



Pensions Committee

Date: Tuesday, 1 July 2014

Time: 6.00 pm

Venue: Committee Room 1 - Wallasey Town Hall

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

AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

2. MINUTES (Pages 1 - 6)

To approve the accuracy of the minutes of the meeting held on 24 March, 2014.

3. LGPS UPDATE (Pages 7 - 12)

4. LGPS CONSULTATION - OPPORTUNITIES FOR COLLABORATION, COST SAVINGS & EFFICIENCIES (Pages 13 - 16)

5. PENSION FUND BUDGET (Pages 17 - 26)

6. ANNUAL INVESTMENT PERFORMANCE (Pages 27 - 30)

7. FUNDING STRATEGY STATEMENT/ FINAL VALUATION RESULTS (Pages 31 - 36)

8. ACTUARIAL SERVICES (Pages 37 - 40)

9. TREASURY MANAGEMENT ANNUAL REPORT 2013/14 (Pages 41 - 44)

10. **LGC INVESTMENT SUMMIT (Pages 45 - 48)**
11. **EUROPEAN EQUITY MANDATES**
Report to follow.
12. **BOND REVIEW (Pages 49 - 52)**
13. **CITY HEALTH CARE (Pages 53 - 56)**
14. **CATERING ACADEMY (Pages 57 - 60)**
15. **LIFELINE PROJECT LTD (Pages 61 - 64)**
16. **KNOWSLEY YOUTH MUTUAL (Pages 65 - 68)**
17. **IMWP MINUTES 20/03/14 & 10/04/14 (Pages 69 - 72)**
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. **EUROPEAN EQUITY MANDATES**
Exempt report to follow.
20. **BOND REVIEW (Pages 73 - 76)**
21. **CITY HEALTH CARE (Pages 77 - 78)**
22. **CATERING ACADEMY (Pages 79 - 80)**
23. **LIFELINE PROJECT (Pages 81 - 82)**
24. **KNOWSLEY YOUTH MUTUAL LTD (Pages 83 - 84)**
25. **IMWP MINUTES 20/03/14 & 10/04/14 (Pages 85 - 88)**
26. **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR**

PENSIONS COMMITTEE

Monday, 24 March 2014

<u>Present:</u>	Councillor	A R McLachlan (Chair)	
	Councillors	G Watt G Davies T Harney AER Jones	H Smith M Hornby C Povall P Doughty
	Councillors	N Keats, Knowsley Council	
		Mr P Goodwin (UNISON)	
<u>Apologies</u>	Councillors	P Glasman J Fulham P Tweed P Hurley	
		Mr P McCarthy (Non District Council Employers) Mr P Wiggins (UNISON)	

92 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 Paul Doughty declared a pecuniary interest by virtue of his wife being a member of Merseyside Pension Fund.

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

93 MINUTES

The Strategic Director Transformation and Resources submitted the minutes of the meeting held on 20 January, 2014.

Resolved – That the minutes be received.

94 **AUDIT PLAN 2013/14**

Fiona Blatcher, Associate Director, Grant Thornton UK, attended the meeting and presented the Audit Plan for Merseyside Local Government Pension Scheme Year ended 31 March 2014.

Resolved – That the Audit Plan be noted.

95 **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 Shadow Scheme Advisory Board report on the call for evidence on the structural reform of the LGPS and Merseyside Pension Fund's response to the consultation on the "Transforming Rehabilitation Programme the Local Government Pension Scheme". A copy of the response was attached as an appendix to the report.

Yvonne Caddock, Principal Pension Officer, outlined the key issues in the report and responded to Members questions. In response to a question from a member of the Committee regarding the impact on staff arising from the additional workload as a result of the transfer of a significant number of Probation membership records from Merseyside Pension Fund to Greater Manchester Pension Fund she confirmed that there was a project plan in place and the situation would be monitored and if necessary further resource would be sought from appropriate third parties.

Resolved – That the report be noted.

96 **COMPLIANCE MANUAL**

A report of the Strategic Director Transformation and Resources sought of a revised Compliance Manual.

Peter Wallach, Head of the Pension Fund, outlined the key issues and major changes outlined in the report. He informed the Committee that the Compliance Manual set out the powers, duties and responsibilities of officers in respect of the financial services legislative and regulatory regimes relevant to MPF. Although the Pension Fund was not regulated by the Financial Conduct Authority (FCA) the manual incorporated, where appropriate, best practice as set out by the FCA and the codes of other professional bodies.

It was reported that the manual was due for review every three years and should have been reviewed in 2011. This review was postponed for a year to assess the implications of Wirral's new senior management structure and Constitutional changes. The existing Compliance Manual had been approved by Pensions Committee on 20 March 2012. The Compliance Manual would be due for formal review by the Pensions Committee in 2017.

The revised Compliance Manual was attached as Appendix 1 to the report.

Resolved – That the revised Compliance Manual be approved.

97 **MPF CONTRACTS**

A report of the Strategic Director Transformation and Resources informed Members of the extension of three MPF contracts, under delegated authority.

It was reported that the Pensions Committee had first approved the appointment of Colliers in 2010 for a period of four years with the option to extend for a further two years. Colliers had been appointed at that time as the preferred supplier ranking first overall and quoting the lowest price. Officers had assessed the quality of the service provision since then as fully satisfactory and, in view of the competitive bid at the initial tender stage and the costs/resources of retendering, had exercised the option to extend for a further two years.

Members were informed that the contract for strategic property advice had been let from 1 January 2010 for a period of four years with an option to extend for a further two years. CBRE had been appointed at that time as the preferred supplier ranking first overall and quoting the lowest price. Officers had assessed the quality of the service provision since then as fully satisfactory and, in view of the competitive bid at the initial tender stage and the costs/resources of retendering, had exercised the option to extend for a further two years.

It was reported that the Fund had sought a waiver of the contract procedure rules to allow an extension of the existing contract with one of its independent advisors for a further 24 months.

Resolved – That the report be noted.

98 **NAPF LOCAL AUTHORITY CONFERENCE**

A report of the Strategic Director Transformation and Resources requested nominations to attend the National Association of Pension Funds (NAPF) Local Authority Conference 2014 to be held in Gloucester from 19 May to 21 May 2014. Members noted that given the proximity of the local government elections it may be difficult to for members to commit to this event and therefore the scope should be widened to invite those members not present at this meeting of the Pensions Committee

Resolved - That

- 1. the Pensions Committee agree to send a delegation to attend the National Association of Pension Funds (NAPF) Local Authority Conference 2014 to be held in Gloucester from 19 May to 21 May 2014.**
- 2. Members of the Pensions Committee not in attendance at the Pensions Committee meeting on 24 March, 2014 be invited to attend this event.**

99 **LGPC ANNUAL TRUSTEES CONFERENCE**

A report of the Strategic Director Transformation and Resources requested nominations to attend the eleventh Annual LGPS Trustees' conference in Bournemouth organised by the Local Government Pensions Committee. Peter Wallach informed the Committee that the amended date for this conference would be from 18-19 June 2014.

Resolved – That

- 1. the Pensions Committee agree to send a delegation to attend the Annual LGPS Trustees' Conference.**
- 2. noting that this date is post local elections, provisional names of attendees be forwarded to Peter Wallach, Head of Pensions.**

100 **CUNARD BUILDING**

A report of the Strategic Director Transformation and Resources provided the Pensions Committee with an update on developments in relation to the disposal of the Cunard Building.

The appendix 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 a particular person (including the authority holding that information).

It was reported that In November 2013, a report had been brought to the Pension Committee that provided an update on negotiations with Liverpool City Council regarding the Cunard Building. Negotiations had reached a successful conclusion in February 2014 and the transaction was completed on 7 March 2014.

Resolved – That the report be noted.

101 **IMWP MINUTES**

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 February 2014. It was noted that the Strategic Director Transformation and Resources had been omitted from the register of attendees.

The appendix to the report, the minutes of the IMWP on 20 February 2014, 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, subject to the addition of the Strategic Director Transformation and Resources as an attendee at this meeting, the minutes of the Investment Monitoring Working Party (IMWP) held on 20 February 2014 be approved.

102 **GRWP MINUTES**

A report of the Strategic Director Transformation and Resources provided members with the minutes of the Governance & Risk Working Party (GRWP) held 23 January 2014.

An exempt report on the agenda, the minutes of the GRWP on 23 January 2014, contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Resolved – That the minutes of the Governance & Risk Working Party (GRWP) held 23 January 2014 be approved.

103 **TUNSGATE DEVELOPMENT**

A report of the Strategic Director Transformation and Resources provided the Pensions Committee with a review of options considered by the Fund's property advisers, for the Tunsgate Shopping Centre, Guildford and sought their approval for the course of action advised by CBRE.

Appendix 1 to the report, the report from CBRE, 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).

