

PENSIONS COMMITTEE

Monday, 20 January 2014

Present:

Councillor P Glasman (Chair)

Councillors AR McLachlan H Smith
G Watt M Hornby
T Harney C Povall
AER Jones P Doughty

Councillors N Keats, Knowsley Council
J Fulham, St Helens Council

Mr P McCarthy, (NonDistrict Council
Employers)

In attendance:

Mr P Goodwin
Mr P Wiggins

Apologies

Councillors P Tweed, Sefton Council
P Hurley, Liverpool City Council

71 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked if 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.

Councillor Pat Glasman declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund.

Councillor John Fulham declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund.

72 MINUTES

The Strategic Director of Transformation and Resources submitted the minutes of the meeting held on 19 November, 2013.

Arising from the minutes the Chair updated Committee with the following developments:

- In accordance with her responsibilities on the LAPFF Executive, the Chair would be attending the Imperial Tobacco and British American Tobacco AGM's.
- MPF had been successful in its award submission, winning the LGC's Best Sustainable Investment Award.
- MPF had offered to host the next I4G meeting.
- Members were reminded of a report tabled at a previous IMWP by WM which provided some statistical information on the potential implications for pension funds arising from the complexity of their investment management arrangements.

Resolved – That the minutes be received.

73 **LGPS UPDATE**

A report of the Strategic Director Transformation and Resources informed Members on the current position of the regulatory framework of the Local Government Pension Scheme (LGPS) and provided an update on the collaborative project between Merseyside and Cheshire Pension Funds on implementing the New Scheme from 1 April 2014.

The report also covered the additional resource materials issued as part of the national LGPS Communications Plan and the Pensions Bill 2013/14.

The report sought approval for Officers to agree, with the Chair of Committee, a response to a consultation on the implications for the LGPS of the Secretary of State for Justice's plans to introduce a new system for the management and rehabilitation of offenders in the community across England and Wales.

Yvonne Caddock, Principal Pension Officer, outlined the report and responded to Members questions. Members of the Pensions Committee were also encouraged to look at the relaunched LGPS 2014 member website.

Resolved – That;

1) the report be noted.

2) subject to the agreement of the Chair of Pensions Committee a response to the Transforming Rehabilitation Programme consultation be approved.

74 **PENSION FUND BUDGET**

The purpose of this report is to request that Members approve the budget for the financial year 2014/15.

The headline figures were that during the financial year 2014/15, the estimate was that that MPF would pay £291m in pensions and receive £246m in contributions from employers and employees. The Fund had a value of £5,796m at 30 September 2013 and this was projected to be £6,183m at September 2014. The proposed administration costs of £18.8m including £13.2m of investment management charges to external managers represented a cost of £151.35 per member of the scheme.

Taken separately the external investment management costs were approximately £106.13 per member or 0.21% of total assets on a projected basis.

The budget for 2014/15 was attached as an appendix to the report.

Resolved – That;

- 1) **officers be congratulated on the growth in the Value of the Fund.**
- 2) **subject to review of charges from the administering authority for support services and changes in recharges for pension deficit recovery, the budget for 2014/15. be approved.**
- 3) **a report on the out turn for 2013/14, together with finalised estimates in particular for salary overheads and departmental & central support charges for 2014/15, be brought to the Pensions Committee in June.**

75 **MEMBER DEVELOPMENT PROGRAMME 2014**

A report of the Strategic Director Transformation and Resources provided Members with an outline of the proposed programme for Member development in 2014.

The outline training programme was attached as an appendix to the report. It comprised of a series of internal and external training events held throughout the year. Separate papers, to consider and approve attendance at these events would be brought to Committee on an event by event basis. The Pensions Committee would also be notified as MPF became aware of other appropriate events.

Peter Wallace, Head of the Pension Fund, highlighted to the Pension Committee that Members' may wish to avail themselves, on an individual basis, of the training opportunity offered by the LGE Fundamentals course which generally took place over three separate days in October and November each year. This was directed at new members of committees with refresher training for longer-standing members.

Resolved – That the proposed development programme be noted and approved.

76 **TREASURY MANAGEMENT POLICY**

A report of the Strategic Director Transformation and Resources requested that Members approve the treasury management policy statement and the treasury management annual plan and strategy for Merseyside Pension Fund for the year 2014/15.

It was reported that the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services required the Pensions Committee to receive an annual report on the strategy and plan to be pursued in the coming year. The plan and strategy had last been approved by the Pensions Committee on 15 January 2013.

It was further reported that the key change arising is that the Head of Pension Fund was designated as the 'Responsible Officer', rather than the Section 151 officer. This

decision had been made following the changes to Wirral's scheme of delegation and senior management structure, and a review of comparative LGPS funds. CIPFA had stated an intention to publish guidelines on 'the role of the section 151 officer'. This had been delayed and, once available, the document would be reviewed to identify any issues.

The policy statement was attached as an appendix to the report.

Resolved – That the treasury management policy statement, the treasury management annual plan and the strategy for Merseyside pension Fund for the financial year 2014/15 be approved.

77 UPDATE ON ANAEROBIC DIGESTION PROJECTS

A report of the Strategic Director Transformation and Resources sought approval for the Fund to increase its programme of investments in Anaerobic Digestion Plants up to £60m.

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

It was reported that MPF was currently the sole investor in the fund which had successfully won tenders for two plants in Wales. Construction of the first plant, Biogen Gwyriad, had been completed in July on time and on budget and was now in the commissioning phase. Biogen Waen was due to be completed in March this year. Returns were comfortably in line with forecasts.

