

PENSIONS COMMITTEE

Monday, 15 September 2014

Present:

Councillor P Doughty (Chair)

Councillors AR McLachlan G Watt
T Johnson M Hornby
AER Jones C Povall
H Smith C Carubia

Mr P McCarthy, (NonDistrict Council Employers)

Mr P Wiggins (UNISON)
Mr P Goodwin (UNISON)

Apologies

Councillors G Davies
N Keats
J Fulham
P Tweed
N Crofts

27 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 Paul Doughty declared a pecuniary interest in general by virtue of a relative being a member of Merseyside Pension Fund and a non pecuniary interest by virtue of being a member of a faith group opposed to tobacco consumption (minute 34 refers).

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

Councillor Mike Hornby declared a non pecuniary interest by virtue of being a Wirral Council appointed Trustee of the Community Admission Body under discussion in the exempt part of the agenda and indicated that he would leave the room during the consideration of this item (minute 49 refers).

28 MINUTES

Resolved – That the accuracy of the Minutes of the Pensions Committee held on 1 July, 2014 be approved as a correct record.

29 **AUDIT FINDINGS REPORT**

Fiona Blatcher, Associate Director, Grant Thornton UK, attended the meeting and presented the Audit Findings Report for Merseyside Pension Fund Year ended 31 March 2014.

Resolved – That the report be noted.

30 **PENSION FUND ACCOUNTS 2013/14**

Extract – Pensions Committee 15 September, 2014

MERSEYSIDE PENSION FUND STATEMENT OF ACCOUNTS 2013/14

Members considered a report of the Director of Resources that presented Members with the audited statement of accounts of Merseyside Pension Fund for 2013/14 and responded to the Audit Findings Report from Grant Thornton.

The purpose of the Statement of Audited Accounts was to present the overall financial position of the Pension Fund as at 31 March 2014 in accordance with prescribed guidance. A presentation on the accounts had been made at a briefing session open to Council on 10 September 2014.

It was reported that Grant Thornton was close to completion of its audit of the accounts and the Audit Findings Report was on the agenda for this meeting. They may provide a verbal update at the meeting on the report and officers will respond if necessary.

All of the suggested disclosure adjustments to the accounts had been agreed by officers. A Letter of Representation on behalf of the Committee had been prepared which gave assurances to the Auditor on various aspects relating to the Pension Fund.

Members were informed that the Audit Opinion would be issued following final completion of the audit, consideration of the Audit Findings Report and approval of the amended Statement of Accounts at both the Pensions Committee and the Audit and Risk Management Committee. Once approved, Grant Thornton had indicated that they would again issue an unqualified opinion, and state that the accounts presented fairly the financial position of Merseyside Pension Fund as at 31 March 2014. Subject to this, the accounts as now shown would form the basis of the Annual Report for the year ended 31 March 2014.

Resolved – That

- 1 having considered the amendments to the draft accounts, the draft Audit Findings Report and the Letter of Representation, the audited Statement of Accounts for 2013/14 be approved.**
- 2 the report be referred to the Audit and Risk Management Committee.**

31 **DRAFT ANNUAL REPORT**

A report of the Strategic Director Transformation and Resources provided Members with the draft Annual Report of Merseyside Pension Fund for 2013/14.

A copy of the draft Annual Report together with the representation letter from the Director of Resources to Grant Thornton UK LLP dated 2 September, 2014 was made available for Members at the meeting.

It was reported that the LGPS regulations required the Pension Fund Annual Report to contain the Fund Accounts and Net Asset Statement with supporting notes and disclosures, prepared in accordance with proper practices.

Members were advised that International Standards on Auditing (UK&I) 720 required that auditors read any information published with the accounts. It also stated that the auditor should not issue an opinion until that other information is published.

Resolved - That the draft Annual Report of Merseyside Pension Fund be approved for publication.

32 **LGPS UPDATE**

Members considered a report of the Strategic Director Transformation and Resources that gave an update that informed Members of the Government Response on "Freedom and Choice in Pension" Consultation and the potential impact on the Local Government Pension Scheme.

It was noted that paragraph 1.3 should have made reference to July Pensions Committee, not September's.

The report also provided an insight to the possible direction of travel in regard to changes to ill health provision and pension provision for councillors.

At the Pensions Committee's meeting held on July 1 2014, the fund had reported DCLG's consultation - "LGPS Consultation – Opportunities for Collaboration, Cost Savings & Efficiencies". A response had been approved by the Chair of Committee and was attached as an appendix to the report.

Resolved – That

1 the officers be thanked for the report.

2 the report be noted.