It was reported that the Fund owned a portfolio of properties around the UK and this report formed part of an assessment by the Fund's property advisers of that portfolio. In January 2013, the Pensions Committee had considered and approved a recommendation in relation to a refurbishment of the Tunsgate Shopping Centre. Following a feasibility study and further assessment of the situation, the advisers believed that a more significant redevelopment was appropriate to take advantage of the strengthening property market and Tunsgate's particular characteristics. All procurement would be undertaken in accordance with Wirral's contract procedure rules.

Resolved - That

- 1. the recommendation of the Fund's property advisers be approved.**
- 2. the officers be authorised to implement that option in conjunction with CBRE.**

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

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

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.

105 TUNSGATE DEVELOPMENT

The appendix to the report on Tunsgate Square was exempt by virtue of paragraph 3.

106 CUNARD BUILDING EXEMPT APPENDIX

The appendix to the report on the Cunard Building was exempt by virtue of paragraph 3.

107 IMWP MINUTES 20/02/14 EXEMPT APPENDIX

The appendix to the report on IMWP Minutes 20 February, 2014 was exempt by virtue of paragraph 3.

108 GRWP MINUTES 23/01/14 EXEMPT APPENDIX

The appendix to the report on GRWP Minutes 23 January, 2014 was exempt by virtue of paragraph 3.

109 VOTE OF THANKS

As this was the last meeting of this municipal year the Chair offered thanks to the officers for their support and hard work in delivering and upholding the Pension Fund. She also offered her best wishes to those Members of the Committee who would be seeking re-election in the forthcoming local elections.

Members of the Committee then recorded their thanks to Councillor Pat Glasman for so effectively Chairing the meetings of the Pensions Committee and also for her attendance at forums on behalf of the Pensions Committee.

WIRRAL COUNCIL

PENSIONS COMMITTEE

1 JULY 2014

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

1.0 EXECUTIVE SUMMARY

- 1.1 This report informs Members of the operational challenges in implementing the New Scheme from 1 April 2014 due to the late publication of both the Transitional Regulations and essential guidance from the Secretary of State.
- 1.2 It also provides an overview of outstanding consultations and the Queens Counsel's Advice received on fiduciary duty in the LGPS.

2.0 KEY ISSUES

Reform of the LGPS 2014

- 2.1 The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 were finally laid on 10 March, the latest possible date to allow them to take effect from 1 April 2014. The regulations include the following key provisions:
- preserve benefits accrued under the former regulations;
 - retain the final salary and normal pension age of 65 in respect of pre 2014 membership;
 - provide an underpin for people born before 1/4/57 to ensure that they do not suffer any detrimental loss from the new scheme;
 - carry forward the protections under the 85 year rule for voluntary retirement post age 60;
 - ability for employers to switch the 85 year rule on for voluntary retirements between ages 55-60;
 - and remove Councillor access to the Scheme at the end of their current term of office.
- 2.2 A plethora of Secretary of State Guidance required to support the revised scheme provisions was issued on 1 April 2014. The delay in issuing the final transitional regulations and guidance has presented significant obstacles in preparing the logistics to deliver the new Scheme. It has reduced the lead-in time required to interpret the regulations, understand the policy intent and to produce accurate and expansive training material for staff and employers.
- 2.3 Further to this, the delay means that there are also major gaps in the pension administration software system as the final regulations and guidance were published after the completion date for system development. Team leaders continue to test the

supplier's suggested workaround within the system with the necessity to undertake manual calculations and overrides to the documentation produced by the system.

- 2.4 As a result, casework will take longer to process with an increased need to undertake quality assurance checks, taking account of the additional complexities as a result of protections built into the new benefit structure. This is further compounded by the historic retained rights and differences in regulatory provisions of former deferred and pensioner members.
- 2.5 This required manual intervention is proving burdensome and has resulted in the Administration section failing to meet the performance levels, documented within the Pension Administration Strategy, for the months of April and May.
- 2.6 Whilst some issues have been addressed by the system supplier, the necessary comprehensive update to the software is not expected until late summer.
- 2.7 In addition, the ability to revise operational processes, literature, forms and guidance notes in time for the implementation of the scheme has been impeded by the delay in regulatory guidance.
- 2.8 During the next few months, officers will be assessing the impact of the new scheme provisions and the related impact on casework volume; particularly in relation to the implementation of pension accounts, change in vesting from three months to two years and the option to take benefits voluntarily from age 55.

In particular, the new voluntary retirement provision has resulted in many more requests for estimates of pension benefits as members actively try and plan their preferred retirement age. In addition, members are requesting multiple estimates as benefits are subject to differing regulatory reductions depending on retirement age.

A feasibility study will be undertaken, in partnership with the large employers, to assess the benefits in moving from an annual data upload of pay and contributions to a more frequent data exchange. The study will also consider any appropriate restructuring of the Pensions Administration Section.

Further Expected Consultations

- 2.9 In order to complete the regulatory framework for the new scheme design there are outstanding consultations on a number of areas including:
 - The proposed Governance changes to implement the provisions of the Public Service Pension Act
 - The LGPS – specific cost management process which will run alongside the HMT process set out in the Employer Cost Cap Directions.
 - Changes to the 2007 Best Value Pensions Direction in light of the updated Fair Deal guidance issued in October 2013.

Advice on Fiduciary Duty With Regard To Investment of LGPS Funds

2.10 The Local Government Association (LGA) on behalf of the LGPS Shadow Scheme Advisory Board, instructed Mr Nigel Giffin QC to provide an opinion for LGPS funds on fiduciary duty and the LGPS.

A copy of Giffin's opinion, dated 25 March can be accessed from the following link

<http://www.lgpsboard.org/images/PDF//QPublicationsCOpinionApril2014>

2.11 The opinion sourced related to the matter of:

- Does a LGPS administering authority owe a fiduciary duty and if so to whom it is owed?
- How should the wider functions, aims or objectives of the administering authority influence the discharge of its LGPS investment duties?

2.12 The conclusions provided were:

- a) In managing a LGPS fund, the administering authority has both fiduciary duties and public law duties (which are in practice likely to come to much the same thing).
- b) The administering authority's power of investment must be exercised for investment purposes, and not for any wider purposes. Investment decisions must therefore be directed towards achieving a wide variety of suitable investments, and to what is best for the financial position of the fund (balancing risk and return in the normal way).
- c) However, so long as that remains true, the precise choice of investment may be influenced by wider social, ethical or environmental considerations, so long as that does not risk material financial detriment to the fund. In taking account of any such considerations, the administering authority may not prefer its own particular interests to those of other scheme employers, and should not seek to impose its particular views where those would not be widely shared by scheme employers and members (nor may other scheme employers impose their views upon the administering authority).

2.13 The LGA synopsis of the advice received is that:

- a) An administering authority may choose to take into account the public health implications of tobacco investment but only if the result of such consideration is the replacement of these investments with assets producing a similar return.
- b) Alternatively, an administering authority may take account of social housing needs but only if an investment in such stands up as an investment in its own right and can demonstrate that it does not prefer its own interests over other scheme employers in making the investment.
- c) Furthermore, in making such decisions the administering authority cannot impose its view (on this or any other issue) on scheme employers nor can scheme

employers impose their view on the administering authority if either resulted in a material risk to the return to and/or a suitable balance of assets in the fund.

3.0 RELEVANT RISKS

- 3.1 The necessity to undertake complex manual calculations due to gaps in the system software will increase the risk of miscalculation of pension entitlements.
- 3.2 Mitigation of additional Quality Assurance work is being undertaken, but again this is in the form of further manual calculation. The additional time to process casework and undertake the required quality assurance will lead to under performance of currently documented service levels.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered.

5.0 CONSULTATION

- 5.1 There has been no consultation undertaken 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 MPF needs to initiate a formal strategic change programme to overhaul current administration arrangements. This is in recognition of the fundamental change to the LGPS, introducing a Career Average benefit pension arrangement complete with ongoing protections to the pre-2014 Final Salary benefits.
- 7.2 The change programme is to be informed by the experience of delivering the new arrangements over the coming months, and appropriate engagement with the employers.

8.0 LEGAL IMPLICATIONS

- 8.1 Depending on the impending revisions to the LGPS emerging from the Governance arrangements, there may be issues emerging for Wirral Borough Council in its capacity as the administering authority for Merseyside Pension Fund.

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 as part of their decision making role.

**REPORT AUTHOR: Yvonne Caddock
Principal Pension Officer
Telephone: 0151 242 1333**

email: yvonnecaddock@wirral.gov.uk

SUBJECT HISTORY (last 3 years)

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

This page is intentionally left blank

WIRRAL COUNCIL

PENSIONS COMMITTEE

1 JULY 2014

SUBJECT:	LGPS CONSULTATION: COLLABORATION, COST SAVINGS & EFFICIENCIES
WARDS AFFECTED:	ALL
REPORT OF:	STRATEGIC DIRECTOR OF TRANSFORMATION AND RESOURCES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report informs Members of the latest DCLG consultation on ‘Opportunities for collaboration, cost savings and efficiencies’. This has been issued following the analysis of responses to the previous consultation, ‘Call for Evidence on the Future Structure of the Local Government Pension Scheme’.
- 1.2 In view of the tight timescales involved and need to collate information from external sources, approval is sought for officers to make a response to the consultation subject to the agreement of the Chair of Pensions Committee.

