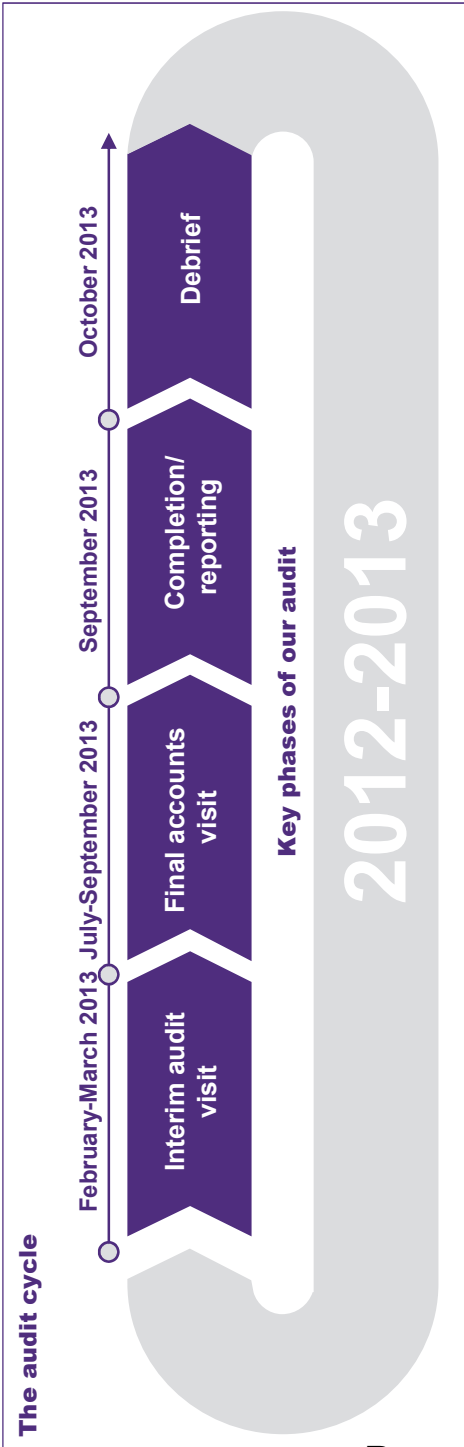
- the effectiveness of the internal audit function
- internal audit's work on the Pension fund's key financial systems
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement
- a review of Information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

|                            | Work performed   | Conclusion/ Summary   |
|----------------------------|--|---|
| <b>Internal audit</b>      | 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. | <p>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.</p> <p>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.</p> |
| <b>Walkthrough testing</b> | 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.  | <p>With the exception of year end processes, we have walked through all material systems that we consider present a risk of material misstatements.</p> <p>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:</p> <p><input type="checkbox"/> 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.</p>                                  |

## Results of interim audit work (continued)

|   | Work performed   | Conclusion/ Summary  |
|---|--|--|
| <b>Review of information technology (IT) controls</b> | 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.   |
| <b>Journal entry controls</b>                         | 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



## Our team

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| 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 |



# 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.<br>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](http://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   |            | ✓              |

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# 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.<br>Peter Wallach        |



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## WIRRAL COUNCIL

### PENSIONS COMMITTEE

16 SEPTEMBER 2012

|  |  |
|--|--|
| <b>SUBJECT:</b>  | <b>DRAFT ANNUAL REPORT</b>                                   |
| <b>WARD/S AFFECTED:</b>  | <b>NONE</b>  |
| <b>REPORT OF:</b>  | <b>STRATEGIC DIRECTOR<br/>TRANSFORMATION &amp; RESOURCES</b> |
| <b>KEY DECISION?</b> <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i> | NO   |

#### 1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide Members with the draft Annual Report of Merseyside Pension Fund for 2012/13.
- 1.2 A copy of the draft Annual Report will be available for Members at the meeting.

#### 2.0 BACKGROUND AND KEY ISSUES

- 2.1 The LGPS regulations require the pension Fund Annual Report to contain the Fund Accounts and Net Asset Statement with supporting notes and disclosures, prepared in accordance with proper practices.
- 2.2 International Standards on Auditing (UK&I) 720 requires that auditors read any information published with the accounts. It also states that the auditor should not issue an opinion until that other information is published.

#### 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 from this report.

#### 6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising from this report.

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

- 7.1 There are none arising directly from this report.

## 8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report

## 9.0 EQUALITIES IMPLICATIONS

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

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

## 10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are 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 none arising from this report.

## 12.0 RECOMMENDATION/S

12.1 That Members approve the draft Annual Report of Merseyside Pension Fund for publication.

## 13.0 REASON/S FOR RECOMMENDATION/S

13.1 Regulation 34 of the Local Government Pension Scheme (LGPS) Administration Regulations requires local authorities to produce an Annual Report for the year to 31 March by 1 December of that year.

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## APPENDICES

None

## REFERENCE MATERIAL

## SUBJECT HISTORY (last 3 years)

| Council Meeting   | Date |
|---|------|
| The Fund's draft annual report is brought annually to this Committee. |      |





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## WIRRAL COUNCIL

### PENSIONS COMMITTEE

16<sup>TH</sup> SEPTEMBER 2013

|                                      |   |
|--------------------------------------|---|
| <b>SUBJECT:</b>                      | <b>STATEMENT OF ACCOUNTS 2012/13</b>                    |
| <b>WARD/S AFFECTED:</b>              | <b>ALL</b>  |
| <b>REPORT OF:</b>                    | <b>JIM MOLLOY</b><br><b>INTERIM DIRECTOR OF FINANCE</b> |
| <b>RESPONSIBLE PORTFOLIO HOLDER:</b> |   |
| <b>KEY DECISION?</b>                 | NO  |

#### 1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to present Members with the audited statement of accounts of Merseyside Pension Fund for 2012/13 and to respond to the Annual Governance Report (AGR) from Grant Thornton.

#### 2.0 BACKGROUND AND KEY ISSUES

- 2.1 The purpose of the Statement of Audited Accounts is to present the overall financial position of the Pension Fund as at 31<sup>st</sup> March 2013 in accordance with prescribed guidance.
- 2.2 The un-audited statement of accounts were discussed at a meeting of the Governance and Risk Working Party on 18 July and a presentation on the accounts was made at a training session open to Council on 12<sup>th</sup> August.
- 2.3 Grant Thornton is close to completion of its audit of the accounts and the Annual Governance Report (AGR) is on this agenda. They may provide a verbal update at the meeting on the AGR and officers will respond if necessary.
- 2.4 A response to the AGR is contained in the appendices to this report. Officers have agreed to all of the suggested adjustments to the accounts and to the recommendations.
- 2.5 I have prepared a Letter of Representation on behalf of the Committee which gives assurances to the Auditor on various aspects relating to the Pension Fund.
- 2.6 The Audit Opinion will be issued following final completion of the audit, consideration of the Annual Governance Report and approval of the amended Statement of Accounts at both the Pensions Committee and the Audit and Risk Management Committee. Once approved, Grant Thornton have indicated that they will again issue an unqualified opinion, and state that the accounts present fairly the financial position of Merseyside Pension Fund as at 31 March 2013. Subject to this, the accounts as now shown will form the basis of the Annual Report for the year ended 31 March 2013.

### **3.0 RELEVANT RISKS**

3.1 Not relevant for this report.

### **4.0 OTHER OPTIONS CONSIDERED**

4.1 Not relevant for this report

### **5.0 CONSULTATION**

5.1 Not relevant for this report

### **6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

6.1 There are no implications arising directly from this report

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

7.1 There are none arising directly from this report

### **8.0 LEGAL IMPLICATIONS**

8.1 There are no implications arising directly from this report.

### **9.0 EQUALITIES IMPLICATIONS**

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

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

### **10.0 CARBON REDUCTION IMPLICATIONS**

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

### **11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

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

### **12.0 RECOMMENDATIONS**

12.1 That the Pensions Committee approves the audited Statement of Accounts for 2012/13 considers the amendments to the draft accounts and the draft Annual Governance Report and the Letter of Representation.

12.2 That the Action Plan within the Annual Governance Report is agreed, and that the Pensions Committee is informed of progress with its implementation.

12.3 That the Pensions Committee refers the recommendations to the Audit and Risk Management Committee.

### **13.0 REASONS FOR RECOMMENDATION**

13.1 Under the Audit Commission Act 1998 and the Audit Commission Code of Audit Practice for Local Government, the District Auditor reports on Pension Fund Financial Statement, as part of those of the Council.

13.2 As the Pension Fund receives a separate AGR, this report will first be considered by the Pensions Committee, and then by the Audit and Risk Management Committee.

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## **APPENDICES**

1. A summary of the response to the AGR and action plan is attached as an appendix to this report.
2. The statement of accounts forms part of the draft annual report which is a separate item on the agenda at this Committee meeting.

## **REFERENCE MATERIAL**

The Statement of Accounts plus relevant working papers and the AGR from Audit Commission were used in the production of this report.

## **SUBJECT HISTORY (last 3 years)**

| <b>Council Meeting</b>                     | <b>Date</b>                           |
|--|---------------------------------------|
| <b>PENSIONS COMMITTEE</b>                  | <b>18<sup>th</sup> SEPTEMBER 2012</b> |
| <b>AUDIT AND RISK MANAGEMENT COMMITTEE</b> | <b>19<sup>th</sup> SEPTEMBER 2012</b> |
| <b>PENSIONS COMMITTEE</b>                  | <b>19<sup>th</sup> SEPTEMBER 2011</b> |
| <b>AUDIT AND RISK MANAGEMENT COMMITTEE</b> | <b>28<sup>th</sup> SEPTEMBER 2011</b> |
| <b>PENSIONS COMMITTEE</b>                  | <b>27<sup>th</sup> SEPTEMBER 2010</b> |
| <b>AUDIT AND RISK MANAGEMENT COMMITTEE</b> | <b>28<sup>th</sup> SEPTEMBER 2010</b> |

**Response to Audit Commission Annual Governance Report  
Audit 2011/12**

**1. Executive Summary**

- 1.1 The purpose of this note is to set out the response to the Audit Commission Annual Governance Report Audit 2012/13.
- 1.2 The key points are that subject to outstanding work there will be an unqualified opinion and that there are no material errors. All of the non material errors non trivial errors and disclosure errors have been amended. All of the recommendations have been agreed. The Audit Commission deliver a positive verdict on the conduct of the audit.

**2. Explanation of Unadjusted Misstatements**

- 2.1 Below is an extract from the Audit Report

*Property rental income of £3.194m has been incorrectly recognised as a receipt in advance within current liabilities in the net assets statement, rather than being recognised as income within the 2012/13 fund account. The effect of the misstatement is that both property rental income and the total net assets of the fund are understated by £3.194m. If this error were to be amended then the total net assets of the fund would increase from £5.819bn to £5.822bn.*

- 2.2 The management response to this is that whilst the finding is accepted the accounts will not be changed for the following reasons.
  - The amount is below the threshold for materiality agreed with the auditors before commencement of the audit.
  - This is an understatement of the Fund rather than an overstatement
  - This was identified at the end of the audit process and there are difficulties in amending the financial statements and notes at this late stage.
- 2.3 The Fund is intending to review its procedures for monitoring of property income and the way in which reports from the managing agent (CBRE) are input to the Fund's accounting systems.

**3. Recommendations relating to Misclassifications and Disclosure Changes**

- 3.1 Management at the Fund has agreed to the changes outlined in Grant Thornton's report on page 13 which resulted in some changes to the notes to the financial statements.

**4. Recommendations relating to other matters**

- 4.1 There are no significant issues.

## WIRRAL COUNCIL

### PENSIONS COMMITTEE

16 SEPTEMBER 2013

|  |   |
|--|---|
| <b>SUBJECT:</b>                          | <b>LGPS UPDATE</b>  |
| <b>WARDS AFFECTED:</b>                   | <b>ALL</b>  |
| <b>REPORT OF:</b>                        | <b>STRATEGIC DIRECTOR OF<br/>TRANSFORMATION AND RESOURCES</b> |
| <b>RESPONSIBLE PORTFOLIO<br/>HOLDER:</b> |   |
| <b>KEY DECISION</b>                      | <b>NO</b>   |

#### 1.0 EXECUTIVE SUMMARY

- 1.1 This report updates Members of the latest developments relating to the proposed reform of the Local Government Pension Scheme (LGPS) and outlines the current consultations that are taking place. In addition, it presents a position statement on the national Communication Plan - the focus of which is to promote the value of the new Scheme to the current membership.
- 1.2 It also covers the recent Ministerial Statement and the guarantee from the Department for Education to cover outstanding LGPS exit debts upon the closure of an Academy.

#### 2.0 BACKGROUND AND KEY ISSUES

##### Reform of the LGPS – The 2014 Project

- 2.1 Members previously considered the Fund's formal responses to the three part consultation at the last committee meeting on 24 June 2013 (minute 6 refers). Issued on 28 March 2013, this consultation covered the main elements of the new Scheme design including transitional provisions seeking to protect previously accrued benefits.
- 2.2 On 20 June the DCLG issued its third technical consultation on the LGPS 2014 draft regulations. These now appear generally fit for purpose and provide greater detail in terms of how the new Scheme will operate. The first drafts of the administration regulations are included and in the main they mirror the current regulatory provisions of the LGPS.
- 2.3 MPF submitted its formal response within the prescribed deadline of 2<sup>nd</sup> August after seeking the approval of the Chair of Pensions Committee. The response highlighted provisions within the draft regulations that appeared ambiguous; it also provided a considered view on questions posed in regard outstanding policy decisions.

A copy of the response is attached as Appendix 1 to the report and the technical consultation paper can be accessed at the following website address:

<https://www.gov.uk/government/consultations/local-government-pension-scheme-2014>

- 2.4 The most significant policy issue related to the management of employer risk and exit debts. It questioned the merit of retaining the provisions within the regulations to allow for “separate admission agreement funds” to be established in the new Scheme.

MPF concurs with the LGA’s view that the provision should not only be carried forward but also extended to allow distinct funds for any type of scheme employers.

This would enable administering authorities to establish separate funds and ring-fence liabilities to relevant employers within the overall Fund. This would then allow closing deficits to be contained within the separate pooled fund rather than being spread across all employers.

#### **DCLG: Discussion Paper – New Governance Arrangements LGPS 2014**

- 2.5 DCLG also issued a discussion paper on Scheme Governance on 20 June 2013 – this takes into consideration key provisions within the Public Service Pensions Act 2013 that are required for the LGPS from next year.

Comments were invited on a number of questions; these responses will then be used by DCLG when formulating draft regulations on Governance, due for consultation later this year.

- 2.6 The deadline for the response was 30<sup>th</sup> August 2013, and MPF’s response was shared with the Chair of the Pensions Committee for comment prior to submission.

- 2.7 The areas being addressed within the discussion paper are as follows:
- Timing of the implementation of Scheme Advisory and Local Pension Boards
  - The role of the “Scheme Manager” (i.e. the local administering authority)
  - Implementation of “Local Pension Boards” (i.e. the new local scrutiny board)
  - Implementation of the “Scheme Advisory Board” (i.e. the national board)

- 2.8 The consultation seeks views on a list of 26 questions; the response is attached as Appendix 2 of the report and the original 15 page discussion paper can be accessed at the following website address:

<https://www.gov.uk/government/consultations/local-government-pension-scheme-england-and-wales-new-governance-arrangements>

- 2.9 The main area of contention amongst Administering Authorities is the question posed as to whether the new Scheme regulations require “Local Pension Boards” to be established as a body separate to the current statutory pension committee.

It is the adopted view that where a statutory pension committee is undertaking the role of “Scheme Manager” the creation of a separate “Local Pension Board” will create another level of governance which is not strictly required if robust governance arrangements exist.



Whilst it cannot be refuted that it is difficult for any committee to self scrutinise, this obstacle could be overcome through the appropriate use of independent professional advisors - therefore permitting the statutory committee and the "Local Pension Board" role to be undertaken by the same body.

However, restrictions imposed by the Public Service Pension Act will make it difficult for the scrutiny role to be carried out by an existing committee, particularly the requirement for the Pension Board to have equal numbers of employer and member representatives.

Consequently, the concluding opinion of MPF was that as the principal factors of good governance are transparency, accountability and the effective management of risk, the underlying objective would be best achieved by the separation of the two bodies - with different members assigned to the "Scheme Manager Committee" and to the "Local Pension Board".

The resultant outcome will be applied consistently across the Scheme as a whole and there will be no provision within the regulations to choose an alternative option.

### **Statutory Consultation on Councillors' access to LGPS membership**

- 2.10 Following the written Ministerial statement to Parliament on 19 December 2012 regarding Councillors' access to membership of the LGPS from 1 April 2014 onwards, DCLG issued a Statutory Consultation on "Taxpayer-funded pensions for councillors and other elected office holders" on 10 April 2013.
- 2.11 The closing date for this consultation was 5 July 2013.
- 2.12 MPF considered the three options presented, alongside the technical aspects and the funding implications. A draft response was circulated to all Members and following a brief discussion at the last Committee meeting, MPF's response was submitted within the prescribed deadline. A copy of the response is attached as Appendix 3 of the report.
- 2.13 The response presented the view that as the Fund's primary objective is to provide valuable pension savings to people providing local public services, it supported the continued participation of Councillors in the LGPS.

However, continuation should be maintained as a 'discretion' of the employing authority, in recognition of the Localism agenda allowing individual councils to consider local needs and circumstances.

In addition, Councillors' participation should be included within the general scope of the 2014 Scheme, including the same member contribution rate bandings – thus bringing a closure to the current separate Councillors' scheme

- 2.14 DCLG has reported that there has been immense engagement with the consultation with over 700 responses - DCLG intend to advise Ministers shortly of the likely outcome.

## **LGPS 2014 – Communications**

### **2.15 Communications Plan**

The national draft Communication Plan for LGPS 2014 was approved by the LGPC in July 2013. The plan pulls together the layers of communications for scheme members, employers and practitioners that are being collaboratively worked on for the new scheme. It is expected that this plan will be updated as and when required in line with the Reform process.

### **2.16 Employer Communications**

A briefing note for employers has been published by the Local Government Association to highlight the implications of the scheme changes on payroll systems and employer responsibilities.

MPF has shared this note with all employers and any organisations which are due to be admitted into the scheme before April 2014. We advise that this information should be shared widely with their payroll sections/providers. National work is ongoing to produce a more in depth payroll specification for issue to administering authorities, employers, payroll providers and software providers.

