



Pensions Committee

Date:	Monday, 17 November 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 - 10)

To approve the accuracy of the minutes of the meeting held on 15 September, 2014.

3. LGPS UPDATE (Pages 11 - 16)

4. CREATION OF NEW PENSION BOARD (Pages 17 - 22)

5. AUTHORISED SIGNATORIES (Pages 23 - 26)

6. MONITORING - TRAINING, GIFTS & HOSPITALITY RETURNS

Report to follow.

7. LGC INVESTMENT CONFERENCE (Pages 27 - 30)

8. MINUTES OF THE INVESTMENT MONITORING WORKING PARTY (Pages 31 - 36)

9. 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.

- 10. EXEMPT MINUTES OF THE INVESTMENT MONITORING WORKING PARTY (Pages 37 - 46)**
- 11. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR**

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.

This page is intentionally left blank

WIRRAL COUNCIL

PENSION COMMITTEE

17 November 2014

SUBJECT:	LGPS UPDATE
WARD/S 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 Government consultation on the next iteration of the draft Local Government Pension Scheme (Amendment) (Governance) Regulations 2014

2.0 BACKGROUND AND KEY ISSUES

Better Governance and Improved Accountability in the Local Government Pension Scheme

- 2.1 Governance and structural arrangements in the Local Government Pension Scheme are under considerable scrutiny as a result of increasing pressure on public sector finances. The overriding governance framework emanates from the Public Service Pensions Act (the Act) and the Government are leading the review of the Scheme structure.
- 2.2 In compliance with the Act, DCLG on 10 October 2014 published the second issue of the draft regulations relating to 'Governance and Accountability'.
- DCLG has decided to carry out a further consultation on the implementation of a local Pension Board and the national Scheme Advisory Board as revisions have been made to the initial draft, following comments received from the Shadow Scheme Advisory Board and other parties.
- 2.3 In addition to addressing the Governance requirements, the consultation also sets out proposals in relation to how the future service costs of the Scheme will be controlled for employers and taxpayers. The draft regulations also include the provision for the appointment of a 'national Scheme actuary'.
- 2.4 The consultation document can be accessed from the following link:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/362353/LG_Pension_Scheme_-_Consultation.pdf

Governance

The key changes from the earlier draft provisions are as follows:

2.5 Local Pension Boards (LPBs)

- Elected members are now permitted to sit on the LPB with the restriction that any elected member or officer of the Administering Authority who is “responsible for the discharge” of any LGPS function cannot be a member of the Board. This appears to permit elected members from the Administering Authority, not involved in the Fund’s management, and other district councils to constitute the Board on the proviso that there is no conflict of interest.
- Establishment and procedures of the LPB are to be determined locally rather than being created under the provisions of the Local Government Act 1972.
- A new provision has been incorporated to ensure LPBs are not unduly restricted in carrying out their functions.

2.6 Scheme Advisory Board (SAB)

- All members of the SAB and the Chairman are to be appointed by the Secretary of State.
- The Chairman may, with agreement of SAB, appoint a maximum of 3 non-voting advisory members to the SAB.
- A new provision has been incorporated to ensure that the SAB activities are not unduly restricted to carry out its function.

2.7 The Governance and Standards sub-committee of the Shadow Board have been working with Eversheds in developing guidance concerning the establishment and operation of the LPBs. The draft guidance was published on 17 October and provides strategic direction to assist Administering Authorities with the establishment of LPBs, and to ensure consistency across the LGPS whilst retaining the flexibility afforded within the regulations.

2.8 It is the intention that the actual regulations will come into force from 1 January 2015 to allow each LGPS Administering Authority to create a LPB by 1 April 2015 as required by the Act.

2.9 Cost Management

The proposals relating to cost management provide protection to the taxpayer, ensuring that some of the risks associated with pension provision are shared more fairly between employers and scheme members.