2.0 BACKGROUND AND KEY ISSUES

DCLG Consultation

- 2.1 The DCLG consultation “Local Government Pension Scheme: Opportunities for collaboration, cost savings and efficiencies”.was launched on 1 May 2014 and can be accessed from the following link:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/307923/Consultation_LGPS_structural_reform.pdf

The consultation draws on three sources of evidence:

- The LGA/DCLG call for evidence on the future structure of the LGPS
- The analysis of responses to the call for evidence by the shadow Scheme Advisory Board.
- The cost-benefit analysis of options for reform commissioned from Hymans Robertson.

- 2.2 The package of proposals includes:

- Establishing common investment vehicles to provide funds with a mechanism to access economies of scale, helping them to invest more efficiently in listed and alternative assets and to reduce investment costs.

- Significantly reducing investment fees and other costs of investment by using passive management for listed assets, since the aggregate fund performance has been shown to replicate the market.
- Keeping asset allocation with the local fund authorities, and making available more transparent and comparable data to help identify the true cost of investment and drive further efficiencies in the Scheme.
- A proposal not to pursue fund mergers at this time.

2.3 The consultation focuses on the conclusions of the Hymans Robertson report which suggests that there is the potential for significant cost savings in the LGPS. This is based on Funds investing more into passively managed funds and in use of collective investment vehicles for investments.

Brandon Lewis, issued a written Ministerial statement indicating the breakdown of potential saving amounting to £660 million per year across the LGPS from the following proposals;

Proposal	Estimated Annual saving
Moving to passive fund management of all listed assets, accessed through a common investment vehicle.	£420 million
Ending the use of “fund of funds” arrangements in favor of a common investment vehicle for alternative assets	£240 million

The saving of £420 million associated with moving to passive management of listed assets is comprised of two elements:

- Reduction in investment fees: £230 million
- Reduction in transaction costs: £190 million

2.4 The consultation invites responses to five questions under two key themes;

- The use of collective investment vehicles and
- Passive management.

The questions are:

Q1. Do you agree that common investment vehicles would allow funds to achieve economies of scale and deliver savings for listed and alternative investments? Please explain and evidence your view.

Q2. Do you agree with the proposal to keep decisions about asset allocation with the local fund authorities?

Q3. How many common investment vehicles should be established and which asset classes do you think should be separately represented in each of the listed asset and alternative asset common investment vehicles?

Q4. What type of common investment vehicle do you believe would offer the most beneficial structure? What governance arrangements should be established?

Q5. In light of the evidence on the relative costs and benefits of active and passive management, including Hymans Robertson's evidence on aggregate performance, which of the options set out above offers best value for taxpayers, Scheme members and employers?

2.5 DCLG wish to explore greater use of passive management, to the extent that this can be done without adversely affecting investment returns. The four options for passive investments are:

- a) Funds could be required to move all listed assets into passive management to maximise the savings achieved by the Scheme.
- b) Funds could be required to invest a specified percentage of their listed assets passively or to progressively increase their passive investments.
- c) Funds could be required to manage listed assets passively on a comply or explain basis.
- d) Funds could simply be expected to consider the benefits of passively managed listed assets, in light of the evidence provided in the consultation paper and the Hymans Robertson report.

2.5 A response on behalf of Merseyside Pension Fund will be submitted before the closing date of 11 July 2014.

3.0 RELEVANT RISKS

3.1 The outcome of this consultation could have far-reaching implications for the future investment strategies of LGPS funds and their implementation would be costly. It is essential that proposals and the data on which they are based are subject to testing and scrutiny, especially in relation to the management of alternatives.

3.2 A focus on investment costs rather than investment returns could have adverse effects on the performance of pension funds.

3.3 There is a growing body of academic evidence that market capitalisation indices are not always optimal for equities and flawed for bond portfolios.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

5.1 There has been no consultation undertaken 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 no direct resource implications in this report other than officers' time in collating and assessing relevant data.

8.0 LEGAL IMPLICATIONS

8.1 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?

Not relevant.

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 a response to the Opportunities for Collaboration, Cost Saving and Efficiencies subject to the agreement of the Chair of Pensions Committee.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 The outcome of this consultation could have far-reaching implications for the future investment strategies of LGPS funds and it is important that a considered response is prepared.

REPORT AUTHOR: Peter Wallach
Head of Pension Fund
Telephone: 0151 242 1309

email: peterwallach@wirral.gov.uk

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Future Structure of the LGPS	16 September 2013

WIRRAL COUNCIL

PENSIONS COMMITTEE

1 JULY 2014

SUBJECT:	BUDGET FINANCIAL YEAR 2014/2015 BUDGET OUT TURN 2013/14 AND ANNUAL REPORT 2013/14
WARD/S AFFECTED:	ALL
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

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

- The finalised budget for the financial year 2014/15.
- The out-turn for the financial year 2013/14.
- The 3 year budget for MPF as required for the annual report

1.2 There are no significant changes to the 2014/15 budget and the actual out-turn for 2013/14 is £16.7m (in line with the original budget approved 24 June 2013 of £16.8m) and lower than the projected out-turn of £17.3m as reported at Pensions Committee on 20 January 2014.

2.0 BACKGROUND AND KEY ISSUES

2.1 Pensions Committee at its meeting on 20 January 2014 agreed the budget for 2014/15 subject to confirmation of departmental & central support charges. It was agreed to report back to Committee with the finalised budget.

2.2 The finalised budget is included in this report in appendix 1, the only variances from that reported in January is:

- Staffing now reflects pension deficit recovery charges.
- Updated estimate for central establishment charges.
- Small reductions in transport and telephony to reflect corporate savings.

2.3 Pensions Committee, at its meeting on 20 January 2014, received an estimate of the out-turn for 2013/14 and it was also agreed that I would report back on the final out-turn. The finalised out-turn is included in appendix 1. The previously reported issues of coding and classification in supplies and third party payments, as well as the need to use estimates have been resolved and expenditure in these areas is now in line with the budget set. The actual out-turn for 2013/14 is lower than the projected out-turn reported in January 2014,

due to the number of estimates required for the January report. The main changes are as follows:

- Pension related recharges have now been included within other staffing costs
- The actual out-turn for supplies is higher than the projection, largely due to computer development & hardware and services & consultant fees expenditure in the final quarter; although this area is still below budget.
- The actual out-turn for third party payments is lower than the projection. The main reason is the investment management fees projected came in below budget. Third party payments overall are higher than the budget set largely due to increased expenditure for custody, actuarial services and other hired & contracted services.
- Reduction in central establishment charges from estimated to actual.

2.4 In appendix 1 the budget figures for 2013/14 have been amended to reflect the budget approved by Pensions Committee 24 June 2013.

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

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

	2014/15	2015/16	2016/17
Employees	£3,104,022	£3,166,102	£3,229,424
Premises	£214,638	£220,433	£226,385
Transport	£29,530	£30,327	£31,146
Investment fees	£13,153,617	£14,061,217	£15,031,441
Other Supplies and Services	£1,292,296	£1,327,188	£1,363,022
Third Party	£469,683	£482,364	£495,388
Transfers	£0	£0	£0
Recharges	£615,000	£615,000	£615,000
(Income)	-£88,500	-£90,890	-£93,344
Total	£18,790,286	£19,811,741	£20,898,462

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

Staffing	Current Structure to be fully staffed throughout year 2% pay rises in subsequent years plus growth
Investment management Fees	Estimate based on normal market conditions and 50% of investment mandates achieving performance targets.
Rent	Agreed as a notional charge based

		on market rates (MPF owns building)
Transport, Conferences and Subsistence		Estimated requirements for current year
Services and Supplies		Contracts where usage and cost is fixed, plus estimate for variable elements.
Inflation adjustments		CPI 2.7% as at September 2013
Investment Performance		This has been derived from the long-term return assumptions for MPF by the Actuary.

3.0 RELEVANT RISKS

3.1 This has not changed since the report in January as below.

The Fund has recently reviewed its Risk Register and identified key risks and mitigating controls for these risks. A key feature of the controls is having appropriate resources available to administer the fund adequately and to manage investments. This budget provides adequate resources for these two core functions.

4.0 OTHER OPTIONS CONSIDERED

4.1 This has not changed since the report in January as below.

The majority of the Pension Fund budget is taken up by investment management costs and staffing. The investment management arrangements have recently been subject to review and a national consultation on "LGPS: Opportunities for collaboration, cost savings and efficiencies is ongoing. Staffing arrangements remain under review in relation to the Future Council exercise.