### **2.17 Employee Communications**

The first of a suite of leaflets for LGPS 2014 has now been produced, entitled 'The LGPS is changing from 1 April 2014' - this is a short leaflet designed to communicate the main changes to the scheme. A version of this leaflet will go out to all members of the Scheme as part of the Annual Benefit Statement 2013.

The original leaflet is attached as Appendix 4 of the report. This and future leaflets are intended as providing the content of the national LGPS2014.org website, administered by MPF.

## **Ministerial Statement: Academies and LGPS Liabilities**

- 2.18 On 2 July 2013, The Secretary of State for Education confirmed in a statement to Parliament that the Department for Education (DfE) will now provide a guarantee, meeting any outstanding pension liabilities should an Academy close. This guarantee came into force on 18 July 2013.
- 2.19 The provision of the guarantee is intended to allow Administering Authorities to "treat academies equitably" with Local Authorities when setting employer contribution rates. It is expected this guarantee should underpin proposals from central government to amend the LGPS regulations so as to require local authorities to provide actuarial pooling should an academy wish to adopt this funding option. A consultation on this will be issued shortly.
- 2.20 To date, in the absence of clear and definitive guidance from the DfE & DCLG, funds have taken different approaches when setting employer contribution rates for academies. As such officers have taken advice from the actuary to form a consistent approach within this Fund on how to deal with converting schools.

- 2.21 When allocating deficit cash sums and setting recovery periods MPF aligns the contribution requirements to the notional position of the school prior to conversion which is broadly in accordance with the DfE's objective of funding academies on an equitable basis to maintained schools.
- 2.22 The guarantee recently provided still leaves a number of questions as under the terms of the guarantee, the DfE and HM Treasury reserve the right to '*withdraw the guarantee at any time*'. Instances when the guarantee may be withdrawn include;
- Estimated contingent liability (CL) ceilings are exceeded (which could mean the withdrawal of the guarantee when it is most needed);
  - Projected costs are no longer affordable from within DfE's existing budget;
  - Projected costs are not approved by HM Treasury;
  - HM Treasury reserve the right to remove the guarantee due to spending considerations or policy developments.

Many Administering Authorities are concerned that the substance of this guarantee and HM Treasury's exclusion clause could continue to leave funds exposed with exit liabilities being spread amongst all other participating employers.

- 2.23. Until more detail is released officers are of the opinion this does not change the stance already taken, which attempts to treat the academies as equitably as possible within the current LGPS regulations.
- 2.24 As part of the 2013 Valuation process, officers will be reviewing the covenants of all employers including academies and taking a view on the appropriateness of the funding approach and application of recovery periods.

### **3.0 RELEVANT RISKS**

- 3.1 There is a risk that a full suite of "fit for purpose" Statutory Instruments and Guidance from the Government Actuaries Department (GAD) will not be available in time to effectively administer the new LGPS from April 2014.

Software providers in particular are voicing concern in the timing of finalised regulations and guidance, as they are required to translate this into delivering the required benefit calculation packages and system upgrades.

- 3.2 There is a risk that the government will compel Administering Authorities to fund academies on a basis that assumes that the guarantee provided by the DfE will totally eradicate the risk of any unrecoverable debt arising on the closure of an Academy. The guarantee in its current form, does not offer the same degree of security as other scheduled employers in the Fund, as it is limited in amount and may no longer be there when it is most needed.

### **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 There will be increased financial resources required if the regulations require a separate pension board to be set up in addition to the statutory pensions committee.

DCLG also state within the Governance paper that if the scheme advisory board is to undertake its full range of duties effectively, the annual cost of administration is likely to be significant. It has been estimated that this cost would be in the region of an additional £3k to £5k per annum.

## **8.0 LEGAL IMPLICATIONS**

- 8.1 Depending on the outcome of the consultation on revisions to the scheme management, there may be implications for the Council with the necessity to revise the constitution - to reflect the relationship that may be created between the Pensions Committee and the new Local Pensions Board.

## **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.

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#### **APPENDICES**

- 1 MPF submission dated 2 August 2013 to DCLG Consultation on Draft LGPS 2013 Regulations.**
- 2 MPF submission dated 30 August 2013 to DCLG Discussion Paper on the New Governance Arrangements LGPS 2014.**
- 3 MPF submission dated 5 July to DCLG on Tax-Payer Funded Pensions for Councillors**
- 4 LGPS2014 – Scheme Changes Leaflet**

#### **REFERENCE MATERIAL**

#### **SUBJECT HISTORY (last 3 years)**

| <b>Council Meeting</b>  | <b>Date</b> |
|---|-------------|
| <b>The LGPS update is a standing item on the Pensions Committee agenda.</b> |             |

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LGPS 2014 Consultation  
Department for Communities & Local Government  
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Elland House  
Bressenden Place  
London, SW1E 5DU

Direct Line: 0151 242-1390

Please ask for: Yvonne Caddock

Date: 2 August 2013

Dear Mr Perry

## **CONSULTATION RESPONSE: DRAFT REGULATIONS LGPS 2013**

*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 44,500 active contributing members, 44,700 pensioners and 34,500 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 third period of statutory consultation on the new Local Government Pension Scheme. This response specifically highlights provisions within the draft regulations that appear ambiguous under **Annex A** and provides a view on the connected questions posed in **Chapter 2** and **Annex B**.

### **1/ Comments on Annex A: Draft Regulations**

#### **(Part 1) Membership, contributions and benefits.**

The provisions that appear to require further amendment in order to provide clarity and ensure the desired intent of the regulations is consistently delivered by employers and administering authorities are as follows:

- **Regulation 10 – Temporary Reduction in Contributions**

10(5)(a) - The reference to member should be removed as the provision should merely 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.

This will allow all members in the 50/50 section to be moved into the main scheme despite being a non-eligible jobholder or an entitled worker as defined under the 2008 Pension Act.

An additional paragraph prescribing that an election to pay reduced contributions would not lapse if the member's employment is subject to a TUPE transfer would avoid inconsistency of application amongst administrators.

In a similar vein if it is the intention that the employer should continue to pay the full employer contribution as opposed to 50% of the employer rate a definitive clause within this provision would clarify the position.

- **Regulation 12 - Contributions during child-related leave**

If it is the intention that unpaid additional child related leave is not included within the circumstances in which pension accrual is calculated using assumed pensionable pay, then the regulation is silent in respect of unpaid additional child related leave and the ability to purchase additional pension contributions ("APCs") by virtue of regulation 16.

- **Regulation 15 – Employer contribution during absences**

This is a welcome provision to specify employer's responsibilities with regard to contributions during employee's absences and provides a clear steer for administration purposes.

However, clause (4) should not include the reference to child related leave as this precludes members on unpaid child-related leave electing to purchase "APCs".

As drafted this provision suggests that employer's must meet two-thirds of the cost of all arrangements and does not appear to deliver the desired intent of an employer having a discretionary policy in selected circumstances.

- **Regulation 17 – Additional voluntary contributions**

MPF notes the removal of the 50% limit of pensionable pay but fears this may encourage the practice of 'recycling tax-relieved pension savings' immediately prior to retirement. By providing the opportunity for member's to circumvent the main scheme commutation provisions to provide an alternative means of acquiring a tax-free lump sum, it would ultimately mean employers would incur further costs to provide future pension benefits.

**The removal of the 50% limit fundamentally undermines the objectives of the new scheme design to deliver saving and ensure the long term viability of the scheme.**

As there is escalating concern in regard the continuing benefit of higher-rate tax relief for pension saving - this provision will provoke further opposition to continued generous tax relief for the higher earner.

Clause 12 - allows the value of AVCs, on the death of a member, to be paid at the discretion of the Administering Authority along with other death gratuities from the main scheme. This change is acknowledged as it provides a common sense approach and simplifies practicalities for both administrators and beneficiaries.



- **Regulation 18 – Rights to return of contributions**

Clause 6 - is inconsistent with provisions relating to death gratuities, as payments of contributions upon death are paid to the estate as opposed to the member's nominee or personal representative at the discretion of the Administering Authority.

- **Regulation 21 – Assumed Pensionable Pay**

Clause 2(b) needs to include a reference to ordinary or paid additional child-related leave to define the specific circumstances for assumed pensionable pay to apply under this provision - if it remains the intention that unpaid additional child related leave is to be excluded from the automatic uplift to pay.

- **Regulation 32 - Commencement of Pensions**

We acknowledge the amendment to clause 10 as suggested in our previous response now stipulates that the payment of an ill health pension from deferred status will commence from the date of determination as opposed to the date the member became incapable of work as prescribed in the previous draft regulations.

- **Regulation 39 – Calculation of ill-health pension amounts**

Clause 10 may need to include a reference to a specific time period for a reduction in pay to be treated as assumed pensionable pay when calculating the member's ill health pension including enhanced pension adjustments. This would be in support to our comments below in regard Question 2 in Chapter 2.

- **Regulation 40- Death Grants: active members**

Clause 3 needs to include a reference to pensionable pay to cover situations where the member had not been receiving reduced pay immediately before death - to clarify that the calculation of the death grant is only based on assumed pensionable pay in the relevant circumstances in accordance with regulation 21(5).

The reference to pensionable pay should also be included within regulation 41(4) (b), 42 (4) (b), 42 (5) (b), 42 (9) (b) and 42 (10) (b).

## **Part 2 – Administration**

- **Regulation 64 – Special circumstances where revised actuarial valuations and certificates must be obtained**

In circumstances where surpluses occur at the closure of an admission agreement it would present a more balanced position if the regulations provided for a return of contributions, as bodies are required to meet any deficit upon termination.

Clause 6 could be amended to give administering authorities greater flexibility to amend employer contributions in specific circumstances eg, a material change in membership or higher than expected salary or pension increases between triennial valuations by invoking the power to obtain a revised rates and adjustment certificate without the employers consent.

### **Schedule 2 Part 3**

**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, when the contractor has secured a framework contract with the local authority permitting a number of schools to engage the services over a prescribed period, the requirement to draw up separate agreements with each school would lead to administrative inefficiencies. Although the non-teaching staffs are deemed local authority employees for pension purposes, the individual schools take out separate contracts with the contractor.

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.

In line with MPF's former comments it would be practical for the regulations to permit that there can be one admission agreement, which covers numerous contract dates with different schools and the same local authority.

#### **Existing LGPS 2007 Admin Regulation 7(8)**

Furthermore, the provision which allows admission agreements to not be restricted to a geographical area has not been carried forward to the draft provisions. This regulation allows employers wishing to offer the LGPS choice as to the preferred authority to administer the scheme for their employees.

## **2/ Response to questions in Chapter 2 of the Consultation Document**

**Q1. Is the Department right in saying that the take up of additional survivor benefits is extremely low? [Regulation 16]**

Since 2008, the Fund has 17 members who have entered into an ARC contract to purchase additional survivor benefits from an active membership base of over 44,500.

**Q2. Should there be enhancement in this way given that there would be no equivalent protection for a member who remained in part-time work rather than taking ill-health retirement? [Regulation 39]**

There should be enhancement but only if the reduction in hours or grade, or a move to a job with less responsibility, occurred within the period of 3 years continuous membership prior to the ill health retirement or death in service.

The 3 year limit is recommended as HM Treasury have stipulated that protections should only be for temporary and unexpected reductions in pay. The 3 year limit also draws a parallel with the 3 year limit for temporary Tier 3 benefits. If the reduction in hours or grade (or a move to a job with less responsibility) carries on beyond 3 years then there is a reasonable argument that it is no longer a temporary reduction in pay and has simply become part of the person's new terms and conditions of employment.

**Q3. Comments are requested as to whether this regulation should be retained or if it would be sufficient to rely on the overriding legislation. [Regulation 51]**

Section 13 of the Pension Schemes Act 1993 requires the Scheme rules to specify when the GMP is to be paid and when the GMP can be postponed and therefore regulation 51 should be retained in the Regulations.

**Q4. Is there a need to provide for separate admission agreement funds to be established in the new Scheme? [Regulation 54]**

MPF supports the LGA view that the facility provided by this regulation should not only be retained but be extended so that the administering authority can establish separate Funds for any types of Scheme employer (not just admission bodies).

This would enable administering authorities to establish separate Funds in order to ensure liabilities are ring-fenced to the employers within the relevant Fund should one of them cease to participate leaving a deficit. This would allow the deficit to be spread across only the employers participating in that Fund, rather than being spread across all employers.

**Q5. Is the list of statement items shown at regulation 69(3) complete? If not, could you please describe what needs to be included. [Regulation 69]**

We understand that LGA is submitting a comprehensive response to this question with the proposal to introduce additional statutory requirements within regulation 80(3) for employers to submit further information in the form of a 'closure statement' – the purpose to assist administering authorities in reconciling payments remitted at year end and to facilitate the timely issuing of annual benefit statements and pension saving statements.

However, the LGA'S suggested submission date of three months from the end of the Scheme year is impractically short for administering authorities, as it is simply aligned to HMRC requirements in relation to pension saving statements.

Fund's would be unable to deal with the amount of associated reconciliation and data quality work with employers during the 'holiday season' if this timeframe is imposed. Equally, this three month timeframe will not fit with our Actuary's timetable for undertaking triennial valuations.

MPF would strongly suggest a one month timeframe from the end of the Scheme year for employers to submit a 'closure statement'.

**Q6. Should we include provision for interest to be paid on the late payment by scheme employers? If so, what period would constitute "late"? [Regulation 70]**

Yes, the ability in regulation 71 to charge employers interest for late employer payments (including those due under regulation 70) should be retained. The period that constitutes "late" is already defined in regulation 71 and is satisfactory.

However, it is unclear whether this provision permits the addition of late payment interest to the exit debt when an employer exits the scheme. Regulation 64 makes it clear that the debt must be calculated as at the exit date but the calculations are often carried out some months after the exit date.

Common practice is for interest in line with the valuation discount rate to be added to the exit debt but it would be preferable if the regulations clarified whether the interest should be applied in accordance with regulation 71.

**Q7. Should the new regulations set out what Fund should pay in the case where the administering authority has more than one Fund? [Regulation 88]**

Where there is more than one Fund as a result of regulation 54, then it would appear a sensible approach to include provision within regulation 88 to prescribe the appropriate Fund which is responsible for meeting increases for guaranteed minimum pensions.

It may also be necessary to extend this provision to include any other payments in accordance with the regulations.

**Q8. Do you think the current forfeiture provisions which have been carried forward into these draft regulations work well, or would you prefer it all to be dealt with by the courts with the removal of the role of the Secretary of State? [Regulation 91]**

The requirement for the Secretary of State to be included in cases in relation to forfeiture following convictions for serious employment-related offences should be maintained to facilitate a timely and informed process and to avoid a dilution of power and any complications that may arise from a court judgement.

Given the rarity of these cases with Regulation 93 providing the usual mechanism for recovery and the statutory nature of the Scheme it would seem appropriate that the Secretary of State retains authority in forfeiture cases.

### **3/ Response to questions in Annex B of the Consultation Document**

**Q1. Assumed Pensionable Pay**

We do not believe there are any other cases that currently merit an extension of the list of circumstances under regulation 21(2) in which APP should be applied.

**Q2. Club Transfers**

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

To meet the requirements of the Public Service Bill It would appear necessary during this period for the 2013 Transitional provisions to provide flexibility to allow members who are active on or after 31 March 2014 who transfer in service from a public sector scheme without having a disqualifying break of more than 5 years to receive actuarially equivalent benefits within the 2008 scheme maintaining the final salary link.

Transfers from the LGPS in relation to post 2014 membership could be based on the cash equivalent value of the pension pot converted to membership within the receiving scheme and adjusted accordingly to reflect that the service credit would be linked to final salary at retirement.

### **Q3. Former scheme employers**

As presently worded, the draft regulations provide that it shall be for the administering authority to make a decision on a discretion that could have been taken by a former employer that has ceased to be a Scheme employer.

The alternative to this arrangement would be for a defunct employer to be asked to make a decision on a former employee of a former pension scheme, this seems unrealistic as it would incur costs and time with no compulsion to respond.

### **Q4. Employers' contributions to be no less than employees' contributions**

We agree that the contribution rate paid by employers must always be at least that set by the Fund actuary and that the total employer rate (future and past service) should never be less than the total yield set for employees.

### **Q5. Adjustment of pension accounts**

On balance MPF believes that there should not be a general power allowing administering authorities to make "any other adjustment" to a pension account that they consider to be appropriate. Such a power could be open to misuse. If situations arise where a new type of adjustment is required this should be added to the appropriate regulation via an amending Statutory Instrument.

## **4/ Conclusion**

MPF is of the general opinion that the Draft Local Government Pension Scheme Regulations 2013 meet the requirement of providing clear direction for the successful administration of the Scheme post April 2014.

We await the further updates and expected second consultation on the Transitional Provisions & Savings Regulations.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Y Caddock', with a large, stylized initial 'Y'.

Yvonne Caddock

Principal Pensions Officer

cc. Jeff Houston, Director of Pensions - LGA

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Scheme governance discussion paper  
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Please ask for: Yvonne Caddock

Date: 30 August 2013

Dear Mr Perry

## **Discussion Paper- New Governance Arrangements LGPS 2014**

*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 44,500 active contributing members, 44,700 pensioners and 34,500 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 paper on the new governance arrangements required for the impending 2014 Local Government Pension Scheme.

### **Comments on Questions Posed**

"Timing"

**Q1. What period, after new governance regulations are on the statute book, should be given for scheme managers/administering authorities to set up and implement local pension boards?**

The setting up of new boards requires a significant change to the constitution of the Council and also requires the need to consider who can be co-opted and/or appointed to these boards following an appropriate selection process. The specific skills set required of board members may limit the pool of potential candidates.

As the main focus of the Fund's efforts and resources will be towards the implementation of the new benefit structure, the introduction of local pension boards prior to the legislative date of April 2015 will be extremely challenging and unwelcome.

The time consuming exercise of amending constitutions within the civic calendar, in addition to finding, selecting and nominating employer and scheme member representatives, would mean that an early implementation date would be unrealistic.

In addition, the Public Service Act does not regulate for the oversight role of the Pension Regulator to take effect until April 2015. As a key remit of the pension board is to comply with the regulator's guidance, it would appear appropriate that the creation of the board should coincide with the date of the regulator's active involvement with the LGPS.

Due to the current 'Call for Evidence' on the future structure of LGPS funds it would appear more sensible to understand the outcome of the intended strategy before prescribing changes to the current governance arrangements. Thereafter it would be necessary for a lead in period of at least 12 months to allow administering authorities to become fully compliant with both the technical and governance regulations.