33 **DCLG CONSULTATION ON DRAFT SCHEME GOVERNANCE REGULATIONS**

A report of the Strategic Director Transformation and Resources provided members with an update on the consultation document on scheme governance that had been

issued by the Department for Communities and Local Government (DCLG) on 23 June 2014.

The closing date for responses to the consultation was 15 August 2014. Merseyside Pension Fund's response had been approved by the Chair of Committee prior to submission and was attached as appendix to the report.

It was reported that the recommendations made by Lord Hutton with regard to the governance and administration of Public Service Pension Schemes had been accepted by the Government and carried forward into the Public Service Pensions Act 2013 (PSPA13). The Act included a requirement for DCLG as the responsible authority to make regulations establishing a national scheme advisory board and for each LGPS administering authority to create a local pension board with effect from 1 April 2015.

A key aim of the reform process was to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in the scheme.

Yvonne Caddock, Principal Pension Officer, presented the report and informed Members that the Fund was awaiting publication of statutory guidance and the final regulations before implementing procedures to establish the Pensions Board with the assistance of Legal and Democratic Services.

Resolved – That the Fund's response to the consultation on the draft regulations, and the challenging timescale within which to set up a Pension Board by 1 April 2015 be noted.

34 **RESPONSIBLE INVESTMENT**

Members considered a report that provided further information regarding the Pension Fund's fiduciary duties in respect of environmental, social and governance (ESG) considerations. The transfer of public health responsibilities alongside the Council's responsibility to its pension fund had raised the issue of tobacco investments owned by pension funds and had implications of ethical investing.

The report also informed Members of the extension of the Fund's contract with Pensions & Investments Research Consultants (PIRC), under delegated authority, by the Strategic Director Transformation & Resources.

Peter Wallach, Head of Pension Fund, presented the report and reported that officers continued to gather information, specific to the fund, on the potential performance, cost and risk implications. Three reports that provided further background on the subject matter were attached as appendices to the report.

Resolved - That the report and the extension of the PIRC contract be noted.

35 **NAPF ANNUAL CONFERENCE**

A report of the Strategic Director Transformation and Resources recommended that the Pension Committee consider attendance by Members at the National Association of Pension Funds (NAPF) Annual Conference, to be held in Liverpool from 15 to 17 October 2014.

The appendix to the report provided further information on the event including the programme of events.

Resolved - That

- 1 attendance at the NAPF conference by Members be approved.**
- 2 Members wishing to attend the conference notify the Head of Pension Fund to enable the necessary registration and administration to be undertaken.**

36 LAPFF CONFERENCE

A report of the Strategic Director Transformation and Resources recommended that the Committee approve attendance by the Chair and party spokespersons at the Local Authority Pension Fund Forum (LAPFF) Annual Conference, organised by PIRC, to be held in Bournemouth from 3 to 5 December 2014.

Resolved –That attendance at the LAPFF conference by the Chair and party spokepersons be approved.

37 ANNUAL EMPLOYERS CONFERENCE

A report of the Strategic Director Transformation and Resources informed Members of the arrangements for the annual Employers' Conference to be held on Thursday 27 November 2014.

Members were informed that further details would be circulated to all Members of this Committee as soon as arrangements were finalised.

Resolved – That the report be noted.

38 GRANT THORNTON - LGPS SEMINAR

A report of the Strategic Director Transformation and Resources recommended that the Committee Members consider attendance at a LGPS Seminar, to be held at the Royal Liver Building in Liverpool on 22 October 2014. The agenda was set out in appendix 1 to the report.

It was reported that Grant Thornton would be hosting a seminar for elected members covering the topic of pension fund governance to which member representatives from all LGPS funds in the region were being invited. In particular, Pension Board arrangements would be on the agenda and, in view of the topical nature of this subject, was expected to provide members with a useful update on the latest developments in this area.

Resolved – That

- 1 attendance at the LGPS Seminar by Members be approved.**
- 2 Members wishing to attend the conference notify the Head of Pension Fund to enable the necessary registration and administration to be undertaken.**

39 ELECTED MEMBER EDUCATIONAL EVENT

A report of the Strategic Director Transformation and Resources recommended that the Committee consider attendance by Members at the second 330 Consulting Elected Member Educational Event (EMEE) in the Ship's Company Dining Hall on board HMS Belfast in London on Wednesday 1 October 2014. The current agenda was set out in appendix 1 to the report.

Resolved –That attendance at the Elected Member Educational Event by the Chair and party spokespersons be approved.

40 LGPS FUNDAMENTALS TRAINING

A report of the Strategic Director Transformation and Resources recommended the Committee to approve participation by Members in the LGPS Trustee Training 'Fundamentals XIII' organised by the Local Government Pensions Committee.