It was further reported that a third project involving three farm based plants had been funded in November 2013 and brought commitments to £23m. Three further projects were close to being finalised. The outlook for the AD market was encouraging. There were still major capital constraints; the regulatory environment continued to be supportive with the tariff/subsidy regime stabilised; greater local authority engagement was being seen; and the pipeline of new opportunities remained good.

Resolved – That an increase in the commitment to the Iona Fund by £37m be approved.

78 NAPF INVESTMENT CONFERENCE

A report of the Strategic Director Transformation and Resources sought approval for the Chair to attend the National Association of Pensions Funds Investment Conference, to be held in Edinburgh, on 5-7 March 2014.

Resolved – That attendance at the national Association of Pensions Funds investment Conference to be held in Edinburgh on 5-7 March 2014 by the Chair of Pensions Committee be approved.

79 APPOINTMENT OF TRANSITION MANAGER FRAMEWORK

A report of the Strategic Director Transformation and Resources informed Members of the appointment under delegated authority of a Transition Manager Framework for Merseyside Pension Fund.

It was reported that the Pensions Committee had first approved the appointment of a Transition Manager Framework for a four year term on 18th June 2009. There was now a need to re-tender the Framework, particularly as one of the original participants had withdrawn from that line of business. An open OJEU tender process had been carried out (with support from Mercer) and the Strategic Director of Transformation & Resources had accepted an officer recommendation under delegated authority to appoint four providers to a new Framework.

The appendix attached to the report contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972 i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information).

Resolved - That the appointment, under delegated authority, of a Transition Manager Framework for Merseyside Pension Fund be noted.

80 **MANAGER REVIEWS & TENDER EXERCISES**

A report of the Strategic Director Transformation and Resources informed the Pension Committee of progress on the review of investment mandates for Japanese, Pacific Rim and Emerging Markets Equities. The report also set out a plan for a tender exercise for European Equities this year.

The summary scoring was attached as an appendix to the report and the proposal from JLT on the approach for the exercise was attached as an exempt appendix to the report. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Resolved- That;

1) the recommendations for Japanese, Pacific Rim and Emerging Markets equity mandates. The final decision on Amundi will be taken at the IMWP on 20 February 2014 and implemented under delegated authority be noted.

2) the tender exercise for European Equities be noted.

81 **PROPERTY ARREARS**

A report of the Strategic Director Transformation and Resources requested that the Pension Committee agree to the write off of £1,033,550.67 of unrecoverable rent arrears from the Fund's property portfolio.

The appendix to the report, (a report from CBRE detailing property rent arrears), contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the

financial or business affairs of any particular person (including the authority holding that information).

Peter Wallach, Head of the Pensions Fund, outlined the report and responded to Members questions. Following discussion of the details around the unrecoverable rent arrears the Pensions Committee;

Resolved – That;

1) the write-off of uncollectable property rental income of £1,033,550.67 be approved.

2) CBRE be informed of the Pensions Committee’s concerns regarding the accrual of the uncollectable property income.

82 IMWP MINUTES 20 NOVEMBER, 2013

A report of the Strategic Director Transformation and Resources provided The Pensions Committee with the minutes of the Investment Monitoring Working Party (IMWP) held on 20 November 2013.

The appendices to the report, the minutes of the IMWP on 20 November 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, attached as an exempt appendix to the report, be approved.

83 EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC

Resolved – That in accordance with section 100 (A) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business, on the grounds that it involved 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.

Councillor Cherry Povall left the room for the remainder of the meeting.

84 APPOINTMENT OF TRANSITION MANAGER FRAMEWORK - EXEMPT APPENDIX

The appendix to the report on Appointment of Transition Manager Framework was exempt by virtue of paragraph 3.

85 MANAGER REVIEWS & TENDER EXERCISES - EXEMPT APPENDIX

The appendix to the report on Appointment of Manager Reviews and Tender Exercises was exempt by virtue of paragraph 3.

Councillor Tom Harney commented that the type face for the report did not meet the recommended font size and noted that the report would be difficult for some people to read.

Peter Wallach, Head of MPF, undertook to ensure that report writers are made aware of this issue.

86 PROPERTY ARREARS - EXEMPT APPENDIX

The appendix to the report on Property Arrears was exempt by virtue of paragraph 3.

87 IMWP MINUTES 20 NOVEMBER, 2013 - EXEMPT APPENDIX

The appendix to the report on IMWP Minutes 20 November, 2013 was exempt by virtue of paragraph 3.

88 ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR

89 CUNARD BUILDING

Peter Wallach, Head of Merseyside Pension Fund, provided the Pensions Committee with an update on developments in relation to the Cunard Building. A report would be brought to the next meeting of the Pensions Committee.

90 PADDY DOWDALL

The Chair informed Members that this would be the last Pensions Committee attended by Paddy Dowdall, Investment Manager, Merseyside Pension Fund as he would soon be leaving to take up a post with Manchester Pension Fund.

Members offered their best wishes and noted their gratitude to him for all the hard work he had undertake for Merseyside Pension Fund.

91 PENSIONS COMMITTEE BRIEFING

Councillor Harry Smith left the meeting.

The Chair noted that Members of the Pensions Committee had raised various concerns around the Members Briefing before the Committee. Members discussed a variety of views and agreed that briefings be continued for the present and be discussed further at the beginning of the new Municipal year.