**Q2. How long after new governance regulations are on the statute book should the national scheme advisory board become operational?**

As the work of the Shadow Scheme Advisory Board will be useful to shape the Statutory Scheme Advisory Board It would appear appropriate for the former to be functioning for a period of 12 to 18 months embedding its remit and structure before the Statutory Board becomes operational.

“Responsible authority” & “Scheme manager”

**Q3. Please give details of any such “connected” scheme that you are aware of.**

Not aware of any “connected” scheme

**Q4. Are there any schemes connected to the main Local Government Pension Scheme, other than an injury or compensation scheme, that the new Scheme regulations will need to refer to in setting out the responsibilities of scheme managers?**

Not aware of any “connected” scheme .

“Pension Boards”

**Q5. What “other matters”, if any, should we include in Scheme regulations to add to the role of local pension boards?**

The role of the local Board is to act as a scrutiny function and not to be involved at the decision making stage. It should therefore perhaps be left to each local board to decide how it fulfils that role within the parameters of the regulations and which matters it wishes to consider. It is imperative however that the local Board should ensure that all the policies and statements that are in place are current and are being referred to in the decision making process.



**Q6. Should Scheme regulations make it clear that nobody with a conflict of interest, as defined, may be appointed to or sit on a pension board?**

This may act as a barrier and may be better mandated with the requirement for a conflict of interest policy to be published that sets out how any conflict will be managed and an agreed definition of what amounts to a conflict of interest.

The focus should be on identifying when there is a potential for conflict in relation to an individual situation and where that conflict cannot be adequately managed.

It would be of benefit to funds for appropriate statutory guidance to be issued on how conflicts of interest should be managed.

**Q7. Should Scheme regulations prescribe the type of information that may be reasonably required”?**

It would be helpful to have guidance or legislation that demonstrates the role and responsibilities of the Pension Board members. This could highlight that the fact they are representatives of a particular group should not influence their execution of the role, with guidance serving to clarify the key objectives that the Pension Boards are set to achieve.

**Q8. Although not required by the Act, should Scheme regulations prescribe a minimum number of employer and employee representatives?**

Many Administering Authorities will have already experienced the arduous task of appointing employer and or scheme member representatives to existing committees. This can be a challenge due to :

- Apathy amongst stakeholders in smaller funds;
- Larger funds may have so many employers it is difficult to fairly restrict numbers.

The requirement for equal numbers of employer and member representatives, as introduced by the Public Service Pensions Act, will lead to a continuing struggle. In short, prescribing numbers in LGPS Regulations would create difficulties for Administering Authorities. The concept of a proportionately sized board relative to the size of the local fund may hold merit or a recommended minimum number with the need for a fund to comply or explain a lower variance.

**Q9. Should the new Scheme regulations require local pension boards to be a body separate from the statutory committee or for it to be combined as a single body?**

There remains a concern amongst Administering Authorities that local pension boards will create another level of governance which isn't strictly required should the Local Authority have robust governance arrangements in place. If good governance arrangements are already in place then there may not be the requirement for a separate local pension board.

However, it is evident that it is difficult for a committee to self scrutinise and that an independent view may be required, which could be achieved through the use of professional advisors. Therefore, in this circumstance the statutory committee and the local pension board could be the same body.

We recognise that making use of professional advisors as a solution raises a constitutional issue in accordance with Section 101 and 102 of the Local Government Act - which would preclude non elected members from having voting rights in respect of financial matters relating to the Administering Authority.

Furthermore, restrictions imposed by the Public Service Pension Act will make it challenging for the scrutiny role to be carried out by an existing committee, specifically the requirement for the Pension Board to have equal numbers of employer and member representatives.

Good governance is about transparency, accountability, understanding and managing risk which is better suited by the separation of the two bodies with different members assigned to the Scheme Manger Committee and to the Pension Board.

Administering Authorities could consider whether a local pension board can be set up to serve a number of different funds on a regional basis as compliance issues should be the same across all Funds. This model could provide a larger pool of knowledge and allow greater potential for independent challenge and is in accordance with Hutton's recommendation for increased cooperation between LGPS funds.

However the potential of a limited number of pension boards providing the scrutiny function for all existing Funds may lead to a particular vested interest exercising undue influence.

**Q10. Apart from what is required under the Act, what other elements of local pension boards should be set out in the new Scheme regulations?**

The less prescriptive the easier to administer as funds will need to consider their own particular local circumstances in compliance with the key objectives. Flexibility should be afforded to allow funds to develop their own individual approaches in establishing the board taking account of national guidance and examples of best practice.

I reiterate that best practice, bench marking and guidance are preferable to another layer of regulations which may contradict or remain silent on key aspects.

**Q11. Apart from what is required under the Act, what other elements of local pension boards should be left to local determination?**

As it is important to enable each fund to meet the over arching requirements within the Public Service Pension Act ,in relation to the Board there should be flexibility around the range of individuals who could be appointed i.e. elected members, HR Officers, Solicitors and in relation to tenure of appointees.

**Q12. Should the new Scheme regulations prevent any incumbent scheme member representative being moved from a statutory committee to the local pension board (if the committee and the board are not one and the same body)?**

This may be too restrictive as there may be a genuinely good reason to allow movement between the committee and the board as a particular member may have a particular skill set appropriate to the alternative role. It would be imperative that following any movement the Scheme Manager must ensure that an individual should not review a decision in which they were directly involved. It should also be noted that any imposed restrictions may prove detrimental and limit the availability of appropriate expertise.

**Q13. Should the new Scheme regulations include a requirement for each local pension board to publish an annual statement of its work and for this to be sent to the relevant scheme manager, all scheme employers, the scheme advisory board and Pensions Regulator?**

For transparency purposes, a statement of the local pension board's work should be available to all stakeholders and could be published as an integral part of the Fund's annual report and accounts.

This could be viewed as mandatory to allow the DCLG to be aware of the local issues that the boards are concerned with, and for the members and employers to understand the developments within the scheme and rationale for decisions.

**Q14. Apart from the training and qualification criteria that may be covered by the Pensions Regulator in a code of practice, are there any specific issues that we should aim to cover in the new Scheme regulations as well?**

To ensure consistency amongst funds there should be a statutory requirement for funds to adhere to the code of practice and requirements to be recorded within internal compliance manuals. In addition a mandatory compliance statement could be recorded within the annual report and accounts.

**"Scheme Advisory Board"**

**Q15. Should Scheme regulations simply replicate the wording of the Act? If not, what specific areas of work should the new Scheme regulations prescribe?**

Initially it may prove beneficial to replicate the wording of the Act as regulatory provisions may restrict the evolution of the board. It may be advantageous not to overly prescribe the provisions relating to this board in the first set of governance regulations allowing key requirements to emerge at a later date. Amendments to the regulations can be readily made at future dates.

**Q16. Should Scheme regulations include a general provision enabling the scheme advisory board to advise the Secretary of State on the desirability of changes to the Scheme as and when deemed necessary?**

Although it is not the intention for the Scheme Advisory Board to replace the DCLG as regulator of the LGPS, this proposal is an excellent opportunity to formalise the method in which stakeholders can provide views to the government prior to consultation and suggest areas that may require review.

The national board could provide a best practice and development forum allowing members to offer their expertise when new regulations are proposed and tighten up the drafting of regulations, avoiding unnecessary silences and errors.

**Q17. Are there any specific areas of advice that Scheme regulations should prohibit the scheme advisory board from giving?**

No specific area should be excluded as long as membership of the board is appointed on a transparent basis, with appropriate expertise in all regulatory areas and a fair representation from all stakeholder groups.

**Q18. What options (if any other, please describe) would be your preference for establishing membership of the scheme advisory board?**

The continuation of the membership of the shadow board would appear appropriate at the implementation date subject to a regulatory review framework.

If it is the intention that the Scheme regulations should prescribe the sectors from which members of the board are drawn this could be construed as too prescriptive, unless the board had the authority to make appropriate appointments to seek specialist advice or guidance.

In the likely event that interest to become a board member is low the regulatory bodies should contribute in an advisory capacity until the necessary expertise is acquired.

**Q19. Should Scheme regulations require the Secretary of State to approve any recommendation made for the position of Chair?**

On the basis that two of the main features of good governance are overview and accountability it would seem appropriate that there is some form of overview by DCLG. This could involve agreeing the Chair of the Scheme Advisory Board or being satisfied that the terms of reference of the Board and its sub-committees are appropriate.

The ratification of the individual to be Chair by the Secretary of State could be important in confirming that there are no conflicts of interest relating to the individual and recognition the Government formally recognise the authority of the Chair.

**Q20. Should Scheme regulations prescribe tenure of office? If so, what should the maximum period of office be and should this also apply to the Chair of the board?**

There should be fixed terms potentially 5 years of office to provide continuity of the scrutiny process after which a member must stand for re-election. This would allow members to acquire a high level of expertise due to the esoteric nature of the regulations and complexities of dealing with multiple asset classes.

There is an argument that the Chair's tenure should be longer due to the critical role of the Board in shaping the future of the LGPS as the Chair will be required to ensure that new members of the board understand the nature of their responsibilities. In addition, the Chair is instrumental in ensuring that the Board gains the respect of the key LGPS stakeholders at a national level.

There could be an option for the Secretary of State to remove the individual from office due to a loss of confidence as defined within the terms of reference and constitution of the Board.

**Q21. Should Scheme regulations make provision for board members, including the Chair, to be removed in prescribed circumstances, for example, for failing to attend a minimum number of meetings per annum? If so, who should be responsible for removing members and in what circumstances (other than where a conflict of interest has arisen) should removal be sought?**

If members are failing to fulfil their duties it is necessary that they should be removed via motions put forward by the other members of the board with an appropriate vote taken. The appropriate circumstances should be prescribed by statutory provision but the detail and process should be determined by the board within its constitutional rules.

**Q22. Should Scheme regulations prescribe a minimum number of meetings in each year? If so, how many?**

Yes to ensure the effectiveness of this board., a quarterly timetable of meetings should be prescribed per annum and the regulations should include provision for discretion to call additional meetings when necessary.

**Q23. Should Scheme regulations prescribe the number of attendees for the board to be quorate? If so, how many or what percentage of the board's membership should be required to be in attendance?**

Yes, two-thirds of the board should be in attendance to be quorate as the decisions taken may lead to a significant change of the Scheme affecting all stakeholders.

**Q24. Rather than make specific provision in Scheme regulations, should the matters discussed at Q19 to Q23 be left as matters for the scheme advisory board itself to consider and determine?**

The regulations should provide the broad outline as required by the Act with additional provisions around tenure. If the DCLG is given the authority to oversee the board then all other areas could be matters for the board as long as a fair and transparent approach is undertaken.

**Q25. Should the scheme advisory board be funded by a voluntary subscription or mandatory levy on all Scheme pension fund authorities?**

Ensuring the Board is appropriately financed is critical to its success - consequently, a mandatory levy rather than a voluntary subscription would be fairer and deliver stability allowing the board to fulfil its responsibilities. As it is expected that part of its role is to provide guidance and examples of best practice this could reduce the development work locally delivering efficiencies across all funds.

**Q26. What would be your preferred manner of legal constitution of the scheme advisory board and how should Scheme regulations deal with the issue of personal liability protection for board members?**

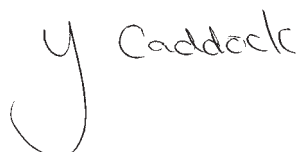
We do not have anything to contribute on this matter.

## **Conclusion**

Merseyside Pension Fund acknowledges the necessity to improve governance standards and deliver consistency throughout all funds, although it would be desirable that the regulations are not too prescriptive to allow for the differences between LGPS funds.

However we are concerned that the establishment of local pension boards will add further cost and complexity at a time when we are focussing on cost reductions and simplification of processes. We welcome measures to ensure high standards of governance across the whole of the LGPS but believe there are simpler and better ways of achieving this objective.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J Caddock'. The signature is written in a cursive style with a large, looped initial 'J'.

Principal Pension Officer



Councillor Pensions  
Department for Communities & Local Government  
Zone 5/F5 Eland House  
Bressenden Place  
London  
SW1E 5DU

Direct Line: 0151 242-1390

Please ask for: Yvonne Caddock

Date: 3 July 2013

## **TAXPAYER-FUNDED PENSIONS FOR COUNCILLORS CONSULTATION RESPONSE**

*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.*

I refer to the formal consultation on 'Taxpayer-funded pensions for councillors and other elected local office holders' launched in April 2013. This response is made solely in the Fund's role as the administrator of the LGPS; consequently it is of a 'technical nature' in regards the options presented within the consultation.

As the provision of Councillor Pensions is discretionary within the LGPS, the Fund has ensured that each council has been made aware of this consultation in order for them to consider their preferred option and respond accordingly. Currently four of the councils within Merseyside offer their Councillors access to the LGPS.

### **MERSEYSIDE MEMBERSHIP STATISTICS**

|                              |    |
|------------------------------|----|
| Active Contributors          | 64 |
| Deferred Pensions            | 17 |
| Pensions in Payment          | 13 |
| Survivor/Dependants Pensions | 3  |

### **OPTION 1 - NO ACCESS TO THE LGPS FROM APRIL 2014**

In the event of the Councillors' pension scheme becoming 'closed' on 31 March 2014, Funds will require clear guidance and communication material as to the treatment of existing contributors. A national consistent message should be advised across Funds on how to treat contributing members; for instance, should benefits come into payment automatically for those members who are of an eligible age to receive a pension but remain in elected office?

Recent policy initiatives have encouraged the public to commit to pension savings and take personal responsibility towards providing for retirement. Option 1, would seem contrary to the policy intent of these Government initiatives.

#### **OPTION 2 - 'FRONT BENCH' COUNCILLORS ONLY**

It has been clear in political statements and also within related correspondence that the government considers local politicians operating within 'two-tiers'. Specifically, the consultation document references elected Mayors and elected leaders.

From a technical standpoint, the Fund would question the equity of such an arrangement and would anticipate legal challenges to any restrictions to any specific description of a 'Front Bench' Councillor.

Given the transitory nature of some political appointments, a real consideration for scheme administration is the potential increase in trivial pension accruals; as members become eligible and then ineligible for access.

The Fund would also question the affordability of continuing to provide pension provision to such a small cohort of potential members. If this option did become the favoured way forward, it would be sensible to move the 'qualifying' members into the main LGPS 2014 scheme with the necessary regulatory arrangements.

The continuation of a separate Councillor scheme on a massively reduced active membership would be unviable.

#### **OPTION 3 - NO CHANGE [ACCESS PROVIDED ON CONTINUING BASIS]**

In the event of councillors retaining their right to remain as members of the LGPS, the Fund consider it essential that the regulations governing their entitlements mirror the benefit structure and definitions as prescribed by the LGPS 2014 Regulations.

In order to protect accrued rights up to April 2014 it is necessary for the transitional regulations to ensure that the current scheme provisions are preserved in respect of the current CARE variant to the LGPS.

Although councillors are not by definition 'employed workers', the time commitment towards civic duties can exceed that of part-time employees within the same employing authority. In addition, allowances received by Councillors are taxable by the Government as earnings via the Pay As You Earn (PAYE) system.

In essence, this will simplify administration of Councillors' pensions and avoid further complexity of administering two Career Average benefit structures.

Given the small number of Councillor Members in relation to the overall employing authority membership, their inclusion into the main Scheme would have a marginal effect on funding positions and employer contribution rates. Furthermore, for simplicity of both administration and communication the Fund would also propose the use of the same member contribution bands as the main Scheme.



## CONCLUSION

The Fund's primary objective is to provide valuable pension savings to people providing local public services and would advocate the continuation of Councillor participation in the LGPS.

Councillor participation should be included within the general scope of the 2014 Scheme, including the same member contribution rate bandings – thus bring a closure to the current separate Councillors' scheme. Participation should also be maintained as a 'discretion' of the employing authority in recognition of the Localism agenda.

Yours sincerely

A handwritten signature in black ink, consisting of a large, stylized 'Y' followed by the name 'Caddock' in a cursive script.

Yvonne Caddock

Principal Pensions Officer

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for you, for now, for the future

## THE LGPS IS CHANGING FROM 1 APRIL 2014

If you are paying into the Local Government Pension Scheme (LGPS), you'll automatically be in the **new scheme from 1 April 2014**. If you've retired or left before then, there's no change to your pension.

### Here is how the new scheme works

#### There's increased flexibility around when you can leave and take your pension

From April 2014 you can choose to leave and draw your pension anytime from **age 55** – but the **longer** you work the **more** your pension will be.

Your pension will be **reduced** if you choose to retire **before your normal pension age** and **increased** if you retire **later**.

Normal pension age for your new scheme pension won't be fixed at 65 as in the current scheme, it will be the same as your state pension age – with 65 as the earliest age.

As **your** state pension age increases, so will **your** LGPS pension age. To find out **your** state pension age – have a look at [www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension).

#### Your pension builds up in a new way from April 2014

For each year in the new scheme you build up a pension based on your **pay in that year**.

**Every year** you get a pension that's equal to a **49<sup>th</sup>** of your **pay** added into your **pension account**

**PLUS**

**Inflation increases**, so your pension account **keeps up with the cost of living**.

#### And it won't cost more for most people

Whilst the average cost for employees will still be 6.5% of pay, from April 2014 the highest paid will pay more. If you are part time it could cost you less - your contribution rate will be based on your part time pay instead of, as now, the full time equivalent.

## If you're worried you can't afford it – think again

If you pay tax you get **tax relief on your contributions**.

And the new scheme gives you more **flexibility** – it has a new **50/50** option.

For times when things are difficult, you can choose to pay half contributions and, during that time, add half pension into your account. But you still keep the full value of your life and ill health cover.

## Remember

A pension isn't only about your future.

As a member of the LGPS you still get **valuable life cover**, with a lump sum of 3 years pay if you die in service, **cover for your family**, with pensions for your dependents if you die, and **ill health cover for you**.

And you can still pay more to **buy extra pension**.

**It's important you know that all of your benefits built up in the scheme to 31 March 2014 are protected. They will still be based on your final salary on leaving and the normal pension age in the current scheme.**

Your pension **is changing, becoming more flexible & offering you more choice**.

## To find out more

More information on the changes, a short video and examples can be found on [www.lgps2014.org](http://www.lgps2014.org)

More detailed information will become available in the run up to April 2014.