The administering authority is also undertaking a review of its back office services with an aim of reducing costs which should result in a decrease in charges to the Fund. For all other expenditure there has been a careful review process culminating in a planning meeting at which the Head of Service approved the proposals for discretionary expenditure in this report.

5.0 CONSULTATION

5.1 Not relevant for this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are no implications arising directly from this report.

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

7.1 The costs of the Pension Fund are charged directly to the Pension Fund and are then ultimately covered by investment income and employee and employer contributions; the full costs are estimated to be per member (including active contributors deferred and pensioners). The costs per member at Merseyside

Pension Fund are competitive with other pension funds of a similar size in both the public and private sector.

8.0 LEGAL IMPLICATIONS

8.1 There are no implications arising directly from this report.

9.0 EQUALITIES IMPLICATIONS

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

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

10.0 CARBON REDUCTION IMPLICATIONS

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

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

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

12.0 RECOMMENDATION/S

12.1 Members approve the finalised budget for 2014/15 with revised estimates for departmental & central support charges for 2014/15 and finalised salary costs.

12.2 Members approve other issues for inclusion in the 2013/14 Annual Report including 3 year financial estimates.

12.3 Members note the out turn for 2013/14.

13.0 REASON FOR RECOMMENDATIONS

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

REPORT AUTHOR: Donna Smith
Group Accountant
telephone: 0151 242 1312
donnasmith@wirral.gov.uk

APPENDICES

The budget for 2014/15 including the out-turn for 2013/14 is attached as appendix 1 to this report.

The original appendix as reported to Members on 20 January 2014 is attached as appendix 2 to this report for information.

REFERENCE MATERIAL

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

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee :	20 January 2014
Pension Fund Budget	24 June 2013
Pension Fund Budget	15 January 2013
Pension Fund Budget	17 January 2012
Pension Fund Budget	11 January 2011

Appendix 1

Value of the Fund	£5,796m	30/09/2013
Value of the Fund	£6,183m	<i>Projected</i> 30/09/2014
Investment income Received	£95m	<i>Projected 2014/15</i>
Pensions Paid	£291m	<i>Projected 2014/15</i>
Contributions Received	£426m	<i>Projected 2014/15</i>
Active Contributing members	45,583	31 st March 2014
Deferred members	35,786	31 st March 2014
Pensioners	45,819	31 st March 2014
Total Members	127,188	31 st March 2014

	Budget 2013/14 Approved 24/6/14 £	Actual Out-Turn 2013/2014	Budget 2014/2015 £
Employees			
Pay, NI and Pension	2,522,638	2,261,606	2,644,322
Training	20,000	18,267	20,000
Other Staffing Costs	85,000	263,198	439,700
	2,627,638	2,543,071	3,104,022
Premises			
Rents	188,193	211,446	214,638
	188,193	211,446	214,638
Transport			
Public Transport Expenses	24,840	8,405	29,530
Car Allowances	3,200	1,158	0
	28,040	9,563	29,530
Supplies			

Furniture and Office Equipment	25,000	5,606	20,000
Printing and Stationery	75,000	59,146	90,000
Computer Development and Hardware	315,000	298,840	390,000
Postages and Telephones	104,500	101,504	105,600
External Audit	40,000	30,815	41,000
Services and Consultants Fees	590,397	526,022	404,364
Conferences and Subsistence	34,540	40,406	41,320
Subscriptions	96,197	121,503	121,012
Other	65,000	25,219	79,000
	1,345,634	1,209,061	1,292,296
Third Party			
Medical Fees	5,000	2,547	8,500
Bank Charges	15,000	4,766	5,000
Investment Management Fees	11,555,999	11,301,091	13,153,617
Custodian Fees	0	246,938	200,000
Actuarial Fees	163,878	311,873	160,000
Other Hired and Contracted Services	60,000	193,070	96,183
	11,799,877	12,060,285	13,623,300
Transfers			
Payments for Devolved Administration	173,318	176,178	0
	173,318	176,178	0
Departmental & Central Support Charges	725,120	605,720	615,000
	725,120	605,720	615,000
Total Expenditure	16,887,820	16,815,324	18,878,786
Income			
Fire Service Administration	87,800	85,600	88,500
	87,800	85,600	88,500
Total Net Expenditure	16,800,020	16,729,724	18,790,286

Appendix 2 As reported on 20 January 2014

Value of the Fund	£5,796m	30/09/2013
Value of the Fund	£6,183	Projected 30/09/2014
Investment income Received	£95m	Projected 2014/15
Pensions Paid	£291m	Projected 2014/15
Contributions Received	£246m	Projected 2014/15
Active Contributing members	44,707	31 st March 2013
Deferred members	34,481	31 st March 2013
Pensioners	44,753	31 st March 2013
Total Members	123,941	31 st March 2013

Page 24

	Budget 2013/14 £	Probable Out-Turn 2013/2014 £	Budget 2014/2015 £
Employees			
Pay, NI and Pension	2,522,638	2,278,115	2,586,345
Training	20,000	13,046	20,000
Other Staffing Costs	85,000	224,899	344,500
	2,627,638	2,516,060	3,011,274
Premises			
Rents	188,193	188,194	214,638
	188,193	188,194	1214,638
Transport			
Public Transport Expenses	24,840	9,595	29,830
Car Allowances	3,200	1,712	0
	28,040	11,307	29,830
Supplies			
Furniture and Office	25,000	5,605	20,000

Equipment			
Printing and Stationery	75,000	50,954	90,000
Computer Development and Hardware	315,000	77,309	390,000
Postages and Telephones	104,500	95,858	105,800
External Audit	40,000	39,062	41,000
Services and Consultants			
Fees	590,397	465,774	404,364
Conferences and Subsistence	34,540	33,184	41,320
Subscriptions	96,197	102,010	121,012
Other	65,000	17,078	79,000
	1,345,634	886,834	1,292,496
Third Party			
Medical Fees	5,000	4,118	8,500
Bank Charges	15,000	4,900	5,000
Investment Management Fees	11,555,999	12,788,800	13,153,617
Custodian Fees	0	72,401	200,000
Actuarial Fees	163,878	164,383	160,000
Other Hired and Contracted Services	80,000	82,148	96,183
	11,819,877	13,116,750	13,623,300
Transfers			
Payments for Devolved Administration			
Departmental & Central Support Charges	675,400	676,661	675,400
	675,400	676,661	675,400
Total Expenditure	16,684,782	17,395,805	18,846,937
Income			
Fire Service Administration	85,500	85,500	88,500
	85,500	85,500	88,500
Total Net Expenditure	16,599,282	17,310,305	18,758,437

**WIRRAL COUNCIL
PENSIONS COMMITTEE**

1 JULY 2014

SUBJECT:	INVESTMENT PERFORMANCE
WARD/S AFFECTED:	NONE
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION & RESOURCES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 This report sets out the investment performance of Merseyside Pension Fund for the fiscal year ended March 2014 as computed and reported by the WM Company.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Fund returned 6.2 per cent in the financial year to the end of March 2014 compared to its bespoke benchmark return of 4.2 per cent, a significant outperformance of 2 per cent.

2.2. As growth in the global economy continued to falter throughout the major developed economies, stock markets saw a significant decoupling from their respective real economies with European equities increasing in value by just over 17 per cent over the fiscal year, North American equities up over 10 per cent, and the UK recording an increase in value of just under 9 per cent over the period.

Japanese and Emerging markets proved to be the exception as Japanese stocks fell just under 2 per cent, and Emerging market stocks dipped almost 6 per cent over the period due to the quantitative easing programme.

Much of the growth in developed world stock markets was driven by the persistence of historically low interest rates which encouraged capital flows to “risk assets” such as equities, while undermining the performance of “fixed interest” investments such as bonds.

As a result, UK Government Bonds declined in value by almost 3 per cent over the fiscal year, and Index Linked (inflation protected) Gilts declined by just under 4 per cent over the period.

The depressed levels of Bonds gave further impetus to the investor appetite for riskier assets such as equities, in the search for higher investment returns. The depressed levels of bonds also continued to weigh

heavily on the Fund's liabilities with the low discount rate increasing the value of future pension commitments due to the way in which liabilities are quantified.

- 2.3. The performance of the Fund against its benchmark over 1, 3, and 5 year periods is tabulated below.

	1 Year	3 Year	5 Year
MPF	6.2	7.3	12.3
Benchmark	4.2	6.4	11.5
Relative Return	2.0	0.9	0.8

3.0 RELEVANT RISKS

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

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Not relevant for this report

5.0 CONSULTATION

- 5.1 Not relevant for this report

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are no implications arising directly from this report

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

- 7.1 The Fund returned 6.2 percent in the financial year ending March 31st 2014 and outperformed its bespoke benchmark which returned 4.2 per cent over the comparable period, an increase of nearly £300m.