Resolved – That

- 1 attendance by Members on the LGPS 'Fundamentals training' be approved.**
- 2 Members wishing to take advantage of this opportunity notify the Head of Pension Fund to enable the necessary registration and administration to be undertaken.**

41 REVIEW OF FIXED INCOME MANDATES

A report of the Strategic Director Transformation and Resources outlined the procedural steps taken by Officers of Merseyside Pension Fund to undertake a review of the fixed income investment mandates with Legal & General and Schroders.

The report recommended their extension, subject to continued satisfactory monitoring, for a further two years as permitted under Procurement and Wirral Council's contract procedure rules.

Resolved – That Legal & General and Schroders be retained as the investment managers of MPF's Active Bond Mandates.

42 **REVIEW OF AON CONTRACT**

A report of the Strategic Director Transformation and Resources informed Members of the extension of the Fund's contract with Aon Hewitt, under delegated authority, by the Strategic Director Transformation & Resources.

Members were advised of progress in implementing the Medium Term Asset Allocation (MTAA) framework, the costs incurred to date and approval was sought for additional expenditure until such time as a tender exercise was completed in relation to the provision of strategic asset allocation advice.

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

Resolved – That

- 1 the extension of the contract with Aon Hewitt be noted.**
- 2 the progress in implementing the Medium Term Asset Allocation (MTAA) framework and the costs incurred to date be noted and the additional expenditure required and a tender exercise in relation to the provision of strategic asset allocation advice be approved.**

43 **ADMISSION BODY APPLICATION - MELLORS CATERING SERVICES LTD - BIRKDALE HIGH SCHOOL (ACADEMY)**

A report of the Strategic Director of Transformation and Resources informed members of the decision taken under delegation, to approve the application received from Mellors Catering Services Ltd for admission to Merseyside Pension Fund as a contractor admission body. The company had secured a catering contract with Birkdale High School from 1st April 2013 for a period of 5 years.

The application was made in accordance with Schedule 2 part 3 Regulation 1(d) (l) of the Local Government Pension Scheme Regulations 2013. As such the body is providing a service in connection with the exercise of a function of a Scheme employer as a result of the transfer of the service.

Members discussed the option of contractor admissions being submitted to GRWP and agreed that in future this would be the way forward. Peter Wallach, Head of

Pensions indicated that a report would be brought to the Pensions Committee on a 6 monthly basis.

Resolved – That the approval of the application for admission to the Merseyside Pension Fund from Mellors Catering Services Ltd be noted.

44 **GRWP MINUTES 03/07/2014**

Members considered the minutes of the Governance & Risk Working Party (GRWP) held on 3 July 2014.

An exempt report on the agenda, the minutes of the GRWP on 3 July 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 GRWP be approved.

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

On a motion by Councillor Paul Doughty and seconded by Councillor Ann McLachlan 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.

46 **REVIEW OF AON CONTRACT**

The appendix to the report on the Review of the Aon Contract was exempt by virtue of paragraph 3.

47 **MELLORS CATERING - BIRKDALE**

The appendix to the report on Mellors Catering – Birkdale was exempt by virtue of paragraph 3.

48 **GRWP MINUTES 03/07/2014**

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

49 **OUTSTANDING EMPLOYER CONTRIBUTIONS - COMMUNITY ADMISSION BODY**

Councillor Mike Hornby left the room during discussion of the following item.

Members considered a report that a Community Admission Body of Merseyside Pension Fund (MPF), was in breach of its obligations under the admission agreement. Primarily the Admission Body had failed to pay outstanding employer contributions due to the Fund within a reasonable period of time.

The persistent late payment of employer contributions and evidence of the omission of pension costs within the Admission Body's financial statements had resulted in MPF instructing the Head of Legal and Member Services to serve formal notice that the Admission Agreement would be terminated unless the arrears were paid.

The final notice dated 25 July 2014 sought payment of the outstanding amount within 28 days and advised that non-compliance may result in termination of the company's status as an admission body in accordance with Schedule 2, Part 3 of the LGPS Regulations 2013.

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).

The Strategic Director Transformation and Resources advised the Committee that officers had done everything they could to obtain payment. Legal advice had been taken and they were now left with no alternatives. On behalf of the Committee the Chair asked the officers to prepare a press statement and asked for it to be shared with him before publication.

Resolved – That approval be given for Fund Officers to instruct the Head of Legal and Member Services to terminate the Admission Agreement for the Community Admission Body referred to in the exempt report in accordance with the provisions of the LGPS Regulations 2013.