**June 2013**

## Disclaimer

This is a brief leaflet about the changes to the Local Government Pension Scheme for employees in England or Wales from 1 April 2014 and reflects the proposed changes at the time of publication in June 2013. In the event of any dispute over your pension benefits the appropriate legislation will prevail. This leaflet does not provide any contractual or statutory rights and does not override any existing legislation.

## WIRRAL COUNCIL

### PENSIONS COMMITTEE

16 SEPTEMBER 2013

|  |   |
|--|---|
| <b>SUBJECT:</b>                          | <b>FUTURE STRUCTURE OF THE LGPS –<br/>CALL FOR EVIDENCE</b>   |
| <b>WARDS AFFECTED:</b>                   | <b>ALL</b>  |
| <b>REPORT OF:</b>                        | <b>STRATEGIC DIRECTOR OF<br/>TRANSFORMATION AND RESOURCES</b> |
| <b>RESPONSIBLE PORTFOLIO<br/>HOLDER:</b> |   |
| <b>KEY DECISION</b>                      | <b>NO</b>   |

#### 1.0 EXECUTIVE SUMMARY

- 1.1 This report updates Members with the latest developments relating to the proposed changes to the structure of the Local Government Pension Scheme (LGPS) and seeks approval for a proposed response to the DCLG's call for evidence.

#### 2.0 BACKGROUND AND KEY ISSUES

##### **Call for evidence on the future structure of the LGPS**

- 2.1 In 2010, the Government commissioned Lord Hutton to chair the Independent Public Service Pensions Commission. The purpose of the Commission was to review public service pensions and to make recommendations on how they could be made sustainable and affordable in the long term, while being fair to both taxpayers and public sector workers. Lord Hutton's final report was published on 10 March 2011. Among its recommendations, the report made clear that the benefits of co-operative working between local government pension scheme funds and achieving administration efficiencies more generally should be investigated further. The Local Government Pension Scheme currently costs local taxpayers £6billion a year in employer contributions.
- 2.2 On 16 May 2013, the LGA and DCLG held a roundtable event on the potential for increased co-operation within the Local Government Pension Scheme, including the possibility of structural change to the current 89 funds. 25 attendees represented administering authorities, employers, trade unions, the actuarial profession and academia.

The roundtable aimed to bring objectivity and transparency to the subject through open debate. There was a full discussion of the possible aims of reform and the potential benefits of structural change, together with the further work needed to provide robust evidence to support emerging options. The meeting focused on the issues to be addressed by reform rather than the detailed arguments for any of the potential ways forward that have been proposed.

The roundtable heard about the projects being undertaken to look at the options for structural reform of the Scheme in London and Wales and considered the range and relative priorities of the desired outcomes of reform, the data requirements for determining a start point and target and the next steps for delivering those outcomes.

- 2.3 On 22 May at the National Association of Pension Funds' local authority conference, the Local Government Minister Brandon Lewis said:

*I am determined that we make progress and make it as quickly as reasonably possible. I can therefore announce this morning, that we will consult later in the year on a number of broad principles for change. This will be your opportunity to tell us what reforms could be made to both help improve your investment performance and reduce your fund management costs.*

*The consultation will not set out some pre-determined solution to what is undoubtedly a complex and contentious issue. I am neither ruling anything in nor ruling anything out at this stage. However, the clear message from me this morning is that I am not wedded to the existing number of 89 funds in England and Wales. If it takes a smaller number of funds to improve the efficiency and cost-effectiveness of the scheme, I shall not shy away from pursuing that goal.*

*I have talked a fair amount about the need for robust data to inform decisions. I am therefore working with the LGA and others to launch a call for evidence, which will both inform our consultation and help all involved formulate their views in response to the consultation.*

## 2.4 The call for evidence

At the roundtable, the following high level and secondary objectives for structural reform were proposed:

### High level objectives

1. Dealing with deficits
2. Improving investment returns

### Secondary objectives

1. To reduce investment fees
2. To improve the flexibility of investment strategies
3. To provide for greater investment in infrastructure
4. To improve the cost effectiveness of administration
5. To provide access to higher quality staffing resources
6. To provide more in-house investment resource

- 2.5 The Fund's response to this call for evidence is attached at appendix 1. The response addresses the five questions incorporated in the the DCLG's paper.

The response highlights the following considerations:

- The current governance arrangements within the LGPS where Pensions Committees are principally comprised of locally elected councillors already provide a high level of accountability to local tax payers and interested parties.
- The Fund believes that the great majority of efficiencies and cost savings sought will be realised through collaboration and joint working without the need for the formal merger of local government pension schemes.
- With regard to investment performance, there is little evidence to suggest that a larger fund size corresponds to better performance.
- Existing data suggests that pension funds need a minimum critical mass for a specialist, in-house investment resource to be viable.
- Larger funds have more cost effective administration but focusing purely on costs, risks overlooking some aspects of quality that are less obvious but valuable.
- Investments rather than administration is far more significant in terms of overall impact on cost. A specialist, in-house resource provides for flexibility of investment strategies and access to higher quality staffing resources.
- Larger funds will generally pay lower investment fees but the rate of reduction in fees decreases relative to increasing scale.
- A focus on investment fees in absolute terms is misguided. Investment fees should be assessed relative to the outperformance achieved.
- For there to be confidence in the conclusions drawn from any analysis of cost and performance data, it is imperative that the basis of the preparation of that data is more prescriptive than at present, and audited, to avoid ambiguities and ensure objectivity.

2.6 The closing date for this consultation is 27 September 2013.

### **3.0 RELEVANT RISKS**

3.1 With pension funds working to implement the 2014 Scheme, there is a risk that this initiative will put further strain on already limited resources.

3.2 The analysis and assessment is undertaken on incomplete and misleading information leading to unnecessary reforms.

### **4.0 OTHER OPTIONS CONSIDERED**

4.1 No other options have been considered.

### **5.0 CONSULTATION**

5.1 The Fund has liaised with other local authority funds in the preparation and compilation of data for this report.

## **6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

6.1 There are none arising from this report.

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

7.1 There are none arising directly from this report. Any reform of the LGPS has potentially significant financial 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?

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 and approve the response to the call for evidence.

## **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:** Peter Wallach  
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Telephone: 0151 242 1309

email: [peterwallach@wirral.gov.uk](mailto:peterwallach@wirral.gov.uk)

## **APPENDICES**

**1 Draft MPF submission to DCLG call for evidence on reform of the LGPS.**

## **REFERENCE MATERIAL**

## **SUBJECT HISTORY (last 3 years)**



| Council Meeting | Date |
|-----------------|------|
| None            |      |

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## **Call for evidence on the future structure of the Local Government Pension Scheme – Response on behalf of Merseyside Pension Scheme.**

Merseyside Pension Fund provides the Local Government Pension Scheme for the Merseyside region, delivering pension administration, investments and accounting on behalf of the 5 Merseyside District Councils and over 130 other employers.

The Fund has over 123,000 scheme members and is responsible for the investment and accounting for a pension fund of £5.7 billion.

Over the years, the Fund has developed its collaborative working to include pensions administration services for the Fire-fighters' scheme, hosting the national 2014 Reform website on behalf of the LGA/trade unions and leading the joint procurement of actuarial services on behalf of neighbouring funds.

We have set up a joint initiative with Cheshire Pension Fund to work together on implementing the 2014 reforms with a view to standardising systems, policies and procedures. This will facilitate the development of future joint working arrangements.

The Fund believes that the great majority of efficiencies and cost savings sought will be realised through collaboration and joint working without the need for the formal merger of local government pension schemes.

I should be grateful if you would consider the following comments in relation to the call for evidence on the future structure of the Local Government Pension Scheme.

### **Question 1 – How can the Local Government Pension Scheme best achieve a high level of accountability to local taxpayers and other interested parties – including through the availability of transparent and comparable data on costs and income - while adapting to become more efficient and to promote stronger investment performance.**

The current governance arrangements within the LGPS where Pensions Committees are principally comprised of locally elected councillors already provide a high level of accountability to local tax payers and interested parties. Governance compliance statements, prepared by LGPS funds, confirm that the great majority provide detailed information on performance and activities through annual reports and other publications. The governance changes proposed as a consequence of the Public Service Pensions Act 2013 will only strengthen this.

These governance arrangements ensure that, within the LGPS, there is a great deal of information publicly available. However, it is fair to say that the lack of consensus on the basis of the preparation of that information makes comparisons more difficult. In our answer to question 5, we suggest that, for there to be confidence in the conclusions drawn from any analysis of the data, it is imperative that the basis of the preparation of that data is more prescriptive than at present, and audited, to avoid ambiguities and ensure objectivity.

CIPFA already collates information from a number of funds who participate voluntarily in the benchmarking of administration costs. It would seem sensible if CIPFA, the recognised industry body, was used to set out a clear basis for the preparation, calculation and submission of administration and investment costs, and to collate and analyse the data.

Efficiencies are already flowing from collaborative working between funds. This was recognised by Lord Hutton in his eponymous report – *“Central and local government should closely monitor the benefits associated with the current co-operative projects within the LGPS, with a view to encouraging the extension of this approach, if appropriate, across all local authorities.”*

We suggest that collaborative working and shared services are the quickest and simplest means of furthering efficiencies in the LGPS. We expand on this in our answer to question 3.

With regard to investment performance, there is little evidence to suggest that a larger fund size corresponds to better performance. However, the data suggests that the relative performance of larger funds is less volatile which may be an advantage in managing contribution rates as local government funds mature.

Academic research suggests that investment performance derives more from asset allocation than stock selection. Flexible investment strategies are required if asset allocation is to be managed effectively and funds with an in-house capability are better placed (refer question 4).

**Question 2 – Are the high level objectives listed above those we should be focussing on and why? If not, what objectives should be the focus of reform and why? How should success against these objectives be measured?**

The high level objectives seem appropriate. Although linked, the former is more challenging than the latter as deficits have arisen through subsequent events; principally improvements in longevity and low bond yields exacerbated by QE. Recent reforms to the Scheme have taken action to manage deficits as a future problem but have done very little to address accrued deficits. The only

modestly helpful action was the move from RPI to CPI and it is difficult to see any other acceptable actions in a similar vein. A rise in bond yields will go a considerable way to resolving this issue and recent market moves in bond yields suggest some normalisation is occurring but it is only likely to play out over the long term – something that pension funds can sustain.

**Question 3 – What options for reform would best meet the high level objectives and why?**

In this report, Lord Hutton recognised the benefits that were accruing from the collaborative working of local government pensions schemes. *"Central and local government should closely monitor the benefits associated with the current co-operative projects within the LGPS, with a view to encouraging the extension of this approach, if appropriate, across all local authorities."*

The pressure on public finances means that funds are identifying and realising savings and efficiencies. The collation and publication of comparable data on fund performance will drive that further (see detail in question 5).

Austerity in local government is accelerating this trend in several areas; procurement (framework agreements), joint working (Westminster, Hammersmith & Fulham and Kensington, Northamptonshire/Cambridgeshire) and related initiatives (Lancashire/Cumbria).

As one of Wirral's transformation projects, the council is working through plans to share key services with its neighbouring council Cheshire West and Chester. In conjunction with this, Merseyside Pension Fund has set up a joint initiative with Cheshire Pension Fund to work together on implementing the 2014 reforms with a view to standardising systems, policies and procedures. This will facilitate the development of future joint working arrangements.

Berkshire, Buckinghamshire and Oxfordshire pension funds are also working in a similar direction.

**Question 4 – To what extent would the options you have proposed under question 3 meet any or all of the secondary objectives? Are there any other secondary objectives that should be included and why?**

All the secondary objectives would be achieved to a greater extent. Looking at the objectives, the following points should be made:

- Existing data suggests that pension funds need a minimum critical mass for a specialist, in-house investment resource to be viable.

- Larger funds have more cost effective administration (objectives 4 and 5)
- Investments rather than administration is far more significant in terms of overall impact on cost. A specialist, in-house resource provides for flexibility of investment strategies, access to higher quality staffing resources, meeting objectives 2, 5 and 6.
- Larger funds will generally pay lower fees but the rate of reduction in investment fees decreases relative to increasing scale.
- A focus on investment fees in absolute terms is misguided. Investment fees should be assessed relative to the outperformance achieved. To illustrate this point:
  1. A fund could invest passively with an external manager, pay very low investment management costs and match its strategic benchmark.
  2. A fund could be internally managed (either actively or passively), have low investment management costs but underperform its strategic benchmark.
  3. A fund could invest actively with external managers, have higher investment management costs but outperform its strategic benchmark.

Providing the scale of outperformance exceeds the costs incurred, outperformance with higher costs provides better value than investment performance that is in-line or below its benchmark with lower costs.

As pension funds have bespoke benchmarks derived from the actuary's assessment of their particular circumstances, performance should be assessed relative to benchmark not in absolute terms as has been the tendency. Additionally, looking at absolute returns takes no account of the risk incurred. Risk adjusted returns are a widely used industry standard of performance assessment.

Objective 3 is unlikely to be influenced to any significant extent by the size of funds. Larger funds have invested in infrastructure for some time and the lower levels of allocation are more reflective of the assessment of the investment opportunity relative to other assets than a factor of fund size.

**Question 5 – What data is required in order to better assess the current position of the Local Government Pension Scheme, the individual Scheme fund authorities and the options proposed under this call for evidence? How could such data be best produced, collated and analysed?**

As indicated in question 1, within the LGPS, there is a great deal of information publicly available, however, it is fair to say that the lack of consensus on the basis of the preparation of those figures makes comparisons challenging.

For there to be confidence in the conclusions drawn from any analysis of the data, it is imperative that the basis of the preparation of that data is more prescriptive than at present, and audited to avoid ambiguities.

CIPFA already collates information from a number of funds who participate voluntarily in the benchmarking of administration costs. It would seem sensible if CIPFA was used to set out a clear basis for the preparation and submission of administration and investment costs, collate and analyse the data.

In relation to pensions administration, granular information on the costs of the various functions within a pension fund would help to identify areas of efficiency and good practice. The significant areas of administration and associated costs could be categorized as follows;

- Pension Administration Systems
- Benefit Calculations
- Transfer Calculations
- Pensioner Payroll
- Member Maintenance and reconciliation of contribution returns
- Communications

Focusing purely on costs, risks overlooking some aspects of quality that are less obvious but valuable. The following are examples of activities that will increase administration costs but will have cost and efficiency benefits that will not show up immediately:

- a data cleansing exercise will improve actuarial calculations and reduce the likelihood of incorrect pension payments
- an analysis of longevity of scheme members may reduce contribution rates
- the active management of employers with weak covenants in relation to bonds, guarantees and other risk reducing activities

#### Administration costs

A number of voluntary initiatives have been ongoing for a number of years; one of the most widely used being the CIPFA benchmarking study of administration costs. However, as the numbers are not audited, participants lack confidence in their robustness.

Although SF3 returns are audited and form part of pension funds' annual accounts, there are some inconsistencies in the data nonetheless due to:

- internal/external management of funds
- different auditing regimes
- the allocation of costs between investments, administration and the fund
- greater visibility of Metropolitan funds relative to the more integrated non-Metropolitan funds to the allocation of central charges by administering authorities.

## Investment costs

As indicated in question 4, it is necessary that they are analysed firstly as a percentage of AUM and secondly that performance is analysed on a relative rather than an absolute basis. The cost per member basis derived from the SF3 return is meaningless.

To illustrate this, MPF has undertaken an analysis of the investment performance of other Met funds and comparable neighbouring funds over a three year period. An extract of the analysis, reproduced below, shows the pitfalls of limiting analysis to absolute rather than relative returns. A pension fund may have low investment costs but if its investment performance does not match its benchmark, the value foregone is generally far greater than the benefit of the lower costs. It would be reasonable to undertake this analysis over other, longer time periods and update it for 2013 now the data is available, to allow further comparison.

The attached spreadsheet provides further detail on the underlying data (which has been derived from public sources) and the basis of calculations. We are willing to provide further information as required.

|                                    | Fund Size              | Total administration cost (£ 000) | Total Cost Per AUM | Total Net Cost AUM | Total Net Costs £   | Total Net cost per member | Total administration cost per scheme member (£) |
|------------------------------------|------------------------|-----------------------------------|--------------------|--------------------|---------------------|---------------------------|---|
| <b>Merseyside Pension Fund</b>     | <b>£5,200,000,000</b>  | <b>£15,143,000</b>                | <b>0.29%</b>       | <b>0.09%</b>       | <b>£4,743,000</b>   | <b>£38.70</b>             | <b>123.55</b>                                   |
| Cumbria                            | £1,466,418,000         | £4,489,000                        | 0.31%              | 0.61%              | £8,888,254          | £204.35                   | 103.20  |
| Cheshire                           | £2,920,443,000         | £11,125,000                       | 0.38%              | -2.42%             | £70,647,404         | £924.78                   | 145.63  |
| Lancashire                         | £4,380,000,000         | £12,179,000                       | 0.28%              | 1.48%              | £64,739,000         | £470.50                   | 88.51   |
| LPFA                               | £4,214,161,000         | £27,143,000                       | 0.64%              | 1.24%              | £52,427,966         | £684.99                   | 354.63  |
| South Yorkshire                    | £4,687,897,000         | £5,168,000                        | 0.11%              | 1.11%              | £52,046,970         | £402.86                   | 40.00   |
| Tameside                           | £11,012,410,000        | £13,163,000                       | 0.12%              | 0.32%              | £35,187,820         | £130.34                   | 48.76   |
| Tyne & Wear Superannuation Fund    | £4,841,462,000         | £12,062,000                       | 0.25%              | 0.45%              | £21,744,924         | £191.09                   | 106.00  |
| West Midlands Pension Fund         | £8,900,000,000         | £20,979,000                       | 0.24%              | 1.24%              | £109,979,000        | £431.00                   | 82.21   |
| West Yorkshire Superannuation Fund | £8,700,000,000         | £6,578,000                        | 0.08%              | 0.38%              | £32,678,000         | £140.73                   | 28.33   |
| <b>Total or Average</b>            | <b>£56,322,791,000</b> | <b>£128,029,000</b>               | <b>0.23%</b>       | <b>0.55%</b>       | <b>£311,787,530</b> | <b>£214.00</b>            | <b>£87.88</b>                                   |
| Volatility / Standard Deviation    |                        |                                   | 0.16%              | 1.11%              | £47,015,813         | £434.26                   | £93.02  |

### Notes for sources of data

All data on scheme members and investment and administration costs taken from 2012 SF3 release

Data on Fund size, investment targets and investment performance taken from annual reports and Statement of Investment Principles investment performance is 3 years to 2012

Exceptions and assumptions : where there is no published target or the target is to exceed specific benchmark a figure of 0.1% is used West Mids is targeted alpha, from their Annual Report



## WIRRAL COUNCIL

### PENSIONS COMMITTEE

16 SEPTEMBER 2013

|                         |   |
|-------------------------|---|
| <b>SUBJECT:</b>         | <b>MEDIUM TERM ASSET ALLOCATION<br/>IMPLEMENTATION OF FRAMEWORK</b> |
| <b>WARD/S AFFECTED:</b> | <b>ALL</b>  |
| <b>REPORT OF:</b>       | <b>STRATEGIC DIRECTOR<br/>TRANSFORMATION AND RESOURCES</b>          |
| <b>KEY DECISION</b>     | <b>NO</b>   |

#### 1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to update Members on progress on the implementation of a framework for active management of medium term asset allocation.
- 1.2 Appendices 1 and 2 to the report contain exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

#### 2.0 BACKGROUND AND KEY ISSUES

- 2.1 Members will be aware that on 24<sup>th</sup> June 2013, Pensions Committee approved a framework for active management of medium term asset allocation including the following key aspects:
- The setting up of a MTTA panel as outlined in the appendix
  - The appointment of an overlay manager subject to completion of due diligence work by Aon Hewitt (This will be delegated to officers and reported to Committee in September).
  - The provision of additional services from Aon Hewitt as MTAA advisors under their existing contract.
- 2.2 Since the Pensions Committee and following advice from Aon Hewitt, BlackRock have been appointed as the Overlay Manager.
- 2.3 Officers have met with BlackRock to discuss in more detail how the overlay manager role will fit into the framework and how the mandate will be managed on a day to day basis.
- 2.4 Officers have set a target timetable for implementation of the framework as detailed in the appendix to this report.