8.0 LEGAL IMPLICATIONS

- 8.1 There are no implications arising directly from this report

9.0 EQUALITIES IMPLICATIONS

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

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

10.0 CARBON REDUCTION IMPLICATIONS

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

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

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

12.0 RECOMMENDATION/S

12.1 Members note the report.

13.0 REASON/S FOR RECOMMENDATION/S

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

REPORT AUTHOR: **Leyland Otter**
Senior Investment Manager
telephone: (0151) 242 1316
email: leylandotter@wirral.gov.uk

APPENDICES

NONE

REFERENCE MATERIAL

The WM Company – Merseyside Pension Fund Quarterly Performance Review.

SUBJECT HISTORY (last 3 years)

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

This page is intentionally left blank

WIRRAL COUNCIL

PENSIONS COMMITTEE

1 JULY 2014

SUBJECT:	FUNDING STRATEGY STATEMENT / FINAL VALUATION RESULTS
WARDS AFFECTED:	ALL
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report informs Members that the Funding Strategy Statement (FSS) which was approved by Committee on 19 November 2013, (Minute 55 refers) has now been revised to incorporate the Fund's termination policy for exiting employers.
- 1.2 The inclusion of the termination policy raises awareness of the governance arrangements and promotes transparency to the approach of valuing liabilities on the cessation of an employer's participation in the Scheme. It also outlines the methodology used to assess financial guarantees and bond requirements.
- 1.3 The FSS, in conjunction with the strategic asset allocation and the Statement of Investment Principles, is the key statutory policy document in determining the actuarial valuation process. It has a direct impact on the actuarial assessment of the Fund's assets against the current value of the pension benefit liabilities, and the resultant funding level declared at the valuation date.

2.0 KEY ISSUES

PRINCIPAL OBJECTIVE OF THE FUNDING STRATEGY STATEMENT

- 2.1 The principal objective of the FSS is to secure the long term solvency of the Fund by achieving and maintaining sufficient assets to cover 100% of projected accrued liabilities assessed on an ongoing basis, including an allowance for projected final pay.
- 2.2 The FSS defines the parameters and actuarial assumptions to determine the valuation of the funds liabilities and the appropriate plan for making up any shortfall if assets are less than liabilities. It also has a direct impact on the setting of individual employer contributions required to cover the cost of the benefits that active members will build up in the future.

ACTUARIAL ASSUMPTIONS

- 2.3 The most significant actuarial assumptions are around:
- a) **financials** - expected investment returns, discount rates for liabilities, projected salary growth, pension increases
 - b) **demographics** - mortality, ill health retirements, commutation rates
 - c) **funding strategy** - length of recovery period, phasing of contributions, and segmentation of employers.
- 2.4 The assumptions used to complete the 2013 Triennial Valuation are consistent with those detailed in the draft FSS reported to Committee on 19 November 2013. The revised FSS with the incorporated termination policy can be accessed from the following link; <http://mpfmembers.org.uk/pdf/fssnov13.pdf>

TERMINATION POLICY

- 2.5 The Admission Bodies Termination Liabilities Calculation Policy, reported to Pension Committee on 28 January 2008 (Minute 80 refers) has been updated to reflect the revised regulatory references following the enactment of the 2013 LGPS Regulations and is now included within the content of the FSS.
- 2.6 The amalgamation of both the ongoing funding and termination policies within a single core document improves transparency and disclosure to interested parties, thus enabling better scrutiny and understanding of Fund policies.

FINAL VALUATION RESULTS

- 2.7 The final valuation results are in accordance with the provisional results reported to Committee on 19 November (Minute 54 refers). The completed valuation report along with the certified Rates and Adjustment Certificate can be accessed from the following link; http://mpfmembers.org.uk/pdf/valuation_report13.pdf
- 2.8 For the ease of reference – the Market value of the Fund has increased from £4,706m as at 31 March 2010 to £5,819m at 31 March 2013.
- 2.9 The past service liabilities have been assessed as follows:

	£million
Active member' accrued benefits	2,975
Deferred pensioner	1,187
Pensioners (including dependants)	<u>3,526</u>
Total	7,688

- 2.10 This gives a deficit of £1,869m and a funding level of **76%** at 31 March 2013; in comparison to the previous deficit position of £1,310m and a funding level of 78% at 31 March 2010.

- 2.11 The experience over the inter-valuation period has been positive due to increased investment returns and lower than expected pay increases for active members. Unfortunately, the deficit has significantly increased due to the reduction in gilt yields.
- 2.12 The funding deficit is in respect of benefits for past service liabilities and must be recovered from employers as cash sums in line with the recovery periods determined within the FSS.
- 2.13 The Future Service Rate has increased to 13.3% of pensionable pay from the baseline position of 11.6% at the 2010 valuation. This is despite an average whole Fund cost saving of 1.8% emerging from the introduction of the new career average Scheme. This rate increase has also been driven by the significant falls in gilt yields.
- 2.14 In recognition of the deterioration in market conditions, culminating in increased pension costs, coupled with reduced public sector funding, a number of agreed stabilising mechanisms were built into the funding plan.

Fund officers have actively engaged with employers to reach an affordable schedule of contributions, taking account of the agreed stabilising mechanisms within the FSS and with appropriate reference to the strength of employer covenant

- 2.15 Employers have been notified of the contribution funding plan for the financial period 1/4/2014 – 31/3/2017.

3.0 RELEVANT RISKS

- 3.1 It is imperative that the Administering Authority take a prudent view when negotiating the financial and demographic assumptions for the FSS, in order to secure the long term solvency of the Fund.

However, to achieve a successful outcome to the valuation there is a clear need to consider affordability of contributions and build in flexibility to the funding of employer contributions. There is a tangible risk that certifying unaffordable cash payments will lead to a number of employers exiting the Fund prematurely leaving irrecoverable debt that must be met by all the remaining employers.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered.

5.0 CONSULTATION

- 5.1 MPF has formally consulted with its constituent employers on the proposals to revise the Funding Strategy Statement and has taken into consideration those comments received.

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 revised financial and demographic assumptions within the Funding Strategy Statement will have a direct impact on funding levels and the employer contributions certified for the financial period 1 April 2014 to 31 March 2017

7.2 The cost savings related to the LGPS Reform from 1 April 2014 will vary between constituent employers of the Fund, depending upon the demographic profile of the workforce.

7.3 The 2013 valuation has required a significant amount of additional resources, resulting from the introduction of appropriate stabilising measures and the employers' expectation that pension costs would reduce following scheme reform.

Compared to previous valuations, there has been an increased dialogue between officers and employers, along with the necessity for additional actuarial modelling work to be carried out in order to reach affordable contributions within the parameters of the funding framework.

8.0 LEGAL IMPLICATIONS

8.1 The Local Government Pension Scheme Regulations prescribe that all Pension Funds have a statutory obligation to produce a FSS and obtain an actuarial valuation of the Fund triennially as at 31 March.

9.0 EQUALITIES IMPLICATIONS

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

The differing characteristics and financial strength of employers have been reviewed to ensure the Funding Strategy is applied equitably across all employers with limited adverse risk falling on any individual employer.

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 revised FSS and the Funding Report of the Actuarial Valuation as at 31 March 2013.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 There is a requirement for Members to be kept up to date on the completion of statutory policies and employer contribution schedules; in their role as quasi-trustees who are responsible for ensuring the solvency and appropriate administration of the Pension Fund.

REPORT AUTHOR: Yvonne Caddock
Principal Pension Officer
Telephone: 0151 242 1333

email: yvonnecaddock@wirral.gov.uk

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Provisional Actuarial Valuation As At March 2010	16 November 2010
Draft Funding Strategy Statement 2010	16 November 2010
Draft Actuarial Valuation As At March 2013	19 November 2013
Provisional Funding Strategy Statement 2013	19 November 2013

This page is intentionally left blank

WIRRAL COUNCIL

PENSIONS COMMITTEE

1 JULY 2014

SUBJECT:	ACTUARIAL SERVICES
WARDS AFFECTED:	ALL
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to inform Members of a 3 year extension of the contract with the Fund's actuary, Mercer, which was due to terminate on 30 September 2014.

2.0 KEY ISSUES

Background

2.1 All Funds are required to obtain suitable actuarial advice and services to enable the discharge of a range of duties under the Local Government Pension Scheme regulations.

2.2 In 2011, a procurement exercise took place for the provision of actuarial services inline with the Public Contracts Regulations 2006. This was a joint procurement with Cumbria and Lancashire County Councils.

2.3 The contract period was for an initial 3 years, commencing 1 October 2011, with an option for an additional 3 years. The total value of the contract over the period of 6 years was scoped as approximately £1,000,000 for Merseyside Pension Fund.