The draft regulations establish a requirement for the Secretary of State to appoint a Scheme Actuary to carry out actuarial valuations and apply two different cost control mechanisms. These mechanisms have been designed to assist with the sustainability of the scheme. The two mechanisms are:

Internal cost management process

This sets an overall future service target cost of 19.5%. This cost consists of member contributions set by the statutory schedule designed to yield 6.5% overall together with the Employer Cost Cap of 13% .

This process aims to ensure costs remain within 1% of the future rate with members meeting a third of the cost. The Scheme Advisory Board can make recommendations on changes to the Scheme to achieve these targets.

Treasury employer cost cap process

As a backstop the Treasury process monitors the value of benefits in the new scheme based on the model fund data which requires corrective action to rebalance costs if they move 2% below or above the cost cap.

- 2.10 “Member driven” scheme costs will be included in the control mechanism whereas “financially driven” costs will be omitted. Member costs include improvements in life expectancy and actual pay growth relative to assumed pay growth. Financial costs include the impacts of investment returns on deficits, actual experience relative to assumed growth and changes in financial assumptions.
- 2.11 As well as separating out member and employer costs, the cost cap will only control past and future service costs for the following liabilities;
- Active members including increases in costs for pre-2014 membership;
 - Deferred and pensioner members of the new scheme (including pre-2014 membership);
 - Active members with protected rights from the existing scheme in relation to the 85 year rule and “2008 statutory underpin” afforded to members aged 55 at 1 April 2012.

Past service deficits are outside of the cost management tool but a recommendation has been made to set up a working party to look at potential solutions to the issue of past service deficits.

3.0 RELEVANT RISKS

- 3.1 A major variation to the internal cost management and Treasury process is that local valuations will take account of members electing to take the “50/50” option with the Treasury cost cap ignoring this provision.

There is a risk that this may provide inverse results where 'local-level costs' are reducing but national level costs of the scheme may be increasing. This could result in an adverse increase in employer contributions or a de-valuation of Scheme benefits that would not be informed by the local Fund experience

- 3.2 As the draft regulations are to be published as a framework of the Governance structure, the complementary statutory guidance is a significant document to assist Funds in the creation and ongoing management of Local Pension Boards. There is a risk that if the guidance is not suitably comprehensive that inconsistencies in governance across the LGPS will continue to prevail and may have a detrimental impact on the wider cost of the Scheme.

4.0 **OTHER OPTIONS CONSIDERED**

- 4.1 Not relevant for this report

5.0 **CONSULTATION**

- 5.1 Not relevant for this report

6.0 **OUTSTANDING PREVIOUSLY APPROVED ACTIONS**

- 6.1 None associated with the subject matter.

7.0 **IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 7.1 There are none arising from this report

8.0 **RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

- 8.1 Since 1996, the cost of the Local Government Pension Scheme to employers and taxpayers has increased from £1.3 billion to £5.9 billion in 2010/11. The proposals in this consultation on Scheme Governance and Cost Management are a key element of the Government's reform agenda and will ensure that those who meet the Scheme's costs are fully protected against the rising costs associated with improving longevity.

- 8.2 Any cost associated with the national Scheme Advisory Board will be treated as an administration cost and charged direct to the Fund.

9.0 **LEGAL IMPLICATIONS**

- 9.1 There are none arising from this report

10.0 **EQUALITIES IMPLICATIONS**

- Has the potential impact of your proposal(s) been reviewed with regard to equality?
- No, because Department of Communities and Local Government undertake equality impact assessments with regard to the statutory reform of the LGPS.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report

13.0 RECOMMENDATIONS

That members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 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

APPENDICES

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date
The LGPS update is a standing item on the Pensions Committee agenda.	