### **3.0 RELEVANT RISKS**

- 3.1 The appendices include consideration of risks related to implementation of active management of medium term asset allocation. The control of risks is a key part of the due diligence.

### **4.0 OTHER OPTIONS CONSIDERED**

- 4.1 The appendices include consideration of options for implementation of active management of medium term asset allocation.

### **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 aim of this exercise is to improve the overall returns and risk adjusted returns of Merseyside Pension Fund and therefore will have beneficial financial implications. The targeted return from medium term asset allocation is 0.25% of the Fund which at present would potentially improve returns by approximately £15m per annum.
- 7.2 The costs of the overlay manager are set out in the exempt appendix and will be withdrawn from the pooled vehicle directly on a quarterly basis.
- 7.2 There are no Staffing or IT implications of this report.
- 7.3 To date consultancy fees of £25,000 have been incurred in the due diligence on this project and the exempt appendix provides an estimate of on-going costs per annum for the MTAA consultant as a variance to the Aon Hewitt contract under agreed draw down rates.

### **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 That Pensions Committee notes the report on progress to date on the implementation of the framework for active management of medium term asset allocation

12.2 Subject to approval, the Compliance Manual will be amended to reflect the MTAA framework.

12.3 That Pensions Committee notes the additional consultancy fees paid to Aon Hewitt for conducting due diligence on the recommended arrangements.

## **13.0 REASON/S FOR RECOMMENDATION**

13.1 The approval of investment strategy by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

13.2 Officers believe that the medium term asset allocation framework will enhance the returns of the fund primarily through management of risk.

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## **APPENDICES**

*Appendix 1 Internal Report setting out governance framework and implementation of active management of medium term asset allocation. (Revised as at 30<sup>th</sup> August 2013)*

*Appendix 2 Report "Overlay manager review" by Aon*

## **REFERENCE MATERIAL**

No reference material used in the production of this report.

## **SUBJECT HISTORY (last 3 years)**

| <b>Council Meeting</b>                                   | <b>Date</b>          |
|--|----------------------|
| <b>Pensions Committee : Medium Term Asset Allocation</b> | <b>24 June 2013</b>  |
| <b>Pensions Committee : IMWP minutes</b>                 | <b>25 March 2013</b> |



## WIRRAL COUNCIL

### PENSIONS COMMITTEE

16 SEPTEMBER 2013

|  |   |
|--|---|
| <b>SUBJECT:</b>                          | <b>IT COSTS - 2014 REFORM</b>                                 |
| <b>WARDS AFFECTED:</b>                   | <b>ALL</b>  |
| <b>REPORT OF:</b>                        | <b>STRATEGIC DIRECTOR OF<br/>TRANSFORMATION AND RESOURCES</b> |
| <b>RESPONSIBLE PORTFOLIO<br/>HOLDER:</b> |   |
| <b>KEY DECISION</b>                      | <b>NO</b>   |

#### 1.0 EXECUTIVE SUMMARY

- 1.1 This report informs Members of the IT costs related to updating the pension administration computer system, in order to meet the legislative changes of the Local Government Pension Scheme (LGPS) in April 2014.
- 1.2 The report also covers the current Electronic Document Management and Workflow system, with the request to align procurement arrangements with the contractual renewal date for the Pensions Administration and Pensioner Payroll system.
- 1.3 An exempt report on the agenda, setting out the IT costs, 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

##### **Pensions Administration & Pensioner Payroll IT System**

- 2.1 During 2008, an open and competitive procurement exercise took place for a replacement Pensions Administration & Pensioner Payroll system. Pensions Committee approved the procurement of the Altair system from Heywood on 14 January 2009, the contract commenced 1 January 2010.
- 2.2 Heywood's were the existing software provider and the initial contract was for five years, with the option for a two year extension.
- 2.3 Pensions committee on 18 September 2012 approved the option to extend the contract with Heywood for a further two years (from December 2014 to December 2016).
- 2.4 Heywood is currently recognised (by market share) as the main provider of pension administration systems to LGPS Funds. Its Local Authority customers are organised into a formal user group entitled CLASS. The objective of the CLASS group is to

facilitate best value for the members in terms of software and services provision from the partner supplier, Heywood.

- 2.5 Members will be aware that the LGPS is facing significant regulatory change from April 2014. To meet these requirements, Heywood are required to make a significant investment in developing the product to accommodate Career Average benefits and to enhance current calculations in order to facilitate the transitional protections for existing members of the scheme.
- 2.6 The cost of development is to be shared amongst the CLASS Group members with the additional licence fee being paid over two financial years.
- 2.7 The required developments will also incur an additional ongoing software maintenance fee; this is an additional annual cost for the duration of the contract.

### **Electronic Document Management & Workflow IT System**

- 2.8 The current electronic document management and workflow system supplied by Civica (previously known as Comino) was originally implemented by the Pension Fund in 1997. The system is referred to as Pensions5.
- 2.9 Pensions5 is embedded as a core IT system at the Fund and supports the administration function alongside the Altair system. In addition, to holding member documents the Pensions5 system also holds general documents related to Fund management e.g. historic and current legislation.
- 2.10 The Fund processes for dealing with members are delivered within Pensions5. As such, the delivery of LGPS 2014 will require a full review and modification of the existing workflow processes.
- 2.11 The current contract arrangement for the Pensions5 system is on an annual renewal basis with Civica.
- 2.12 Civica has a full Pensions Administration and Pensioner Payroll solution titled 'Universal Pensions Management' (UPM). This software has rapidly matured in recent years and is increasingly being adopted by LGPS Funds, most recently by West Yorkshire Pension Fund. UPM is based on the same technology as the Pensions5 system.

### **3.0 RELEVANT RISKS**

- 3.1 The ongoing provision of both IT systems is critical to the core operations of the Fund. Without these systems the ability to maintain member records and pay pensions is fundamentally compromised.
- 3.2 The software enhancements to the Altair system are necessary to successfully meet the regulatory requirements and statutory responsibility of the Fund from April 2014.
- 3.3 The current IT systems are known to the staff of the Fund and there is considerable knowledge investment in the existing processes and user training. There is less operational risk to the Fund in enhancing and modifying existing embedded

processes and systems. Staff resources are not available to implement any new IT systems.

#### **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 none arising from this report.

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

7.1 The additional development costs, related expenses and ongoing costs are set out in the exempt appendix to this report.

#### **8.0 LEGAL IMPLICATIONS**

8.1 There are none arising from this report.

#### **9.0 EQUALITIES IMPLICATIONS**

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

No, because there is no relevance 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 Members note the additional costs required to update the Altair IT System for the new regulations from April 2014.
- 12.2 Members to agree that the current annual renewal arrangement for Pensions5 continues until December 2016, in order to align procurement arrangements with the contractual renewal date for the Altair system.

## **13.0 REASON/S FOR RECOMMENDATION/S**

- 13.1 Recommendation 12.1 is made in recognition of the statutory duties of the administering authority to comply with the requirements of legislation.
- 13.2 Recommendation 12.2 is made with the expectation of a future procurement process for a single integrated IT solution – delivering pension administration, payroll, document management and workflow management.

It will give time for other competitors to emerge following the LGPS 2014 reforms which may improve the procurement outcome. Officers judge that this is the best option in terms of risk control and value for money.

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## **SUBJECT HISTORY (last 3 years)**

| <b>Council Meeting</b>              | <b>Date</b>              |
|-------------------------------------|--------------------------|
| <b>ALTAIR IMPLEMENTATION UPDATE</b> | <b>18 SEPTEMBER 2012</b> |
| <b>PENSIONS5 – GENERAL FILING</b>   | <b>20 MARCH 2012</b>     |
| <b>ALTAIR IT HARDWARE</b>           | <b>27 SEPTEMBER 2010</b> |



## WIRRAL COUNCIL

### PENSIONS COMMITTEE

16 SEPTEMBER 2013

|  |   |
|--|---|
| <b>SUBJECT:</b>                          | <b>ANNUAL EMPLOYERS' CONFERENCE</b>                           |
| <b>WARDS AFFECTED:</b>                   | <b>ALL</b>  |
| <b>REPORT OF:</b>                        | <b>STRATEGIC DIRECTOR OF<br/>TRANSFORMATION AND RESOURCES</b> |
| <b>RESPONSIBLE PORTFOLIO<br/>HOLDER:</b> |   |
| <b>KEY DECISION</b>                      | <b>NO</b>   |

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 This report informs Members of the arrangements for the annual Employers' Conference to be held on Thursday 28 November 2013.

#### **2.0 BACKGROUND AND KEY ISSUES**

- 2.1 The 2013 conference will be held at Aintree Racecourse on Thursday 28 November.
- 2.2 In addition to the annual reports on investment performance and the administration of the Pension Fund over the previous year, a presentation will be given by Paul Middleman from Mercer, the Fund Actuary summarising the triennial valuation.
- 2.3 The draft programme commences with Coffee and Registration at 9.30am, with a start time of 10am. There will be an open forum for questions and an anticipated finish time of 1.30pm. Lunch will be provided for delegates.
- 2.4 Members are invited to attend the Conference and further details will be circulated to all Members of this Committee as soon as arrangements are finalised.

#### **3.0 RELEVANT RISKS**

- 3.1 There are none rising directly from this report.

#### **4.0 OTHER OPTIONS CONSIDERED**

- 4.1 No other options have been considered.

#### **5.0 CONSULTATION**

- 5.1 An online survey was taken of previous delegates in 2012 and 92% rated Aintree Racecourse as an excellent or very good venue. The location, public transport links and overall quality of Aintree Racecourse was commended.
- 5.2 Feedback in previous years has supported the choice of Aintree Racecourse as being a venue that provides good facilities and free car parking.

## **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 holding the Conference is estimated at £5,000; provision for which is contained within the 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?

Yes - Access for delegates with limited mobility has been assessed; appropriate emergency arrangements in place. A hearing loop and relay screens will be provided for people with sensory impairments.

## **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 The value of holding an annual conference was recognised following the successful re-introduction of this event in November 1997.

13.2 Feedback from attendees has consistently demonstrated the value that employers place in the opportunity to hear presentations on topical issues and receive reports on current Fund activity and performance.

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## APPENDICES

### REFERENCE MATERIAL

#### SUBJECT HISTORY (last 3 years)

| Council Meeting              | Date              |
|------------------------------|-------------------|
| ANNUAL EMPLOYERS' CONFERENCE | 18 SEPTEMBER 2012 |
| ANNUAL EMPLOYERS' CONFERENCE | 19 SEPTEMBER 2011 |
| ANNUAL EMPLOYERS' CONFERENCE | 27 SEPTEMBER 2010 |

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## WIRRAL COUNCIL

### PENSIONS COMMITTEE

16 SEPTEMBER 2013

|  |  |
|--|--|
| <b>SUBJECT:</b>  | <b>LGPS TRUSTEE 'FUNDAMENTALS' TRAINING</b>                  |
| <b>WARD/S AFFECTED:</b>  | <b>NONE</b>  |
| <b>REPORT OF:</b>  | <b>STRATEGIC DIRECTOR<br/>TRANSFORMATION &amp; RESOURCES</b> |
| <b>KEY DECISION?</b> <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i> | NO   |

#### 1.0 EXECUTIVE SUMMARY

- 1.1 This report recommends the Committee to approve participation by Members in the LGPS Trustee Training 'Fundamentals XII' organised by the Local Government Pensions Committee.

#### 2.0 BACKGROUND AND KEY ISSUES

- 2.1 The fundamentals course is run on an annual basis and provides an insight to LGPS 'trusteeship' for newly elected Committee members whilst also serving as an update/refresher course for longer-serving members. The course is of three days duration, spread over a number of months at three locations around the UK. As identical material is delivered at each location, it is possible to attend the course by visiting different locations should delegates' diaries not allow attendance on all three days at a particular location.
- 2.2 Fundamentals is a bespoke LGPS training course predominately aimed at elected members serving on pension committees/panel, and has been attended by over 950 delegates since 2002. The 2013 event incorporates all legislative changes made to the LGPS since last year's event and all sections are refreshed to keep them up-to-date, relevant and interesting.
- 2.3 The aim of the LGPC remains unaltered; that is to deliver a single training course covering all aspects of the Scheme, including both 'Benefits' and 'Fund' administration, as well as 'Investments' so that attendees can demonstrate compliance with the first of the six CIPFA principles and receive educational material in line with CIPFA's Pensions Knowledge and Skills Framework.
- 2.4 Attendance is likely to be of most benefit to newer members of Committee providing a useful grounding in all aspects of local government pensions. Appendix 1 sets out the programme in full.

## 2.5 Dates and venues:

|         |       |             |
|---------|-------|-------------|
| Leeds   | Day 1 | 29 October  |
|         | Day 2 | 12 November |
|         | Day 3 | 05 December |
| Cardiff | Day 1 | 17 October  |
|         | Day 2 | 21 November |
|         | Day 3 | 17 December |
| London  | Day 1 | 23 October  |
|         | Day 2 | 05 November |
|         | Day 3 | 28 November |

2.6 It is believed that attendance at all three days of the course will satisfy at least the minimum of training required to satisfy the first of the six CIPFA principles. Attendees at all three sessions will receive a certificate of attendance.

## 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 from 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 delegate rate for each session, inclusive of lunch, refreshments and all delegate materials is £225 plus VAT. Travelling costs and accommodation, where required, will be an additional expense. These costs can be met from existing budgets.

## 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 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 none arising from this report.

## **12.0 RECOMMENDATION/S**

12.1 That attendance by Members on the 'Fundamentals training' be approved.

12.2 That Members wishing to take advantage of this opportunity notify the Head of Pension Fund to enable the necessary registration and administration to be undertaken.

## **13.0 REASON/S FOR RECOMMENDATION/S**

13.1 Attendance is likely to be of most benefit to newer members of Committee providing a useful grounding in all aspects of local government pensions.

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## **APPENDICES**

Appendix 1

## **REFERENCE MATERIAL**

## **SUBJECT HISTORY (last 3 years)**

| <b>Council Meeting</b> | <b>Date</b> |
|------------------------|-------------|
|                        |             |





## **Appendix 1**

### **Fundamentals XII 2013 - Day 1**

#### **9.30 Registration and Coffee**

#### **9.50 Introduction to the Programme**

#### **10.00 The Benefits Framework “Past and Present”**

- ☐ History of the LGPS and interaction with State Provision
- ☐ The 2008 Scheme – a core scheme plus discretions; a look at the comprehensive benefit structure of the scheme
- ☐ Differences in the 2009 Scheme in Scotland
- ☐ Administering Authority and Employing Authority Discretions – how many there are and who is responsible for them
- ☐ Pensions for Councillors

#### **11.00 Coffee Break**

#### **11:15 The Investment Framework**

- ☐ The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 – the statutory framework for investments
- ☐ CIPFA Principles – a look at the six investment principles
- ☐ Statement of Investment Principles
- ☐ Interaction with the Funding Strategy Statement
- ☐ Governance Compliance Statements
- ☐ Annual Reports and Auditing

#### **12:00 Delivering the Service**

- ☐ Partnership Working
- ☐ Framework Agreements
- ☐ Financial Services procurement and relationship management
- ☐ Supplier risk management
- ☐ Performance of support services

#### **12.30 Lunch**

#### **1.30 to 4:00 (Break at 2:45) BACK TO BASICS - Traditional Asset Classes**

An explanation of:

- ☐ UK Equities, Overseas Equities
- ☐ UK Gilts, UK Index-Linked Gilts
- ☐ Corporate Bonds, Property

Including a look at:

- ☐ Why invest in Fixed Income and Equity Markets?
- ☐ Long Term Investment Performance of Equities and Fixed Income
- ☐ Benchmarks used

- ☐ Cashflows
- ☐ The Bond Market
- ☐ Return / Risk Profiles

#### **4.00 Close**

### **Fundamentals XII 2013 - Day 2**

#### **9:30 Registration and Coffee**

#### **9:45 Valuations**

- ☐ The Purpose of an Actuarial Valuation
- ☐ Assets and Liabilities
- ☐ How do liability calculations work?
- ☐ What assumptions are used?