2.4 Following a joint evaluation of the responses, officers recommended the appointment of Mercer on the basis of the most economically advantageous tender, taking into consideration the award criteria of quality of services, price, risk managements and financial status.

2.5 The recommendation to appoint Mercer as the Fund Actuary was agreed by Pensions Committee on 27 June 2011.

2.6 Cumbria County Council and Lancashire County Council also appointed Mercer as the provider of actuarial services through their own local governance arrangements.

Review – increasing use of actuarial services

2.7 The amount of actuarial work in relation to employers has exponentially increased in the last 2 years. Particularly in the areas of:

- the number of Academy Schools requesting admittance into the LGPS;
- actuarial assessments of employers as a result of closure;
- work in regard the re-letting of large council contracts.

Whilst a significant proportion of incurred actuarial costs are recharged back to the individual employers concerned, there is still an increased cost to the Fund due to the growth in activity. This is without consideration of the work incurred by officers in managing these employer related activities.

- 2.8 Members are already aware of the fundamental reform to the Scheme's structure with further legislation required to complete the governance and cost control framework.

The Actuary has been involved in supporting officers in assessing the impact of the changes, providing advice and also tools to allow officers to actively engage with employers. Particularly to agree contribution schedules that reflect individual employer characteristics within the parameters of the Funding Strategy Statement

- 2.9 The 2013 Triennial Actuarial Valuation has been a significant undertaking, requiring considerably more resource than previous valuations both within the Fund and from the actuary. This was largely due to the requirement to undertake additional actuarial modelling to mitigate the impact of low bond yields and to allow for subsequent changes in financial conditions since the valuation date, exacerbated by the increased number of employers in the Fund.

This was compounded by the introduction of the new career average benefit design and the complicated protections built into the 2014 LGPS.

The key focus of the actuarial modelling was to achieve affordable employer contributions aligned to budgetary constraints whilst ensuring the long term solvency of the Fund

The Fund also held more meetings and discussions with individual employers than were held previously as employers required much more information resulting from this valuation due to affordability constraints. Significant bespoke analysis and modelling was carried out for certain specific employers as part of an increased governance process for the Fund and in order to mitigate any risk of unpaid deficits on exit and to tie in with budgeting at an employer level.

Review – quality of actuarial services

- 2.10 The quality of actuarial advice and service from Mercer remains at a high standard.
- 2.11 There is an effective working relationship between Fund officers and Mercer staff.
- 2.12 Mercer has been able to respond positively to the increase use of their services without noticeable detriment to the quality or timeliness of work.

3.0 RELEVANT RISKS

- 3.1 The quality and timely provision of these services is critical to the Fund as the effective assessment of liabilities and certification of contribution funding plans is as crucial as the Fund's asset allocation and management of fund performance.

As such inadequate actuarial advice can have a detrimental impact on the stability of the scheme.

3.2 The impact of errors in actuarial calculations can have a disproportionate impact on the Fund and/or its participating employers compared with the level of fees charged for the advice. Consequently, a transparent working relationship between a suitably qualified Actuary and officers is fundamental to the successful administration of the Fund.

4.0 OTHER OPTIONS CONSIDERED

4.1 The contractual arrangement of an initial 3 year period provided an opportunity to re-tender for alternative suppliers if this met Fund requirements.

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 Actuarial costs from 1 October 2011 to 31 March 2014 are as follows:

Year	All actuarial services	Employer costs [recharged]	Fund Costs
01/10/11 to 31/03/12	93,195	46,235	46,960
01/04/12 to 31/03/13	290,380	149,443	140,937
01/04/13 to 31/03/14	474,935	163,061	311,874
	858,510	358,740	499,770

7.2 The increasing use of actuarial services in both activity and complexity are reflected in the above figures. The total contract costs incurred by the Fund to 31 March 2014 are £499,770. The contract value in 2011 was scoped at approximately £1,000,000 for the whole period of six years.

7.4 Projected actuarial costs for the Fund are contained within the budget setting process.

8.0 LEGAL IMPLICATIONS

8.1 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 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 extension of the contract with Mercer for an additional three years as permitted under the original tender documentation.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 The review of contractual arrangements for actuarial services by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

**REPORT AUTHOR: Yvonne Caddock
Principal Pension Officer
Telephone: 0151 242 1333**

email: yvonnecaddock@wirral.gov.uk

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee – Actuarial Services Tenders	27 June 2011

WIRRAL COUNCIL

PENSIONS COMMITTEE

1 JULY 2014

SUBJECT:	TREASURY MANAGEMENT ANNUAL REPORT 2013/14
WARD/S AFFECTED:	ALL
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 This report presents a review of treasury management activities within Merseyside Pension Fund (MPF) for the 2013/14 financial year and reports any circumstances of non-compliance with the treasury management strategy and treasury management practices. It has been prepared in accordance with the revised CIPFA Treasury Management Code.

2.0 BACKGROUND AND KEY ISSUES

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

2.2 On 15 January 2013 Pensions Committee approved the Treasury Management Policy and Strategy 2013/14.

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

TREASURY MANAGEMENT

2.4 As at 31 March 2014, MPF had a cash balance of £30.8 million (excluding Icelandic deposit) as against £68.1 million at 31 March 2013. All of these funds were held on call (instant access) accounts with Lloyds, Northern Trust and RBS.

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

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

2.6 The rate at which MPF can invest money continues to be low, reflecting the record low Bank of England base rate which remained at 0.5% throughout 2013/14.

- 2.7 Over the twelve month period, WM calculated the cash performance to be 1.9% against a benchmark performance (7 day LIBID) of 0.4%.
- 2.8 Transactions were undertaken to reflect the day-to-day cash flows of the Fund, matching inflows from receipts to predicted outflows.
- 2.9 The detailed cash flow plans were managed so as to be compliant with the deposit limits agreed for individual financial institutions as reflected in the Treasury Management Policy for 2013/14.
- 2.10 There was one area where MPF was non-compliant with the policy during 2013/14. In March 2014 the long term credit rating for RBS (MPF's previous bankers) was downgraded below the credit limit set out within the policy. The Fund continued to maintain a small balance on an instant access account. On the announcement of the downgrade the Fund transferred all significant balances to other counterparties, maintaining a small balance to keep the account open, as on occasion receipts are still credited to this account. The account is now being monitored daily to ensure significant balances are transferred in a timely manner. With RBS 80% owned by the government, officers consider the risk to short-term deposits to be minimal.

ICELAND DEPOSIT UPDATE

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

Glitnir

- 2.12 As previously reported, in March 2012, approximately 81p/£ was recovered and the remaining 19% remains held in Icelandic Krona (ISK) in an escrow account, because, under the applicable currency controls operating in Iceland, the permission of the Central Bank of Iceland is required to release Icelandic Krona payments held within the Icelandic banking system. The money held in the Glitnir Winding Up Board escrow account is, however, earning interest at a market rate of 4.20%. There are still uncertainties regarding funds currently held in Icelandic Krona, as they cannot currently be converted into GBP. The LGA in conjunction with those authorities affected, are working on a practical solution.

Heritable

- 2.13 During 2013 the administrators paid the fourteenth dividend, bring the total repayment to 94%, the projected return to creditors was previously reported to be between 86% and 90% of the claim. It is assumed no further dividends are to be paid.

3.0 RELEVANT RISKS

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

4.0 OTHER OPTIONS CONSIDERED

- 4.1 There are no other options considered in this report

5.0 CONSULTATION

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

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising out of this report.

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

7.1 The financial implications are stated above.

8.0 LEGAL IMPLICATIONS

8.1 The legal implications have been discussed within section 2 of this report.

9.0 EQUALITIES IMPLICATIONS

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

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

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising out of this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising out of this report.

12.0 RECOMMENDATION/S

12.1 That the Treasury Management Annual Report for 2013/14 be agreed.

13.0 REASON/S FOR RECOMMENDATION/S

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

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

APPENDICES

None.

REFERENCE MATERIAL

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

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee – Treasury Management Policy and Strategy 2011/12	11 January 2011
Pensions Committee – Treasury Management Annual Report 2010/11	27 June 2011
Pensions Committee – Treasury Management Policy and Strategy 2012/13	17 January 2012
Pensions Committee – Treasury Management Annual Report 2011/12	25 June 2012
Pensions Committee – Treasury Management Policy and Strategy 2013/14	15 January 2013

WIRRAL COUNCIL

PENSIONS COMMITTEE

1 JULY 2014

SUBJECT:	LGC INVESTMENT SUMMIT
WARD/S AFFECTED:	NONE
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report requests nominations to attend the LGC Investment Summit to be held in Newport, South Wales from 9-10 September 2014

2.0 BACKGROUND AND KEY ISSUES

- 2.2 The LGC Investment Summit remains one of the leading annual investment events for local government pension funds. The conference theme is “Investing for Growth”.