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

This page is intentionally left blank

WIRRAL COUNCIL

PENSION COMMITTEE

17 NOVEMBER 2014

SUBJECT:	CREATION OF NEW PENSION BOARD
WARD/S AFFECTED:	ALL
REPORT OF:	STRATEGIC DIRECTOR OF TRANSFORMATION AND RESOURCES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides an update on the requirement placed upon the Administering Authority to establish a local Pension Board. The Pension Board must be established in accordance with the Public Service Pensions Act 2013 and the national statutory governance framework delivered through the LGPS Regulations and guidance issued by the Scheme Advisory Board.
- 1.2 The draft LGPS Regulations provide a flexible approach for the creation of Pension Boards, this is mirrored within the draft Statutory guidance. The objective of the guidance is to provide administering authorities with the means to establish a local Pension Board that delivers improved accountability without restricting the flexibility of the regulations.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The recommendations made by Lord Hutton with regard to the governance and administration of Public Service Pension Schemes were accepted by the Government and were carried forward into the Public Service Pensions Act 2013 (PSPA13). The key recommendation to impact on the management of the disparate locally managed Local Government Pension Scheme was the requirement for:

“A properly constituted trained and competent pension board with member nominees, responsible for meeting good standards of governance including effective and efficient administration.”

- 2.2 During the last year, Members have been regularly apprised of the requirements of the Public Service Pensions Act 2013 (the Act), in particular the need to introduce a local Pension Board to assist the Scheme Manger (Wirral Council) in ensuring compliance with legislation and the Pensions Regulator’s requirements.
- 2.3 The Act requires that:

- The members of the Pension Board must not have a conflict of interest (though being a member of the LGPS is specifically mentioned as not being treated as a conflict in this circumstance)
- The Pension Board must have equal numbers of employer and member representatives
- Each Pension Board member to have an appropriate level of knowledge and understanding in relation to the Scheme, local policy and overall pension legislation to properly exercise their function as a Pension Board member.

2.4 The primary objective of the Pension Board is 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.

2.5 **PENSION BOARD REQUIREMENTS**

The LGPS legislation as drafted:

- Will require each administering authority to put a Pension Board in place in addition to any existing Pension Committee as the default position
- Will prevent members of the existing Pension Committee or officers of the administering involved in discharging the function of the LGPS from also being on the Pension Board to ensure independent oversight
- Will require the terms of reference and all appointments to the Pension Board to be agreed by the Administering Authority.

2.6 It is important to note that local authority legislation will not apply to the Pension Board as it will be constituted under the Public Service Pension Act and the LGPS Regulations will include the appropriate powers and limitations.

2.7 **STATUTORY GUIDANCE**

The Scheme Advisory Board have produced draft guidance that complements the regulations; outlining best practice for the creation and operation of the Pension Board. The guidance can be accessed from the following link:

<http://www.lgpsboard.org/index.php/about-the-board/board-consultations>

2.8 The guidance primarily focuses on providing information and in many cases options, rather than being prescriptive.

The guidance provides useful information such as:

- A list of key elements that should be considered as part of a Terms of Reference (5.33)
- Clarity that 'other' members may still be part of a Pension Board even though they are not explicitly mentioned in the latest draft regulations (5.7)
- Examples of 'conflicts of interest' that might apply to Pension Board members (7.18) demonstrating that any potential conflicts will, on the whole, be able to be managed
- Consideration of data protection and freedom of information requirements (8.15 and 8.20)
- Details of when breaches of law should be reported to the Pensions Regulator (8.22).
- Highlights the legal requirements relating to 'knowledge and understanding' as set out by the Pensions Regulator. It also suggests how this might practically apply to Pension Boards. (Section 6)

2.9 Although the implementation and creation of the new Pension Boards will be very challenging the ongoing requirement in relation to 'knowledge and understanding' for Pension Board members will necessitate a longer term focus and present the greater challenge.