#### **Funding Strategy Statements**

- ☐ What is the funding strategy?
- ☐ Different Employers – different characteristics and objectives
- ☐ What is the strength of the covenant?
- ☐ Deficit Recovery Periods

#### **11:15 Break**

#### **11.30 Corporate Governance**

- ☐ Approach to Corporate Governance
- ☐ Voting, Activism and Engagement
- ☐ Institutional Shareholders Committee principles
- ☐ Socially Responsible Investment

#### **12.30 Lunch**

#### **1.30 Communication Strategies/Policies**

- ☐ Policy Statement Requirements
- ☐ LGPS – Valuable part of employment package
- ☐ Purpose and effect – Changes and Choices
- ☐ A look at some good practice initiatives

#### **2.00 to 4:00 (Break at 2:45) BACK TO BASICS 2 – Established Alternative Investments**

An explanation of:

- ☐ Private Equity, Commodities, Hedge Funds, Emerging Markets, Currency Funds, High Yield Bonds and Overlays

Including a look at:

- ☐ The market evolution of Alpha and Beta
- ☐ Private Equity sectors
- ☐ Commodities – what do they cover and why include them in a portfolio?

- ☐ The Hedge Fund universe
- ☐ The background to Emerging markets
- ☐ The value of Currency Funds and Currency Overlays
- ☐ How High Yield Bonds fit into the Bond market

**4:00 Close**

## **Fundamentals XII 2013 - Day 3**

**9:30 Registration and Coffee**

### **9:45 Duties and Responsibilities of Committee Members**

- ☐ The LGPS in its legal context
- ☐ General local authority legal issues
- ☐ LGPS specific duties and responsibilities
- ☐ Wider duties and responsibilities
- ☐ What happens when things go wrong?

**11:15 Break**

### **11:30 The Future for the LGPS?**

- ☐ Following on from Hutton
- ☐ Negotiation and Consultation
- ☐ The LGPS2014 Project

**12:30 Lunch**

### **1:30 Focus on good governance**

- ☐ Far more than just corporate governance
- ☐ Delegation and representation
- ☐ Spending the governance budget
- ☐ Managers and Manager Selection
- ☐ Manager de-selection

### **2:15 to 4:00 (Break at 2:45) BACK TO BASICS 3 - Bringing it all together**

- ☐ The Evolution of LGPS Benchmarks
- ☐ Portfolios and Portfolio Construction
- ☐ Portfolio Concepts
- ☐ Combining Assets in your Portfolio
- ☐ Risks and Efficient Frontiers
- ☐ Standard Deviation
- ☐ Correlation
- ☐ Diversification
- ☐ Three Things to Remember!

**3:55 Course Review and Further Information**

**4:00 Close**

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## WIRRAL COUNCIL

### PENSIONS COMMITTEE

16 SEPTEMBER 2013

|  |  |
|--|--|
| <b>SUBJECT:</b>  | <b>LAPFF CONFERENCE</b>                                      |
| <b>WARD/S AFFECTED:</b>  | <b>NONE</b>  |
| <b>REPORT OF:</b>  | <b>STRATEGIC DIRECTOR<br/>TRANSFORMATION &amp; RESOURCES</b> |
| <b>KEY DECISION?</b> <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i> | NO   |

#### 1.0 EXECUTIVE SUMMARY

- 1.1 This report recommends the Committee to approve attendance by the Chair and the Executive Board member at the Local Authority Pension Fund Forum (LAPFF) Annual Conference, organised by PIRC, to be held in Bournemouth from 4 to 6 December 2013.

#### 2.0 BACKGROUND AND KEY ISSUES

- 2.1 MPF is a member of LAPFF and its Annual General Meeting and annual conference provides a forum for topical issues affecting Local Authority Pension Funds to be discussed and addressed.
- 2.2 The Chair of Pensions Committee is on the LAPFF Executive. With responsible investment issues gaining a higher profile it is proposed that the arrangements pertaining last year are continued and invitations extended to party spokespersons as well as the Chair.

#### 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 from 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 LAPFF membership allows for two free conference places. Additional places, accommodation and travelling costs can be met from the existing 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 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 none arising from this report.

## **12.0 RECOMMENDATION/S**

12.1 That attendance at the LAPFF conference by the Chair and party spokespersons be approved.

## **13.0 REASON/S FOR RECOMMENDATION/S**

13.1 Attendance at this conference is a part of the development programme approved by Members in January 2013.

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## **APPENDICES**

None

## **REFERENCE MATERIAL**

### **SUBJECT HISTORY (last 3 years)**

| <b>Council Meeting</b>    | <b>Date</b>           |
|---------------------------|-----------------------|
| <b>Pensions Committee</b> | <b>September 2012</b> |
| <b>Pensions Committee</b> | <b>September 2011</b> |
| <b>Pensions Committee</b> | <b>September 2010</b> |

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## WIRRAL COUNCIL

### PENSIONS COMMITTEE

16 SEPTEMBER 2013

|  |  |
|--|--|
| <b>SUBJECT:</b>  | <b>INFRASTRUCTURE &amp; PRIVATE EQUITY SEMINAR</b>           |
| <b>WARD/S AFFECTED:</b>  | <b>NONE</b>  |
| <b>REPORT OF:</b>  | <b>STRATEGIC DIRECTOR<br/>TRANSFORMATION &amp; RESOURCES</b> |
| <b>KEY DECISION?</b> <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i> | NO   |

#### 1.0 EXECUTIVE SUMMARY

- 1.1 This report asks the Committee to consider attendance by Members at an Infrastructure & Private Equity Seminar, organised by Capital Dynamics, to be held in Manchester on 13 November 2013.

#### 2.0 BACKGROUND AND KEY ISSUES

- 2.1 Members have attended previous events run by Capital Dynamics which are provided on a complimentary basis. MPF invests in both asset classes and the morning sessions are intended to provide an introduction to Infrastructure and Private Equity which will be of particular benefit to newer members of Committee. The afternoon sessions cover specific matters in greater depth.

- 2.2 The provisional agenda is set out below:

##### *Morning Sessions*

- Infrastructure & Private Equity Training Workshop

##### *Afternoon Sessions*

- Energy and Mainstream Infrastructure
- Fees – Appropriate fee levels? How to reduce fees?
- Secondary Investing
- Emerging Markets & Asia
- An investors perspective (external speaker from a large UK Pension Fund)

- 2.3 Members may choose to attend for the entire day or for just the morning or afternoon sessions.

#### 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 from 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 seminar is provided on a complimentary basis. Travelling costs can be met from the existing 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 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 none arising from this report.

## **12.0 RECOMMENDATION/S**

12.1 That Committee considers attendance at this seminar and proves attendance for those Members who wish to attend.

## **13.0 REASON/S FOR RECOMMENDATION/S**

13.1 MPF invests in both infrastructure and private equity and this seminar will provide addition knowledge and information for Members.

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## **APPENDICES**

None

**REFERENCE MATERIAL**

**SUBJECT HISTORY (last 3 years)**

| Council Meeting | Date |
|-----------------|------|
|                 |      |



## WIRRAL COUNCIL

### PENSIONS COMMITTEE

16 SEPTEMBER 2012

|  |  |
|--|--|
| <b>SUBJECT:</b>  | <b>NAPF ANNUAL CONFERENCE</b>                                |
| <b>WARD/S AFFECTED:</b>  | <b>NONE</b>  |
| <b>REPORT OF:</b>  | <b>STRATEGIC DIRECTOR<br/>TRANSFORMATION &amp; RESOURCES</b> |
| <b>KEY DECISION?</b> <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i> | NO   |

#### 1.0 EXECUTIVE SUMMARY

- 1.1 This report recommends the Committee to consider attendance by Members at the National Association of Pension Funds (NAPF) Annual Conference, to be held in Manchester from 16 to 18 October 2013.

#### 2.0 BACKGROUND AND KEY ISSUES

- 2.1 MPF is a member of NAPF and its annual conference provides a forum for topical issues affecting public and private pension funds to be discussed and addressed.
- 2.2 Attendance would be beneficial to Members in fulfilling the Committee's Knowledge and Skills objectives as set out by CIPFA.
- 2.3 Whilst not all topics and presentations are relevant to Members, there are a number of useful subjects on the agenda and several high profile speakers including Steve Webb MP, Minister for Pensions, Gregg McClymont, Shadow Minister for Pensions, Nigel Waterson, NOW:Pensions, Robert Peston, Broadcaster and others. As the event is in the region, Members will be able to manage their attendance at relevant sessions as appropriate.
- 2.4 Members must be registered for the event in order to attend. Although the event is complimentary for NAPF members, a charge is made for non-attendance.
- 2.5 Appendix 1 provides further information on the event including the programme of events.

#### 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 from 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 NAPF membership allows for free conference places although a charge is levied in the event of non-attendance. The principal cost will be travel to Manchester.

## **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 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 none arising from this report.

## **12.0 RECOMMENDATION/S**

12.1 That attendance at the NAPF conference by Members be approved.

12.2 That Members wishing to attend the conference notify the Head of Pension Fund to enable the necessary registration and administration to be undertaken.

## **13.0 REASON/S FOR RECOMMENDATION/S**

13.1 Attendance at this conference will assist Members in fulfilling the Committee's Knowledge and Skills objectives as set out by CIPFA.

**REPORT AUTHOR:** ***PETER WALLACH***  
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## **APPENDICES**

Appendix 1

## **REFERENCE MATERIAL**

## **SUBJECT HISTORY (last 3 years)**

| Council Meeting | Date |
|-----------------|------|
|                 |      |

## Appendix 1

Wednesday 17 October

|                                   |  |               |   |
|-----------------------------------|--|---------------|---|
| 08:30                             | Registration open  |               |   |
| 09:00 - 12:45                     | <i>Trustee Learning Zone</i> - <a href="#">View details</a>  | 09:00 - 12:45 | <i>Fringe meetings</i> - <a href="#">View details</a> |
| 10:00                             | Exhibition open, refreshments served in the exhibition hall  |               |   |
| 12:00 - 13:30                     | Lunch in the exhibition hall   |               |   |
| <i>Plenary 1</i><br>13:30 - 14:00 | <i>Chairman's welcome and introduction</i><br>Mark Hyde Harrison, Chairman, NAPF   |               |   |
| <i>Plenary 2</i><br>14:00 - 14:45 | <i>Politics, power and the economy: what next for Britain and the EU?</i><br>With the Eurozone on the brink and the future of the EU itself at stake, we get the ultimate insider briefing on the political and economic crisis gripping Brussels and Westminster.<br><i>Lord Mandelson, former EU Commissioner</i><br>Chaired by: Mark Hyde Harrison, Chairman, NAPF                    |               |   |
| 14:45 - 15:30                     | Refreshments in the exhibition hall  |               |   |
| <i>Plenary 3</i><br>15:30 - 16:00 | <i>Keynote address</i><br>Session to be confirmed.   |               |   |
| <i>Plenary 4</i><br>16:00 - 16:45 | <i>The view from Frankfurt</i><br>Europe's top pensions regulator explains how EIOPA is reshaping the framework for your pension scheme and gives us an inside perspective on moves towards the new EU pensions Directive.<br><i>Gabriel Bernardino, Chair of the European Insurance and Occupational Pensions Authority (EIOPA)</i><br>Chaired by: Joanne Segars, Chief Executive, NAPF |               |   |
| <i>Plenary 5</i><br>16:40 - 17:20 | <i>Living longer, working longer, saving more</i><br><i>Money Saving Expert, author, journalist and campaigning TV and radio presenter, Martin Lewis</i> , shares his view of the changes and challenges we face in the ways we live, work and save.<br>Chaired by: Joanne Segars, Chief Executive, NAPF   |               |   |
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| 17:30 - 18:30 | <i>Fringe meetings</i> - <a href="#">View details</a> |
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| <b>18:30 - 19:30</b> | <b>Welcome Drinks Reception in the exhibition hall hosted by the City of Liverpool</b> |  |  |
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*Thursday 18 October*

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|--|---|--|--|---|
| <b>07:30</b>                             | <b>Registration open</b>  |  |  |   |
| <b>07:45 - 08:45</b>                     | <b>NAPF fund member breakfast - for NAPF fund members by invitation only</b>  |  |  |   |
| <b>08:45</b>                             | <b>Exhibition open</b>  |  |  |   |
| <b>Plenary 6</b><br><b>09:00 - 09:40</b> | <b><i>Auto-enrolment - ready, steady, go!</i></b><br>With auto-enrolment launching officially on 1 October, two schemes in the first 'wave' share the lessons they have learnt and their 'do's and don'ts' for other schemes following their footsteps.<br><b><i>David Brennan, J Sainsbury</i></b><br><b><i>Tim Jones, NEST Corporation</i></b><br><i>Chaired by: Joanne Segars, Chief Executive, NAPF</i> |  |  |   |
|  | <b>DB STREAM</b>  | <b>DC STREAM</b>   | <b>PENSIONS &amp; EMPLOYEE BENEFIT STREAM</b>  | <b>FD STREAM</b>  |
|  | Sponsored by<br>   | Sponsored by<br>  | Sponsored by<br>   | Sponsored by<br>   |
|  | Media Partner:<br>tbc   | Media Partner:<br>  | Media Partner:<br> | Media Partner:<br> |
| <b>09:45 - 10:30</b><br>Session 1        | <b>Data: the good, bad and the ugly</b><br>What does 'best look like' when it comes to managing your scheme's data?   | <b>Helping employers ensure value for money for their members</b><br>A new charges code of practice is being designed to drive up transparency for employers choosing a pension scheme for auto- | <b>Business benefit or blind faith?</b><br>From 2012, providing a workplace pension will be            | <b>The economy: knowns and unknowns for investors</b><br>With the European and global outlook           |

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|                                   | <p>A scheme manager shares his/her top tips and the Pension Protection Fund (PPF) draws on its experience of data retrieval from schemes in its assessment process.</p> <p><b>Rob Haslingden</b>, Experian<br/> <b>David Heslop</b>, PPF<br/> <i>Chaired by: David Rowley, Pensions Week</i></p> | <p>enrolment. We will hear from industry representatives how providers plan to communicate costs, charges and value for money going forward and the steps they are taking to implement the new code of practice.</p> <p><b>Stephen Gay</b>, ABI<br/> <b>Lesley Williams</b>, Whitbread and Vice-Chairman, NAPF Retirement Policy Council<br/> <i>Chaired by: Alan Woods, Independent Adviser to the NAPF</i></p> | <p>compulsory, and employers may take some persuading to do any more than the minimum. How can providing good pensions still play a role in active workforce strategies in this new environment, and what's in it for the business at the end of the day?</p> <p><b>Paul Armitage</b>, JLT Benefit Solutions<br/> <b>Gary Dewin</b>, The Co-operative Group<br/> <b>John Wilson</b>, JLT Benefit Solutions<br/> <i>Chaired by: David Astley, NAPF Retirement Policy Council</i></p> | <p>uncertain, two experts share their thoughts on the current economic climate and potential scenarios for investors.</p> <p><b>Paul Mortimer-Lee</b>, BNP Paribas<br/> <b>Co-speaker tbc</b><br/> <i>Chaired by: David McGibbon, NAPF Investment Council</i></p> |
| <b>10:30 - 11:15</b>              | <b>Refreshments in the exhibition hall</b>   |  |   |   |
| <b>11:15 - 12:00</b><br>Session 2 | <p><b>The good trustee's guide to fiduciary management</b></p> <p>Fiduciary management allows trustees to delegate complex</p>   | <p><b>Long term saving from a short term perspective</b></p> <p>The next generation of savers will, almost irrespective of the jobs they take on, be automatically placed in a pension plan by their employer. Using only the control group of his own</p>   | <p><b>What's age got to do with it?</b></p> <p>Our panel of experts provide case studies and advice on innovation</p>   | <p><b>The economy: what it means for derisking your scheme</b></p> <p>The first session in this stream assessed the economy's</p>   |

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|  | <p>investment decisions to the experts, but it doesn't let trustees off the hook altogether. This session asks what good governance looks like in a fiduciary management world and shows how you can get delegation right.</p> <p><b>Sion Cole</b>, Aon Hewitt</p> <p><b>Co-speaker tbc</b></p> <p><i>Chaired by:</i><br/><i>Darren Philp,</i><br/><i>Director of Policy, NAPF</i></p> | <p>family, the presenter will explore the subject from the perspective of some very young minds!</p> <p><b>Philippa Cochrane</b>, Scottish Book Trust</p> <p><b>Jamie Jenkins</b>, Standard Life</p> <p><i>Chaired by: Mark Cobley,</i><br/><i>Financial News</i></p> | <p>strategies for communicating and engaging with different groups of employees on pensions and employee benefits - focussing on how communication with employees might need to change and adapt across their life cycle.</p> <p><b>Nigel Ferrier</b>, Ferrier Pearce</p> <p><b>Geoff McKenzie</b>, Vodafone</p> <p><b>Alex Thurley-Ratcliff</b>, Shilling Communication</p> <p><i>Chaired by:</i><br/><i>Dan Torjussen-Proctor,</i><br/><i>Business Development Director,</i><br/><i>NAPF</i></p> | <p>impact on investments; now we look specifically at how the economy will help or hinder your journey towards derisking. What do current gilt yields mean for your scheme liabilities and what is the industry's capacity to cope with what some predict will be an increased number of buyouts/ins?</p> <p><b>Mark Duke</b>, Towers Watson</p> <p><b>Andrew Waring</b>, MNOPF</p> <p><i>Chaired by:</i><br/><i>Bruce Garner,</i><br/><i>NAPF Retirement Policy Council</i></p> |
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| <p><b>Plenary 7</b></p> <p><b>12:05 - 12:35</b></p> | <p><b><i>Keeping the Coalition in check</i></b></p> <p>A year after his pensions debut at the 2011 NAPF Conference, the Shadow Pensions Minister sets out what he has learnt since picking up the reins and outlines his priorities for getting people saving.</p> <p><b><i>Gregg McClymont MP, Shadow Pensions Minister</i></b></p> <p><i>Chaired by: Joanne Segars, Chief Executive, NAPF</i></p> |
| <p><b>12:35 - 13:45</b></p>                         | <p><b>Lunch in the exhibition hall</b></p>  |