The organisers comment “Investing for growth has many connotations, not only in the assets in which we invest, but also in the way those investments are managed effectively and responsibly. This year we take stock of economic indicators for growth; examine the indices that drive our equity portfolios; look for better inflation linked cash-flows; explore a number of specific investment themes; debate the hot topics of the day; prepare for a turbulent time in fixed income markets; investigate ways to control downside risk and capture growth opportunities; and look to the actuarial world for a measured and balanced way forward”.

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

3.0 RELEVANT RISKS

- 3.1 The Fund is required to demonstrate that Members of Pensions Committee have been adequately trained. This conference is a recognised training opportunity and, at a time of considerable change in both the LGPS and financial markets, covers may relevant topics.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered

5.0 CONSULTATION

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

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising from this report.

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

7.1 The cost of attendance plus two nights' accommodation will be about £949+ VAT per delegate, excluding travel, which can be met from the existing Pension Fund budget.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

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

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

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATION/S

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

13.0 REASON/S FOR RECOMMENDATION/S

13.1 The conference forms a part of the Members' development plan approved by Committee in January 2014.

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

APPENDICES

NONE

REFERENCE MATERIAL

NONE

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

WIRRAL COUNCIL

PENSIONS COMMITTEE

1 JULY 2014

SUBJECT:	REVIEW OF POTENTIAL UNFUNDED LIABILITIES FOR ADMISSION BODIES
WARD/S AFFECTED:	ALL
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES
KEY DECISION	NO

1 EXECUTIVE SUMMARY

- 1.1 This report informs members of the annual review of potential unfunded liabilities for admission bodies. This work is undertaken by the Fund Actuary Mercer, following an actuarial review, as at 31 December 2013.
- 1.2 The Appendix 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 BACKGROUND AND KEY ISSUES

- 2.1 In accordance with the Committee decision on 22 March 2000 (Minute 52 refers), officers were asked to specifically monitor the potential unfunded liabilities in respect of premature closure of admission bodies with high levels of potential liability (£250,000 or more).

This work is undertaken by the Actuary performing an annual funding review and officers considering the financial strength and covenants of the relevant organisations.

- 2.2 The results of the admission bodies previous liability review, as at 31 March 2012, was considered by the Committee on 18 September 2012 (Minute 27 refers).
- 2.3 The details in respect of the latest review of potential unfunded liabilities for admission bodies at 31 December 2013 are attached within the exempt appendix.

- 2.4 The calculations have been determined by considering the 2013 Valuation funding position and assets and liabilities have subsequently been rolled forward to 31 December 2013 to take account of the change in market conditions since the valuation date of 31 March.

As such the funding positions presented for each employer are approximate as they do not reflect updated membership movements and cashflows since the valuation, but they provide Merseyside Pension Fund with a reasonable basis to determine the level of risk exposure.

The actual unfunded liabilities for each body would not be known until the body closed and precise calculations are done at that time.

- 2.5 In accordance with the Funding Strategy Statement, the assessment of the employers potential exit debt will be based on a more cautious basis, than ongoing funding arrangements to on determine final liabilities.
- 2.6 The financial assumptions applicable to determine the contingent liabilities are consistent with the equivalent assumptions adopted for the IAS19 Accounting Standard, on the proviso that the financial assumptions used are no less cautious than the valuation assumptions.
- 2.7 The Actuary has calculated the potential unfunded liabilities as follows:
- i. The cost of providing immediate benefits to those members age 55 or over in the year 1 January 2014 to 31 December 2014
 - ii. Less, 50% of the potential savings that may materialise in respect of members under age 55 with deferred benefits.
 - iii. Plus the existing surplus or deficit at 31 December 2014.
- 2.8 For any admission body that does not have either a local authority guarantor, a bond or indemnity, the employer contribution rate remains subject to a risk premium loading. The aim of the risk premium is to achieve a funding level of 120% of the active members' liabilities over the body's recovery period.
- 2.9 On a general basis, the bond requirements have significantly increased from the 2010 bond levels which are currently in-force.
- The bond amounts calculated during the inter-valuation period have not been implemented as Committee resolved it inappropriate to levy exponential increases on employers due to unprecedented falls in gilt yields.
- 2.10 Due to the inordinate timeframe to complete the legalities in revising the level of bonds, the latency period between receipt of the information and the committee calendar, the respective employers have all been notified that the bonds in force should be increased to reflect the updated unfunded liability position.

3 RELEVANT RISKS

- 3.1 As there are significant shortfalls in the majority of bonds in-force relative to the actuarial assessment of the potential termination debts, there is a risk that in the event of a Community Admission Body exiting the Fund any unrecoverable debt will fall to the remaining employers within the Fund.
- 3.2 In order to mitigate risk of future unrecoverable debt from employers any new admissions of Community Admission Bodies will be required to fund on a least risk basis to minimise the possibility of unfunded pension liabilities resulting in the event of closure.

4 OTHER OPTIONS CONSIDERED

- 4.1 None.

5 CONSULTATION

- 5.1 The Fund consulted with employers during autumn 2013 before updating the Funding Strategy Statement, which included the methodology for determination of bond requirements.

6 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 None arising from this report.

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

- 7.1 Community Admission Bodies will be required to provide additional security and will incur increased charges from the bond provider.
- 7.2 In the event that the body is unable to secure the notified level of cover, Officers will engage in dialogue to reach an equitable solution within the parameters of the funding strategy.

8 LEGAL IMPLICATIONS

- 8.1 None arising from this report.

9 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 CARBON REDUCTION IMPLICATIONS

- 12.1 None arising from this report.

11 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 11.1 None arising from this report.

12 RECOMMENDATION/S

- 12.1 Members are recommended to support the revision of bond requirements and guarantees in accordance with the latest figures provided by the Actuary.

13 REASON FOR RECOMMENDATION/S

- 13.1 Following the 2012 annual potential unfunded liability review, Committee resolved to reconsider the position following the triennial valuation as the rebasing of membership movements would reasonably reflect the level of risk exposure and provide a sound justification to the revised bond requests

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

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	27 June 2011
Review of Potential Unfunded Liabilities For Admission Bodies	18 September 2012

WIRRAL COUNCIL
PENSION COMMITTEE
1 JULY 2014

SUBJECT:	ADMISSION BODY APPLICATION - CITY HEALTH CARE PARTNERSHIP - KNOWSLEY BOROUGH COUNCIL
WARDS AFFECTED:	ALL
REPORT OF:	STRATEGIC DIRECTOR OF TRANSFORMATION & RESOURCES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report informs members of the decision taken under delegation, to approve the application received from City Health Care Partnership for admission to Merseyside Pension Fund as a contractor admission body. The company has secured a smoking cessation contract with Knowsley Borough Council from 1st October 2013 for a period of 3 years with a further possible extension of 2 years.
- 1.2 The application is made in accordance with Schedule 2 part 3 Regulation 1(d) (i) of the Local Government Pension Scheme Regulations 2013. Thus the body is providing or will provide a service or asset in connection with the exercise of a function of a Scheme employer as a result of – the transfer of the service or assets by means of a contract or other arrangement.
- 1.3 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 City Health Care Partnership is a not for profit community interest company and is registered under Companies House, (number 06273905) effective from 8 June 2007.
- 2.2 There are 2 employees who are currently employed by Knowsley Council and are members of Merseyside Pension Fund. They have transferred to City Health Care Partnership in accordance with T.U.P.E regulations and wish to continue to participate in the Local Government Pension Scheme.
- 2.3 The principal objective of the company is to carry on activities which benefit the community and in particular provides excellent, responsive and cost effective health services.

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 64(3)(a) of the Local Government Pension Scheme Regulations 2013, which provides for the ceding employer to underwrite the contractor's pension obligations.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 The organisation'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 Knowsley Borough 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 Knowsley Borough Council.

8.0 LEGAL IMPLICATIONS

- 8.1 The Legal documents have been 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 application for admission to the Merseyside Pension Fund of City Health Care Partnership.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 The application for admission meets all prescribed regulatory and financial requirements under the Local Government Pension Scheme Regulations and the appropriate supporting documentation has been received and approved 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.

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

APPENDICES

Exempt Appendix included in committee papers.

REFERENCE MATERIAL

The report produced by Mercer Limited the Fund Actuary, dated 1 November 2013, was used in producing this report.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

This page is intentionally left blank

**WIRRAL COUNCIL
PENSION COMMITTEE
1 JULY 2014**

SUBJECT:	ADMISSION BODY APPLICATION CATERING ACADEMY LTD – MAGHULL HIGH SCHOOL – CATERING CONTRACT
WARDS AFFECTED:	ALL
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION & RESOURCES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report informs members of my decision taken under delegation, to approve the application received from Catering Academy Limited for admission to Merseyside Pension Fund as an Admitted Body. The company has secured a catering contract with Maghull High School for a period of 3 years with effect from 1st September 2013.
- 1.2 The application is made in accordance with Schedule 2 part 3 Regulation 1 (d) (i) of the Local Government Pension Scheme Regulations 2013. Thus the body is providing or will provide a service or asset in connection with the exercise of a function of a Scheme employer as a result of – the transfer of the service or assets by means of a contract or other arrangement
- 1.3 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 application is to provide pension provision for 6 transferred staff members who were previously employed by Maghull High School and wish to continue to participate in the local government pension scheme.
- 2.2 Catering Academy Ltd is a private Limited Company, with a Company number of 5261471 and the date of incorporation was 15 October 2004.
- 2.3 The principal activity of the company is that of contract catering.