3.0 **CREATION OF THE WIRRAL PENSION BOARD**

The key stages to implementing the Pension Board will include:

- Considering options for the structure of the pension board. The board should be representative of the significant range of employers/members in the fund.
- Developing the terms of reference and appropriate internal reporting channels to the Administering Authority. In addition, to ensure the effective governance of the Fund, a mechanism of escalation will be required to external bodies in circumstances of a fundamental failure of the Administering Authority to ensure the effective governance of the fund.
- Determine the means of communication to invite nominations for seats on the Pension Board and then the subsequent selection and appointment process. All employers and members within a fund must have equal opportunity to be nominated for the role of employer or member representative through an open and transparent process.

- Determine a Training programme to provide for the acquisition and retention of knowledge and understanding for its members.
- Develop the content and format of reporting packs.

3.1 The Pension Board must be established no later than 1 April 2015. There is a consensus view informed by LGA that the Administering Authority must have approved the composition and terms of reference of the local Pension Board, but it does not necessarily mean that it has to be fully operational by this date.

However, it is anticipated that the Pension Board should be operational within a reasonably practicable period after 1 April 2015 (being no more than 4 months later than that date).

4.0 **RELEVANT RISKS**

There remains a risk of the Administering Authority not being compliant with legislation on 1 April 2015 if the Pension Board has not been implemented due to the limited available resource, the required concentration of effort by Fund Officers and Legal services within the challenging timescale.

5.0 **OTHER OPTIONS CONSIDERED**

Not relevant for this report

6.0 **CONSULTATION**

Not relevant for this report

7.0 **OUTSTANDING PREVIOUSLY APPROVED ACTIONS**

None associated with the subject matter.

8.0 **IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

There are none arising from this report

9.0 **RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

Any cost associated with the Pension Board will be treated as an administration cost and charged direct to the Fund with the cost likely to be met through the employer contribution rate.

10.0 **LEGAL IMPLICATIONS**

The establishment of the local Pension Board may require the approval of full Council and an amendment of the Council's constitution.

11.0 EQUALITIES IMPLICATIONS

- Has the potential impact of your proposal(s) been reviewed with regard to equality?
- No, because Department of Communities and Local Government undertake equality impact assessments with regard to the statutory reform of the LGPS.

12.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

There are none arising from this report

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

There are none arising from this report

14.0 RECOMMENDATION/S

To note the contents of the report and in particular the requirements for the Council to establish a Pension Board by 1 April 2015.

That Members authorise fund officers to work with the Administering Authority to develop arrangements for the establishment of a Pensions Board which ensure the requirements in the guidance issued by the Secretary of State are fulfilled. Details of those arrangements will be reported to a future meeting of this Committee.

15.0 REASON/S FOR RECOMMENDATION/S

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

BACKGROUND PAPERS/REFERENCE MATERIAL

Local Government Pension Scheme Draft Guidance on the creation and operation of Local Pension Boards in England and Wales.

BRIEFING NOTES HISTORY

Briefing Note	Date
LGPS Update – Covered DCLG’s Previous	16 September 2013

Discussion Paper on Scheme Governance	
DCLG Consultation on Draft Scheme Governance Regulations	15 September 214

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

WIRRAL COUNCIL

PENSIONS COMMITTEE

17 NOVEMBER 2014

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

1.0 EXECUTIVE SUMMARY

- 1.1 This report sets out proposed changes to authorised signatories at Merseyside Pension Fund (MPF) following the completion of the appointment of the Investment Manager, Alternatives.
- 1.2 This report describes the different requirements for various institutions and functions, including the banks, custodian, and overseas pensions payment agent, as well as the granting of power of attorney where appropriate.
- 1.3 This report also forms a part of the Fund's scheme of delegation and sets out the management and authorisation arrangements for the avoidance of doubt by organisations undertaking due diligence on MPF as an investee company or as a financial services provider, or for purposes of overseas jurisdiction.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The current approved signatories are:

Strategic Director Transformation & Resources
Director of Resources
Head of Financial Services
Head of Business Processes
Principal Pensions Officer
Operations Manager
Group Accountant
Member Services Manager
Member Services Manager

Joe Blott
Vivienne Quayle
Thomas W. Sault
Malcolm J. Flanagan
Yvonne M. Caddock
Guy W. Hayton
Donna Smith
Margaret M. Rourke
Susan J. Roberts

- 2.2 These responsibilities will include powers to open, close and amend bank accounts; authorise instructions for payment of benefits and for investment transactions; sign manual cheques and countersign cheques over £10,000 in respect of accounts with the Fund's bankers (Lloyds Banking Group), with the Global Custodian (Northern Trust), and with other financial institutions

including those detailed in the Fund's Treasury Management Strategy. The officers will also be authorised to sign investment documentation.

- 2.3 For reasons of internal control, the following officers are empowered to authorise investment decisions and relevant investment documentation, but without powers to authorise the transfer of monies through the electronic banking/Custodian system:

Head of Pension Fund	Peter J. Wallach
Senior Investment Manager	Leyland K. Otter
Investment Manager	Linda Desforges

The named officer for Investment Manager has changed with the new appointment into this post.

- 2.4 Other officers can make investment decisions up to their limits as specified in the Compliance Manual approved by Pensions Committee, 24 March 2014.
- 2.5 Authorisation of the monthly pension payroll is undertaken by approved authorised signatories based at MPF.
- 2.6 For the avoidance of doubt, the Strategic Director Transformation and Resources can designate officers of MPF to exercise powers of attorney on behalf of MPF and Wirral Council. Any two of the following officers of MPF may exercise powers of attorney on behalf of MPF and Wirral Council:

Head of Pension Fund	Peter J. Wallach
Senior Investment Manager	Leyland K. Otter
Investment Manager	Linda Desforges
Principal Pensions Officer	Yvonne M. Caddock
Group Accountant	Donna Smith

The named officer for Investment Manager has changed with the new appointment into this post and the Group Accountant has been added to this list.

3.0 RELEVANT RISKS

- 3.1 It is essential that the Fund maintains strong internal controls and that arrangements which designate those individuals who may authorise transactions are clearly documented. Without the appropriate number of authorising officers, there is a risk of delayed transactions and settlement of trades. This could manifest itself both as financial risk, as there could be a cost due to delayed transactions and settlements, and as a reputational risk to MPF in financial markets.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members approve the arrangements set out in section 2 of this report in relation to the internal control arrangements at Merseyside Pension Fund.

13.2 That Members approve the officers designated in section 2 of this report as authorised signatories for Merseyside Pensions Fund.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Following a recruitment exercise at Merseyside Pension Fund it is necessary to update the list of authorised signatories.

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

APPENDICES

None

BACKGROUND PAPERS/REFERENCE MATERIAL

None

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	19 November 2013
Cabinet	18 October 2012
Cabinet	15 March 2012
Pensions Committee	19 September 2011
Pensions Committee	27 June 2011
Pensions Committee	29 March 2011
Cabinet	17 March 2011

WIRRAL COUNCIL

PENSIONS COMMITTEE

17 NOVEMBER 2014

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

1.0 EXECUTIVE SUMMARY

1.1 This report requests nominations for members to attend the Local Government Chronicle (LGC) Investment Conference, to be held in Chester from 26 to 27 February 2015.

2.0 BACKGROUND AND KEY ISSUES

2.1 The conference is themed “Comply or explain, govern or be governed” and addresses new governance requirements and the proposals to fundamentally change the way in which LGPS funds invest. The seminar is intended to provide an opportunity to hear the latest developments and find out how other funds are reacting.

The programme is currently being finalised but some of the highlights include:

- **Will the governance arrangements work in practice?**
Hear from elected members on how the new arrangements are being implemented, the benefits and potential problems, with the opportunity to question the regulators.
- **Shared services - the pros and cons**
Find out how shared services work in practice and what other options are available.
- **Asset allocation strategy in a changing and challenging environment**
A review of the new investment structures and their impact on investment strategy.
- **Moving forward on LGPS oversight**
With new governance arrangements coming into fruition, we hear about the Scheme Advisory Board’s plans

2.2 An agenda for the conference has not been published and will be circulated when available.

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 N/A

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 A free place is available as MPF was represented at the LGC Investment Summit. Additional places plus a night's accommodation will be around £425 per delegate plus VAT (excluding travel), which can be met from the existing Pension Fund budget.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That attendance at the conference by Members be approved.

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

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Attendance at this conference is a part of the development programme approved by Members in January 2014.

REPORT AUTHOR: *PETER WALLACH*
HEAD OF PENSION FUND

telephone: (0151) 242 1309
email: peterwallach@wirral.gov.uk

APPENDICES

None

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	November 2013
Pensions Committee	November 2012
Pensions Committee	November 2011

WIRRAL COUNCIL

PENSIONS COMMITTEE

17 NOVEMBER 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 Parties (IMWP) held on 11 September and 9 October 2014.

1.2 The appendices to the report, the minutes of the IMWP's on 11 September and 9 October 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 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 N/A

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are no implications arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION IMPLICATIONS

11.1 There are none arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members approve the minutes of the IMWP's which are attached as appendices to this report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 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, 11 September 2014

In attendance:

(Chair) Councillor Paul Doughty (WBC)	Peter Wallach (Head of MPF)
Councillor Geoffrey Watt (WBC)	Leyland Otter (Investment Manager)
Councillor Cherry Povall (WBC)	Owen Thorne (Investment Officer)
Councillor Ann McLachlan (WBC)	Greg Campbell (Investment Manager)
Councillor Norman Keats (KMBC)	Noel Mills (Independent Advisor)
Paul Wiggins (Unison)	Rohan Worrall (Independent Advisor)
Louis Hill (Aon Hewitt)	Patrick McCarthy
Adil Manzoor (Tax Accountant)	Emma Jones (PA to Head of Pension Fund)

Apologies were received from:

Councillor George Davies (WBC)	Councillor Treena Johnson (WBC)
Councillor Harry Smith (WBC)	Councillor Chris Carubia (WBC)
Councillor Mike Hornby (WBC)	Phil Goodwin (Unison)
Councillor Adrian Jones (WBC)	Joe Blott (Strategic Director Transformation and Resources)

Declarations of interest

Councillor Paul Doughty, Councillor Geoffrey Watt (GW), Councillor George and Councillor Norman Keats declared an interest in Merseyside Pension Fund.

APPENDIX 2

Minutes of Investment Monitoring Working Party, 9 October 2014

In attendance:

(Chair) Councillor Paul Doughty (WBC)	Peter Wallach (Head of MPF)
Councillor Geoffrey Watt (WBC)	Linda Desforges (Investment Manager)
Councillor Adrian Jones (WBC)	Owen Thorne (Investment Officer)
Councillor Mike Hornby (WBC)	Greg Campbell (Investment Manager)
Patrick McCarthy (Co-optee)	Noel Mills (Independent Advisor)
Paul Wiggins (Unison)	Rohan Worrall (Independent Advisor)
Louis Hill (Aon Hewitt)	Emily McGuire (Aon Hewitt)
Adil Manzoor (Tax Accountant)	Adam Williamson (Investment Assistant)
	Emma Jones (PA to Head of Pension Fund)

Apologies were received from:

Councillor Cherry Povall (WBC)	Councillor Ann McLachlan (WBC)
Councillor George Davies (WBC)	Councillor Treena Johnson (WBC)
Councillor Harry Smith (WBC)	Councillor Chris Carubia (WBC)
Phil Goodwin (Unison)	Joe Blott (Strategic Director Transformation and Resources)
Leyland Otter (Investment Manager)	

Declarations of Interest

Councillor Paul Doughty and Councillor Geoffrey Watt 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