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| <b>13:45 - 14:30</b><br>Session 3 | <b>Of Brussels and Barnier: what the new EU pensions directive means for your scheme</b><br>The European Commission's overhaul of the IORP Directive will set a new framework for scheme funding, governance and communications. Learn more about the likely impact and how you can get involved in the debate.<br><b>Tom Merchant</b> , USS<br><b>Co-speaker tbc</b><br><i>Chaired by: James Walsh, Senior Policy Adviser: Workplace Pensions, NAPF</i> | <b>Making the most of your pension pot at retirement</b><br>The benefits of shopping around for an annuity at retirement are significant. How can industry-led solutions give DC pension scheme members access to the whole of market guidance and advice at retirement in a targeted and cost-effective way?<br><b>Alan Higham</b> , Annuity Direct<br><b>Julian Webb</b> , FIL Investment Management<br><b>Co-speaker tbc</b><br><i>Chaired by: Mel Duffield, Head of Research and Strategic Policy, NAPF</i>   | <b>Knowledge is power - making the member data work for you</b><br>How can liberating member data give employers greater control, give employees better engagement with their savings and benefits, drive up efficiencies and drive down costs?<br><b>Speakers tbc</b><br><i>Chaired by: Darren Philp, Director of Policy, NAPF</i> | <b>Session to be confirmed.</b>   |
| <b>14:35 - 15:15</b><br>Session 4 | <b>Managing DB risk in the mid market</b><br>Some de-risking options are seen as the preserve of the largest schemes, but how can other schemes benefit from the latest approaches to managing risk? Hear from those who have been there and done it with schemes in the middle of the market.<br><b>Steve Balmont</b> ,   | <b>Where is risk in DC?</b><br>Investment is all about risk - from short term volatility to long term inflation - and DC is no different. What are the risks, why do people tend to 'set and forget' in their default strategies and what are the things to consider in taking alternative approaches? What is the consumer perspective on risk in DC, and what can the industry do to shore up confidence in pension saving?<br><b>Andrew Dickson</b> , Standard Life Investments<br><b>Jeff Prestridge</b> , Mail on Sunday<br><i>Chaired by: Jerry Gandhi,</i> | <b>Is the future flexible?</b><br>How are flexible benefits packages developing to help employers deliver auto-enrolment, and will we see a shift towards flex systems as the advantages of these packages become clear? Will flexible  | <b>Incentivised transfers: has the code cracked it?</b><br>What difference has the new industry Code of Practice made to Enhanced Transfer exercises and Pension Increase Exchanges? One of the Code's author's and a finance |

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|   | <p>Law Debenture<br/><b>Paul McGlone</b>,<br/>Aon Hewitt<br/><i>Chaired by:</i><br/><i>Stella Eastwood,</i><br/><i>NAPF</i><br/><i>Retirement</i><br/><i>Policy Council</i></p>   | <p><i>NAPF Retirement Policy</i><br/><i>Council</i></p>   | <p>benefits be a game changer for take-up of pensions?<br/><b>Jenny Davidson</b>,<br/>CSC<br/><b>Matt Waller</b>,<br/>Benefex<br/><i>Chaired by:</i><br/><i>Emma Douglas,</i><br/><i>NAPF</i><br/><i>Retirement</i><br/><i>Policy</i><br/><i>Council</i></p>  | <p>director reflect on its impact.<br/><b>Margaret Snowdon</b>,<br/>Lucida<br/><b>David Saunders</b>,<br/>Sackers<br/><i>Chaired by:</i><br/><i>Jane Samsworth,</i><br/><i>NAPF</i><br/><i>Retirement</i><br/><i>Policy Council</i></p>  |
| <p><b>15:15 - 16:00</b></p>               | <p><b>Refreshments in the exhibition hall</b></p>   |   |   |  |
| <p><b>16:00 - 16:40</b><br/>Session 5</p> | <p><b>Employer covenant: despatches from the front line</b><br/>What is best practice in assessing, monitoring and managing the sponsor's support for a DB scheme? Hear from people who live and breathe employer covenant issues on a daily basis.<br/><b>Peter Thompson</b>,<br/>BESTrustees<br/><b>Co-speaker tbc</b><br/><i>Chaired by: Joy Moore, NAPF</i><br/><i>Retirement</i><br/><i>Policy Council</i></p> | <p><b>The 6 Ps for good DC</b><br/>This session will hear from the Pensions Regulator on how their '6 principles' for DC are developing and from two employers/schemes on what they are likely to mean in practice across both trust based and contract based schemes. To what extent are schemes already ahead or behind the curve?<br/><b>Darran Burton</b>, the<br/>Pensions Regulator<br/><b>Janis Ireland</b>, Heineken<br/><b>Co-speaker tbc</b><br/><i>Chaired by: Richard Butcher,</i><br/><i>NAPF Retirement Policy</i><br/><i>Council</i></p> | <p><b>Picking a pension - made simple</b><br/>This session gives you 10 top tips when choosing a pension scheme for auto-enrolment. What might be special about your workforce that means that one provider might be more suitable than another, and what are the elephant traps to avoid?<br/><b>Speakers tbc</b><br/><i>Chaired by: David Woods,</i><br/><i>HR magazine</i></p> | <p><b>Defined ambition - what's in it for FD's?</b><br/>With the Pensions Minister talking about a new generation of risk-sharing pension schemes, could 'defined ambition' help FDs t manage liabilities and corporate balance sheets?<br/><b>Francois Barker</b>,<br/>Eversheds<br/><b>Co-speaker tbc</b><br/><i>Chaired by: Adam Walker,</i><br/><i>Chairman,</i><br/><i>NAPF</i><br/><i>Liverpool</i><br/><i>Local Group</i></p> |

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| <b>Plenary 8</b><br><b>16:45 - 17:05</b> | <b>An NAPF view</b><br><b>Joanne Segars, Chief Executive, NAPF</b>  |
| <b>Plenary 9</b><br><b>17:05 - 17:55</b> | <b>Keynote address</b><br><b>Steve Webb MP, Minister of State for Pensions</b><br><i>Chaired by: Joanne Segars, Chief Executive, NAPF</i> |
| <b>18:00 - 18:30</b>                     | <b>Launch of the new NAPF Made Simple Guides on the NAPF stand in the exhibition hall</b>   |
| <b>19:30 - 23:00</b>                     | <b>Conference Gala Dinner sponsored by Neptune Investment Management at Liverpool Cathedral</b><br><i>Dress code: lounge suits</i>        |
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**Friday 19 October**

|   |   |
|---|---|
| <b>08:15</b>                              | <b>Registration open</b>  |
| <b>08:30 - 09:00</b>                      | <b>NAPF Annual General Meeting</b>  |
| <b>09:00</b>                              | <b>Exhibition open</b>  |
| <b>Plenary 10</b><br><b>09:15 - 10:00</b> | <b><i>Predicting impossible futures - navigating turbulent times</i></b><br>Europe's trendspotter takes you on a thrill-ride driven by two questions "What's going on in the world?" and "Where are we heading?"<br><b>Magnus Lindkvist</b><br><i>Chaired by: Mark Hyde Harrison, Chairman, NAPF</i>  |
| <b>Plenary 11</b><br><b>10:00 - 10:30</b> | <b><i>Balloon debate</i></b><br>What is the key to reinvigorating workplace pensions? Vote, vote and vote again to decide which of our experts has made the best pitch on the future of pensions and which should be 'eliminated' from the NAPF's metaphorical balloon. No hot air please!<br><b>Emma Douglas, Mercer</b><br><b>Robin Ellison, Pinsent Masons</b><br><b>Steve Rumbles, BlackRock</b><br><i>Chaired by: Mark Hyde Harrison, Chairman, NAPF</i> |
| <b>10:30 - 11:15</b>                      | <b>Refreshments in the exhibition hall</b>  |
| <b>Plenary 12</b><br><b>11:15</b>         | <b><i>Lessons from afar</i></b><br>The UK pensions landscape is going through a period of significant change. What lessons can we learn from the US and Australia? What are the pitfalls to avoid?<br><b>Nancy Heller, TIAA-CREF</b>  |

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| -<br>12:00                                      | <b><i>Co-speaker tbc</i></b><br><i>Chaired by: Mark Hyde Harrison, Chairman, NAPF</i>   |
| <b><i>Plenary 13</i></b><br>12:00<br>-<br>12:45 | <b><i>Keynote address - The Wonders of Life</i></b><br>The renowned physicist and popular scientist shares his view of Man's place in the Universe.<br><b><i>Professor Brian Cox</i></b><br><i>Chaired by: Mark Hyde Harrison, Chairman, NAPF</i> |
| 12:45<br>-<br>13:00                             | <b><i>Closing comments</i></b><br><b>Mark Hyde Harrison, Chairman, NAPF</b>   |
| 13:00<br>-<br>14:00                             | <b>Lunch in the exhibition hall and close of conference</b>   |







### Keynote speakers:

**Steve Webb MP**, Minister for Pensions

**Gregg McClymont MP**, Shadow Minister for Pensions

**Robert Peston**, Broadcaster

**Rt Hon Michael Portillo**, Ex-politician, writer and broadcaster

**Nigel Waterson**, NOW: Pensions

**Vincent Franklin**, Quietroom

**Nick Hewer**, Host of Countdown

and video message from **HRH The Prince of Wales**

**CPD points:** This Conference qualifies for up to 7 hours CPD under the PMI CPD scheme and may qualify for CPD hours under the schemes of other professional bodies.

## Wednesday 16 October

|                                   |   |               |  |
|-----------------------------------|---|---------------|--|
|                                   |   |               |  |
| 09:30                             | Registration open   |               |  |
| 10:00 - 13:00                     | Trustee Learning Zone - <a href="#">View details</a>  | 10:00 - 12:30 | Fringe meetings - <a href="#">View details</a> |
| 10:00                             | Exhibition open, refreshments served in the exhibition hall   |               |  |
| 12:00 - 13:30                     | Lunch in the exhibition hall  |               |  |
| <b>Plenary 1</b><br>13:30 - 14:00 | <b>Chairman's welcome and introduction</b><br><b>Mark Hyde Harrison</b> , Chairman, NAPF  |               |  |
| <b>Plenary 2</b><br>14:00 - 14:45 | <b>From perfect storm to sustainable economy</b><br>HRH The Prince of Wales opens our first plenary debate by challenging pension funds to take the lead in replacing 'quarterly capitalism' with a more sustainable and resilient economic model. Three senior leaders in business and investment give their response.<br><b>HRH The Prince of Wales video message</b><br><b>Paul Clements-Hunt</b> , The Blended Capital Group<br><b>Paul Spencer</b> , Chair, BT Pension Scheme<br><b>Co-speaker tbc</b><br>Chaired by: <b>John Plender</b> , FT |               |  |
| <b>Plenary 3</b>                  | <b>The economy: how we can fix it</b>   |               |  |

|  |  |
|--|--|
| 14:45 -<br>15:25                         | <p>Are we on track to build a more sustainable economy driven by investment and exports, or are we stuck in an era of debt and over-consumption? A leading business commentator gives his expert assessment of the state of the economy and explains the implications for pension funds as key players in the investment markets.</p> <p><b>Robert Peston, Broadcaster</b></p> <p><i>Chaired by: Mark Hyde Harrison, Chairman, NAPF</i></p>  |
| 15:25 -<br>16:15                         | Refreshments in the exhibition hall  |
| <b>Plenary 4</b><br><br>16:15 -<br>17:30 | <p><b>DC - value for money? The OFT's view and the industry's response</b></p> <p>The Office of Fair Trading's investigation into DC pensions is set to raise the stakes on whether DC offers value for money. In this first major public debate on the report, leading figures from politics and pensions give their thoughts on its analysis and recommendations - and set out how they plan to rise to the OFT's challenge.</p> <p><b>Gregg McClymont, Shadow Minister for Pensions</b></p> <p><b>David Nish, Standard Life</b></p> <p><b>Ed Smith, Office of Fair Trading</b></p> <p><b>Nigel Waterson, NOW: Pensions</b></p> <p><i>Chaired by: Holly Thomas, The Sunday Times</i></p> |
| 17:35 -<br>18:30                         | Fringe meetings - <a href="#">View details</a>   |
| 18:30                                    | Close of conference for the day  |
| 19:30                                    | Close of exhibition for the day  |
|  |  |

## Thursday 17 October

|  |  |
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| 07:45  | Registration open  |
| 08:00 - 08:45                                | <p><b>NAPF fund member breakfast (for NAPF fund members only)</b></p> <p>Join the NAPF for an informal buffet breakfast and hear the latest on a variety of pensions issues. This is your opportunity to raise questions and debate the issues.</p> <p>Pre-registration essential, please <a href="#">click here</a> to register.</p>  |
| 08:45  | Exhibition open  |
| <p><b>Plenary 5</b></p> <p>09:00 - 09:55</p> | <p><b>Going global</b></p> <p>What is it that puts Denmark, the Netherlands and Australia top of the class in pension provision? The co-ordinator of the leading study of global pensions systems presents the 2013 edition and pensions leaders from top-ranked countries comment on the remaining challenges for their pension systems and the implications for the UK.</p> <p><b>David Knox</b>, <i>Mercer</i></p> <p><b>Carsten Stendevad</b>, <i>Denmark</i></p> <p><b>Jasper Kemme</b>, <i>The Netherlands</i></p> <p><b>Fiona Reynolds</b>, <i>Australia</i></p> <p>Chaired by: Mark Hyde Harrison, <i>Chairman, NAPF</i></p> |

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| <p><b>10:00 - 10:45</b><br/>Session 1</p> | <p><b>Derisking your liabilities</b><br/>Over recent years more damage has been done to pension funding by scheme liabilities than by scheme assets, and on a daily basis the liabilities of most pension schemes are more volatile than their assets. Yet the larger proportion of 'derisking' activity to date has related to the assets. This session will consider what trustees and sponsors can be doing to manage the risks on the liability side of the balance sheet, what has prevented some of these from happening in the past, and what needs to happen to deal with them in the future?<br/><b>Paul McGlone</b>, Aon Hewitt<br/><b>Graham Wardle</b>, BESTrustees<br/>Chaired by <b>Joy Moore</b>, NAPF Retirement Policy Council</p> | <p><b>Keeping on top of the default fund: what does great governance look like?</b><br/>Pension schemes talk through how they have put great governance in place around their default fund, including: setting objectives; reviewing and changing the existing default; the role of investment consultants; key features of their chosen fund; and engaging members with the default.<br/><b>Oliver Polson</b>, Molson Coors<br/><b>Co-speaker tbc</b><br/>Chaired by <b>David Astley</b>, NAPF Retirement Policy Council</p> | <p><b>Auto-enrolment, an opportunity, not just an increased cost</b><br/>Hear how auto-enrolment can be used as an opportunity to maximise the return on investment on your benefits package rather than simply be seen as an additional pension cost. Find out why education and communication will be key and how the new legislation provides the perfect opportunity for companies to re-engage with their workforce and become an employer of choice.<br/><b>Jon Bryant</b>, JLT Benefit Solutions<br/><b>Sara Harper-Holton</b>, Weightwatchers<br/>Chaired by <b>Frances Corbett</b>, Educational Development Manager, NAPF</p> | <p><b>What next after Solvency II?</b><br/>With a new funding regime for pension schemes now on the Brussels back-burner, what can we expect from the new EU pensions Directive?<br/><b>Brendan Mulkern</b>, Universities Superannuation Scheme<br/><b>Co-speaker tbc</b><br/>Chaired by <b>Francois Barker</b>, NAPF Retirement Policy Council</p> |
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| <b>10:45 - 11:20</b>                     | <b>Refreshments in the exhibition hall</b>   |   |  |  |
| <b>11:20 - 12:05</b><br>Session 2        | <b>Getting value from your consultants: the poachers turned gamekeepers' view</b><br>Two ex-consultants, now scheme managers, share their top tips on ensuring your advisers deliver practical advice that helps you deliver the best service to your members.<br><b>Simon Banks</b> , RBS<br><b>Sally Bridgeland</b> , BP Pension Trustees<br>Chaired by <b>Ian Smith</b> , Pensions Week | <b>DC surgery: what's hot and what's not?</b><br>Your chance to quiz the experts on 3 hot topics and have your say on what's hot and what's not when stripping out the risks.<br>- Fund choice for members - too much of a good thing?<br>- Diversified growth funds - over cooked?<br>- Target date funds - the new lifestyle choice?<br><b>Tim Banks</b> , AllianceBernstein Institutional Investments<br><b>Andrew Cheseldine</b> , Lane Clark & Peacock<br><b>Nils Johnson</b> , Spence Johnson<br>Chaired by tbc | <b>Targeting rewards for a diverse workforce</b><br>Hear about some really innovative approaches to segmentation of employee benefits packages. How do these link into recruitment and retention strategies? How can these be effectively communicated and targeted?<br><b>John Chilman</b> , FirstGroup<br><b>Co-speaker tbc</b><br>Chaired by <b>Helen Forrest</b> , Head of Policy & Advocacy, NAPF | <b>What to do if you cannot get your DB scheme off your balance sheet?</b><br>For many, pension funds are not a key employee benefit but a burden for the sponsoring company. With a buyout or matching not an option, what can you do? Two experts look at alternative liability hedging strategies, new ways investors can plug the return gap and the impact these changes can have on the company balance sheet.<br><b>Sorca Kelly-Scholte</b> , Russell Investments<br><b>Cospeaker tbc</b><br>Chaired by <b>Robert Brown</b> , NAPF Investment Council |
| <b>Plenary 6</b><br><b>12:10 - 12:45</b> | <b>Details coming soon...</b>  |   |  |  |

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| 12:45 - 13:45              | Lunch in the exhibition hall  |   |  |  |
| 13:45 - 14:30<br>Session 3 | <b>Valuation and investment - you decide</b><br>Time to go to work! This 'hands-on' session sees delegates tackle a pension scheme case study. You will take the parts of employers or trustees as you weigh up the pressures on scheme and sponsor and decide on the best funding and investment decisions for the future of the scheme.<br><b>David Davies</b> , Nortel Networks UK<br><b>Jonathon Land</b> , PricewaterhouseCoopers<br>Chaired by <b>James Walsh</b> , Policy Lead: EU & International, NAPF | <b>You can't always get what you (and your scheme members) want</b><br>What do savers really want from their DC pension and where are those running pension schemes wasting their time? Do savers really care about how much is in their pot, how many pots they have, guarantees and what they are investing in? How can we build more trust and confidence?<br><b>Mike Acred</b> , LV=<br><b>Alex Thurley-Ratcliff</b> , Shilling Communication<br>Chaired by <b>Mark Cobley</b> , Financial News | <b>Automatic enrolment: all aboard!</b><br>A practical trouble-shooting session on how to implement auto-enrolment smoothly, with a particular focus on SMEs. Find out what the potential pitfalls are for the next wave of 'Stagers' and how consultants and providers are learning from their experiences with some of the first companies to auto-enrol, to develop 'off the shelf' cost effective solutions for SMEs.<br><b>Roy Porter</b> , NEST Corporation<br><b>John Wilson</b> , JLT Benefit Solutions<br>Chaired by <b>Mel Duffield</b> , Head of Research, NAPF | <b>The golden age of bond investing is over: what does this mean for derisking a plan?</b><br>Bond strategies have comprised a significant portion of pension portfolios as an effective way of derisking the plan and hedging liabilities. With yields at historically low levels, do we need to rethink derisking? What can we do in this space to maintain attractive bond yields and how do we balance the interests of sponsors, pensioners and employees?<br><b>David Adkins</b> , The Pensions Trust<br><b>David Druley</b> , Cambridge Associates<br>Chaired by <b>Jane Samsworth</b> , NAPF Retirement Policy Council |

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| <p><b>14:35 - 15:15</b><br/>Session 4</p> | <p><b>What delegation has done for us</b><br/>Some of the earliest adopters of fiduciary management - both trustees and employers - share their experiences of delegating pension scheme investment. This session is a key learning opportunity for any scheme considering taking the plunge into fiduciary management.<br/><b>Richard Butcher</b>, PTL<br/><b>Sion Cole</b>, Aon Hewitt Delegated Consulting Services<br/>Chaired by <b>Martin Mannion</b>, Chaiman, NAPF Investment Council</p> | <p><b>Delivering value for members: avoiding a race to the bottom</b><br/>This panel debates what parts of the pensions food chain are the most important for delivering value for members. Is the downward pressure on charges in the UK stifling innovation and driving a 'race to the bottom'? Are there elements of costs we could strip away and others where we are not spending enough to get the best outcomes for members?<br/><b>Stephen Bowles</b>, Schroders<br/><b>Jamie Fiveash</b>, The People's Pension<br/><b>Andy Seed</b>, KPMG<br/>Chaired by <b>Emma Douglas</b>, NAPF Retirement Policy Council</p> | <p><b>Extra dough from automatic enrolment - engaging with our employees to save and make pension choices</b><br/>Hear first hand from the Pensions Manager of a leading bakery brand on how they rolled out automatic enrolment to 1800 employees across 25 sites with a focus on engaging their workers in the importance of saving for their retirement and making pension choices.<br/><b>Anne Hunt</b> and <b>Graeme Mearns</b>, Warburtons<br/>Chaired by <b>Lesley Williams</b>, Vice-Chairman, NAPF Retirement Policy Council</p> | <p><b>Where are we now on contingent assets?</b><br/>Can contingent assets still make an effective contribution to scheme funding? Hear why a leading pensions lawyer thinks the answer is 'yes' and from the Pension Protection Fund for their views and also on why they have stepped up checks on the strength of scheme assets and what it means for your balance sheet.<br/><b>Philip Goss</b>, Linklaters<br/><b>David Taylor</b>, Pension Protection Fund<br/>Chaired by <b>Ian Fairweather</b>, NAPF Retirement Policy Council</p> |
| <p><b>15:15 - 16:00</b></p>               | <p><b>Refreshments in the exhibition hall</b></p>   |   |   |  |



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| <p><b>16:00 - 16:40</b><br/>Session 5</p> | <p><b>The law, the Regulator and you</b><br/>Nothing stands still in pensions regulation. What would a new objective, requiring the Pensions Regulator to consider the long-term affordability of recovery plans to employers, mean for your sponsor and your scheme? How does the latest raft of court rulings affect the way the Regulator will deal with your scheme? Our panel helps you to get up to speed.<br/><b>Elmer Doonan</b>, Dentons UKMEA<br/><b>Simon Kew</b>, Jackal Advisory<br/><b>Stephen Soper</b>, The Pensions Regulator<br/>Chaired by <b>David McGibbon</b>, NAPF Retirement Policy Council</p> | <p><b>Saving for retirement: a game of two halves?</b><br/>The approach to saving for retirement is still far too static - we're either 'accumulating' or 'decumulating' - we need to get more strategic. What issues should we really be focussing on for scheme members at half time? What happens if we have to call extra time? How do we avoid going to penalties?<br/><b>David Hutchins</b>, AllianceBernstein Institutional Investments<br/><b>Carol Young</b>, Heineken<br/>Chaired by <b>Darren Philp</b>, Director of Policy, NAPF</p> | <p><b>Will you still need me, will you still feed me, when I'm sixty-four?</b><br/>With the State Pension Age moving ever further out of reach, and with long retirements looking increasingly unaffordable, how soon does the world of work need to adapt and how can employee benefit packages bring together what employers and employees want?<br/><b>Justine James</b>, talentsmoothie<br/><b>Clare Mulligan</b>, Clare Mulligan Consulting<br/>Chaired by <b>Katie Jacobs</b>, HR magazine</p> | <p><b>The explicit cost of outsourcing versus the implicit cost of not</b><br/>Keeping your scheme's strategy on track can mean more outsourcing to implement your plan - with higher explicit costs to match. This session examines the different approaches to outsourcing, how it can add more value and the implicit costs of getting it wrong.<br/><b>Michael Coletta</b>, Hilton UK Pension Trustee<br/><b>Shamindra Perera</b>, Russell Investments<br/>Chaired by <b>Sue Timbrell</b>, NAPF Investment Council</p> |
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| <b>Plenary 7</b><br><b>16:45 - 17:05</b> | <b><i>A sustainable pensions system - what, when and how?</i></b><br>The successful launch of auto-enrolment and legislation for a single-tier state pension have been major steps forward for retirement saving. But what's next? The NAPF's Chief Executive sets out the steps policy-makers will need to take if we are to build a pensions system that is truly sustainable over the long-term.<br><b><i>Joanne Segars, Chief Executive, NAPF</i></b> |
| <b>Plenary 8</b><br><b>17:05 - 17:55</b> | <b><i>A 2020s vision for pensions</i></b><br>The Pensions Minister shares his vision of the pensions landscape in the next decade and explains how he plans to help us build it.<br><b><i>Steve Webb MP, Minister for Pensions</i></b><br><i>Chaired by: Joanne Segars, Chief Executive, NAPF</i>   |
| <b>18:00 - 18:30</b>                     | <b>Launch of new NAPF made simple guides on the NAPF stand in the exhibition hall.</b><br>Meet the guides' sponsors and pick up your complimentary copy of the guide.   |
| <b>19:30 - 23:00</b>                     | <b>Conference Gala Dinner sponsored by Capita Employee Benefits at Manchester Central</b><br>Join us for an evening of great food and entertainment.<br><b><i>After-dinner speaker: Marcus Brigstocke, Comedian, Actor and Satirist</i></b><br><i>Dress code: lounge suits</i>  |
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## Friday 18 October

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|                                    |   |
| 08:15                              | Registration open   |
| 08:30 - 09:00                      | NAPF Annual General Meeting   |
| 09:00                              | Exhibition open   |
| <b>Plenary 9</b><br>09:15 - 09:35  | <b>Address by Ruston Smith, In-coming Chairman, NAPF</b>  |
| <b>Plenary 10</b><br>09:35 - 10:10 | <b>Politics vs pensions</b><br>How well does our political system deliver on pensions? Can Governments ever really think long-term when the next election is always less than 5 years away? A former Cabinet Minister, turned broadcaster gives his perspective on whether Whitehall and Westminster are fit for pensions' purpose.<br><b>Rt Hon Michael Portillo, Ex-politician, writer and broadcaster</b><br><i>Chaired by: Ruston Smith, In-coming Chairman, NAPF</i> |
| <b>Plenary 11</b><br>10:10 - 10:55 | <b>Hopes and fears - the CEO's perspective</b><br>Four pension scheme CEOs identify their biggest challenges, set out their plans for tackling them and reveal what keeps them awake at night.<br><b>Lesley Alexander, HSBC Pension Scheme</b><br><b>Stephen Nichols, The Pensions Trust</b><br><b>Co-speakers tbc</b><br><i>Chaired by: Pdraig Floyd, Journalist</i>   |
| 10:55 - 11:40                      | Refreshments in the exhibition hall   |

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| <b>Plenary 12</b><br><b>11:40 - 12:20</b> | <p><b><i>Stop going on about pensions, you're scaring me!</i></b></p> <p>In this session our speaker shows how easy it is to ditch the language of process and start using words that mean people not only understand pensions, they actually want one.</p> <p><b><i>Vincent Franklin, Quietroom</i></b></p> <p><i>Chaired by: Lesley Williams, In-coming Chairman, NAPF DC Council</i></p> |
| <b>Plenary 13</b><br><b>12:20 - 12:55</b> | <p><b><i>Why I'm still in</i></b></p> <p>The businessman, TV personality and supporter of auto-enrolment shares his personal perspective on life as a working pensioner.</p> <p><b><i>Nick Hewer, Host of Countdown and right-hand man to Lord Sugar on The Apprentice</i></b></p> <p><i>Chaired by: Ruston Smith, In-coming Chairman, NAPF</i></p>   |
| <b>12:55 - 13:05</b>                      | <p><b><i>Closing comments</i></b></p> <p><b><i>Ruston Smith, In-coming Chairman, NAPF</i></b></p>   |
| <b>13:05 - 14:00</b>                      | <p><b>Lunch in the exhibition hall and close of conference</b></p>  |

**WIRRAL COUNCIL  
PENSION COMMITTEE  
16 SEPTEMBER 2013**

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| <b>SUBJECT:</b>  | <b>2 ADMISSION BODY APPLICATIONS<br/>AMEY SERVICES LIMITED (Streetscene Procurement)</b><br><br><b>Lot 1 – Highways/Street Lighting<br/>Lot 2 - Street Cleansing</b> |
| <b>WARDS AFFECTED:</b>   | <b>ALL</b>   |
| <b>RESPONSIBLE PORTFOLIO<br/>HOLDER:</b>   | <b>STRATEGIC DIRECTOR OF<br/>TRANSFORMATION AND RESOURCES</b>  |
| <b>KEY DECISION?</b> <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i> | <b>NO</b>  |

## **1.0 EXECUTIVE SUMMARY**

- 1.1 This report informs members of the Interim Director of Finance decision taken under delegation, to approve the application received from Amey Services Limited for admission to Merseyside Pension Fund as a Transferee Admission Body. The company has secured the Highways/Street Lighting contract (Lot 1) and the Street Cleansing contract (Lot 2) at Liverpool City Council from 1<sup>st</sup> July 2013 for a period of 9 years.
- 1.2 The appendix attached to the report 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**

- 2.1 The applications are to provide pension provision for 183 transferred staff (76 in respect of Lot 1 and 107 in respect of Lot 2) who wish to continue to participate in the Local Government Pension Scheme for the duration of the contract period.
- 2.2 Amey Services Limited is a private limited company registered in England and Wales, (number 02507588), and its principal activity during the year ended 31 December 2012 was that of general public administration activities.

### **3.0 RELEVANT RISKS**

- 3.1 The potential risk of financial loss to the Fund resulting from the admittance of the company is mitigated by virtue of Regulation 38(3) (a) of the Local Government Pension (Administration) Regulations 2008, which provides for the ceding employer to underwrite the contractor's pension obligations.

### **4.0 OTHER OPTIONS CONSIDERED**

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

### **5.0 CONSULTATION**

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

### **6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 6.1 None arising from this report.

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

- 7.1 The transfer of past service liabilities are to proceed on a fully funded basis and will have no immediate impact on Liverpool City's Council's current assessed contribution rate.
- 7.2 Any outstanding contributions either not recovered from the contractor or any bond provision at closure will ultimately fall to Liverpool City Council.

### **8.0 LEGAL IMPLICATIONS**

- 8.1 The Legal documents to be drafted and approved by Wirral's Legal Department.

### **9.0 EQUALITIES IMPLICATIONS**

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

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

### **10.0 CARBON REDUCTION IMPLICATIONS**

- 10.1 None arising from this report.

### **11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

- 11.1 None arising from this report.

## **12.0 RECOMMENDATION/S**

12.1 It is recommended that the members of the Pension Committee note the approval of the applications for admission to the Merseyside Pension Fund of Amey Services Ltd.

## **13.0 REASON/S FOR RECOMMENDATION/S**

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

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## **APPENDICES**

Exempt Appendix included in committee papers.

## **REFERENCE MATERIAL**

The report produced by Mercer Limited the Fund Actuary, dated 28 June 2013, was used in producing this report.

## **SUBJECT HISTORY (last 3 years)**

| <b>Council Meeting</b> | <b>Date</b> |
|------------------------|-------------|
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## WIRRAL COUNCIL

### PENSIONS COMMITTEE

16 SEPTEMBER 2013

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| <b>SUBJECT:</b>                          | <b>TUNSGATE PATIO ROOF COVERING<br/>REPLACEMENT FOR FLATS</b> |
| <b>WARDS AFFECTED:</b>                   | <b>ALL</b>  |
| <b>REPORT OF:</b>                        | <b>STRATEGIC DIRECTOR OF<br/>TRANSFORMATION AND RESOURCES</b> |
| <b>RESPONSIBLE PORTFOLIO<br/>HOLDER:</b> |   |
| <b>KEY DECISION</b>                      | <b>NO</b>   |

#### 1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to inform Members of the outcome for the recent tendering exercise in respect of replacing the patio roof covering for the flats which form part of the Tunsgate shopping centre in Guildford which is owned by MPF as part of the direct property investment portfolio. The Tendering process was conducted on behalf of MPF by CB Richard Ellis (CBRE).
- 1.2 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, ie 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 existing waterproof membrane was ageing with the potential to leak causing disruption to the retail tenants below
- 2.2 The tender process was managed by CBRE in accordance with financial Guidelines. Tenders were received from:

Cooper Clarke Ltd  
Paragon management Ltd  
Art Contracts Ltd

Tenders were not received from Botley Roofing and Mitie Tilley Roofing.

- 2.3 Following analysis of the tenders submitted by the contractors each were competitive and in the opinion of CBRE competent to undertake the proposed works.

2.4 On the basis of cost, Cooper Clarke Ltd offered the best value for the contract as detailed in the exempt appendix.

### **3.0 RELEVANT RISKS**

3.1 Not relevant for this report.

### **4.0 OTHER OPTIONS CONSIDERED**

4.1 Not relevant for this report.

### **5.0 CONSULTATION**

5.1 Not relevant for this report.

### **6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

6.1 There are none arising from this report.

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

7.1 The cost of the refurbishments will be met from the investments of the Pension Fund and is within the existing allocation to property. There is no staffing or IT issues arising.

### **8.0 LEGAL IMPLICATIONS**

8.1 There are none arising from this report.

### **9.0 EQUALITIES IMPLICATIONS**

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

No, because there is no relevance 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 Members note the acceptance by the Interim Director of Finance of the lowest cost tender from Cooper Clarke Ltd.

### **13.0 REASON/S FOR RECOMMENDATION/S**

13.1 CBRE assessed the tenders and recommended acceptance of the tender from Cooper Clarke which offered the best value in the circumstances.

**REPORT AUTHOR:** Paddy Dowdall  
Investment Manager  
telephone: 0151 2421310

**SUBJECT HISTORY (last 3 years)**

| <b>Council Meeting</b> | <b>Date</b> |
|------------------------|-------------|
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## WIRRAL COUNCIL

### PENSIONS COMMITTEE

16 SEPTEMBER 2013

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| <b>SUBJECT:</b>  | <b>GOVERNANCE &amp; RISK WORKING PARTY MINUTES</b>         |
| <b>WARD/S AFFECTED:</b>  | <b>NONE</b>  |
| <b>REPORT OF:</b>  | <b>STRATEGIC DIRECTOR<br/>TRANSFORMATION AND RESOURCES</b> |
| <b>KEY DECISION?</b> <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i> | NO   |

#### 1.0 EXECUTIVE SUMMARY

- 1.1 This report provides members with the minutes of the Governance & Risk Working Party (GRWP) held 18 July 2013.
- 1.2 An exempt report on the agenda, the minutes of the GRWP on 18 July 2013, contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

#### 2.0 BACKGROUND AND KEY ISSUES

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

#### 3.0 RELEVANT RISKS

- 3.1 There are none arising from this report

#### 4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered.

#### 5.0 CONSULTATION

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

#### 6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising from this report

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

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

## **8.0 LEGAL IMPLICATIONS**

8.1 There are none arising from this report

## **9.0 EQUALITIES IMPLICATIONS**

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

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

## **10.0 CARBON REDUCTION IMPLICATIONS**

10.1 There are 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 none arising from this report.

## **12.0 RECOMMENDATION/S**

12.1 That members approve the minutes of the GRWP

## **13.0 REASON/S FOR RECOMMENDATION/S**

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

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## **APPENDICES**

Appendix 1 – Attendance and declarations of interest.

Appendix 2 – Exempt item

## **REFERENCE MATERIAL**

### **SUBJECT HISTORY (last 3 years)**

| <b>Council Meeting</b> | <b>Date</b>           |
|------------------------|-----------------------|
| <b>GRWP minutes</b>    | <b>September 2011</b> |
| <b>GRWP minutes</b>    | <b>March 2012</b>     |
| <b>GRWP minutes</b>    | <b>September 2012</b> |

## **APPENDIX 1**

### **Minutes of the Meeting of the Governance and Risk Working Party**

**Thursday 18 July 2013**

#### ***In attendance:***

|                                      |   |
|--------------------------------------|---|
| Councillor Pat Glasman (Chair) (WBC) | Peter Wallach (Head of MPF)                 |
| Councillor Ann McLachlan (WBC)       | Jim Molloy (WBC)                            |
| Councillor Geoffrey Watt (WBC)       | Yvonne Caddock (Principal Pensions Officer) |
| Phil Goodwin (Unison)                | Paddy Dowdall (Investment Manager)          |
| Councillor Harry Smith (WBC)         | Emma Jones (PA to Head of MPF)              |
| Councillor Adrian Jones (WBC)        | Peter Wallach (Head of MPF)                 |
| Patrick McCarthy (Co-optee)          |   |

#### ***Apologies were received from:***

|                               |                                |
|-------------------------------|--------------------------------|
| Councillor Norman Keats (WBC) | Councillor Cherry Povall (WBC) |
| Councillor Tom Harney (WBC)   | Councillor George Davies (WBC) |
| Paul Wiggins (Unison)         | Councillor Mike Hornby (WBC)   |

#### **1. Approval of Minutes**

Minutes of G&RWP, dated Wednesday 30 January 2013 were approved. It was noted Councillor Geoffrey Watt (GW) was not included in the apologies.

#### **2. Declarations of Interest**

Councillor Pat Glasman declared an interest as a beneficiary of the Fund.

Councillor Geoffrey Watt declared an interest by reason of a relative being a beneficiary of the Fund.

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of the Local Government Act 1972.

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