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 64(3) (a) of the Local

Government Pension Regulations 2013. Maghull High School would be responsible for any outstanding contributions on the closure of the body which may not be recoverable from the contractor or the bond provider.

4.0 OTHER OPTIONS CONSIDERED

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

5.0 CONSULTATION

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

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 None arising from this report.

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

7.1 The transfer of past service liabilities is to be effected on a fully funded basis and any outstanding contributions either not recovered from the contractor or any bond provision at closure will fall to Maghull High School.

8.0 LEGAL IMPLICATIONS

8.1 The Legal documents have been 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 application for admission to the Merseyside Pension Fund of Catering Academy 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 required to comply with the governance policy of Merseyside Pension Fund.

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

APPENDICES

Exempt Appendix included in committee papers.

REFERENCE MATERIAL

The report produced by Mercer Limited the Fund Actuary, dated April 2014, was used in producing this report.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

This page is intentionally left blank

WIRRAL COUNCIL
PENSION COMMITTEE
1 JULY 2014

SUBJECT:	ADMISSION BODY APPLICATION LIFELINE PROJECT LTD – SEFTON BOROUGH COUNCIL
WARDS AFFECTED:	ALL
REPORT OF:	STRATEGIC DIRECTOR OF TRANSFORMATION & RESOURCES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report seeks approval of the Pensions Committee on the application for admission to the Fund received from Lifeline Project Limited, with effect from 1 October 2013 for a period of 2 years with a further possible extension of 3 years.
- 1.2 The application is made in accordance with Schedule 2 part 3 Regulation 1(d) (i) of the Local Government Pension Scheme Regulations 2013. Thus the body is providing or will provide a service or asset in connection with the exercise of a function of a Scheme employer as a result of – the transfer of the service or assets by means of a contract or other arrangement.
- 1.3 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 Lifeline Project Ltd is a private company limited by guarantee and is registered under Companies House, (number 1842240) effective from 20 August 1984.
- 2.2 There are 9 employees who are currently employed by Sefton Council and are members of Merseyside Pension Fund. They will be transferring to Lifeline Project Ltd in accordance with T.U.P.E regulations and wish to continue to participate in the Local Government Pension Scheme.
- 2.3 Under this agreement between Sefton Council and Lifeline Project Ltd the Council's Adult Substance Misuse Treatment Service will transfer to this organisation.

- 2.4 The principal objective of the company is to relieve poverty, sickness and distress among those persons affected by addiction to drugs and persons suffering from sexually transmitted diseases.

3.0 RELEVANT RISKS

- 3.1 The potential risk of financial loss to the Fund from the admittance of the company is mitigated by virtue of Regulation 64(3) (a) of the Local Government Pension Regulations 2013. Sefton Borough Council would be responsible for any outstanding contributions on the closure of the body which may not be recoverable from the contractor or the bond provider.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 The organisation'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 any outstanding contributions either not recovered from the contractor or the bond provider will fall to Sefton Borough 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 application for admission to the Merseyside Pension Fund of Lifeline Project Ltd.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 The application for admission meets all prescribed regulatory and financial requirements under the Local Government Pension Scheme Regulations and the appropriate supporting documentation has been received and approved 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.

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

APPENDICES

Exempt Appendix included in committee papers.

REFERENCE MATERIAL

The report produced by Mercer Limited the Fund Actuary, dated 21 February 2014, was used in producing this report.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

This page is intentionally left blank

WIRRAL COUNCIL
PENSION COMMITTEE
1 JULY 2014

SUBJECT:	ADMISSION BODY APPLICATION KNOWSLEY YOUTH MUTUAL LTD - KNOWSLEY BOROUGH COUNCIL
WARDS AFFECTED:	ALL
REPORT OF:	STRATEGIC DIRECTOR OF TRANSFORMATION & RESOURCES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report informs members of my decision taken under delegation to approve the application received from Knowsley Youth Mutual Limited for admission to Merseyside Pension Fund as an Admitted Body. The organisation has secured a four year contract to provide Youth Services in Knowsley with effect from 1 April 2014.
- 1.2 The application is made in accordance with Schedule 2 part 3 Regulation 1(d) of the Local Government Pension Scheme Regulations 2013. The body is one that provides a service in connection with the exercise of a function of a scheme employer.
- 1.3 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 application is to provide pension provision for 45 transferred staff members who were previously employed by Knowsley Council and wish to continue to participate in the local government pension scheme.
- 2.2 Knowsley Youth Mutual is a non profit organisation formed for the benefit of the community and registered under the Mutuals Public Register, (number 32240R) on 11 November 2013.
- 2.3 The principal objective of the company is to offer a range of generic youth work and specialist youth engagement activities across the Borough in line with current provision.

3.0 Relevant Risks

- 3.1 The potential risk of financial loss to the Fund resulting from the admittance of the organisation is mitigated by virtue of Regulation 64 (3) (a) of the Local Government Pension Scheme Regulations which provide for the ceding employer to underwrite the bodies pension obligations.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 The organisation'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 Knowsley Borough Council's current assessed contribution rate.
- 7.2 Any outstanding contributions either not recovered from body at closure will ultimately fall to Knowsley Borough Council.

8.0 LEGAL IMPLICATIONS

- 8.1 The Legal documents are 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 application for admission to the Merseyside Pension Fund of Knowsley Youth Mutual Ltd.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 The application for admission meets all prescribed regulatory and financial requirements under the Local Government Pension Scheme Regulations and the appropriate supporting documentation has been received and approved 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.

**REPORT AUTHOR: YVONNE CADDOCK
PRINCIPAL PENSIONS OFFICER.**

telephone: (0151- 242-1333)

email: yvonnecaddock@wirral.gov.uk

APPENDICES

Exempt Appendix included in committee papers.

REFERENCE MATERIAL

The report produced by Mercer Limited the Fund Actuary, dated 7 October 2013, was used in producing this report.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

This page is intentionally left blank

WIRRAL COUNCIL

PENSIONS COMMITTEE

1 JULY 2014

SUBJECT:	MINUTES OF THE INVESTMENT MONITORING WORKING PARTY
WARD/S AFFECTED:	NONE
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide Members with the minutes of the Investment Monitoring Working Party (IMWP) held on 20 April 2014.
- 1.2 The appendix to the report, the minutes of the IMWP on 20 April 2014, 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 IMWP meets at least six times a year to enable Members and their advisers to consider investment matters, relating to Merseyside Pension Fund, in greater detail.

3.0 RELEVANT RISKS

- 3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered

5.0 CONSULTATION

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

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising from this report.

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

7.1 There are no implications arising directly from this report.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

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

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

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATION/S

12.1 That Members approve the minutes of the IMWP which are attached as an appendix to this report.

13.0 REASON/S FOR RECOMMENDATION/S

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

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

APPENDICES

Exempt Appendix 1

REFERENCE MATERIAL

NONE

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Minutes of all IMWP's are brought to the subsequent Pensions Committee meeting.	

APPENDIX 1

Minutes of Investment Monitoring Working Party, 20th February 2014

In attendance:

(Chair) Councillor Patricia Glasman (WBC)	Peter Wallach (Head of MPF)
Councillor Geoffrey Watt (WBC)	Paddy Dowdall (Investment Manager)
Councillor Mike Hornby (WBC)	Owen Thorne (Investment Officer)
Paul Wiggins (Unison)	Leyland Otter (Investment Manager)
Councillor Harry Smith (WBC)	Allister Goulding (Investment Manager)
Louis Hill (Aon Hewitt)	Noel Mills (Independent Advisor)
Paul Wiggins (Unison)	Rohan Worrall (Independent Advisor)
Councillor Ann McLachlan (WBC)	Adam Williamson (Investment Assistant)
	Greg Campbell (Investment Manager)

Apologies were received from:

Councillor Cherry Povall (WBC)	Councillor Tom Harney (WBC)
Councillor George Davies (WBC)	Councillor Norman Keats (KBC)
Councillor John Fulham (St Helens BC)	Phil Goodwin (Unison)
Councillor Adrian Jones (WBC)	Councillor Paul Doughty

Declarations of interest

Councillor Pat Glasman (PG) and Councillor Geoffrey Watt (GW) declared an interest in Merseyside Pension Fund.

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank