

PENSIONS COMMITTEE

Monday, 16 November 2015

Present:

Councillor	P Doughty (Chair)	
Councillors	AR McLachlan	G Watt
	G Davies	C Povall
	T Johnson	P Cleary
	A Sykes (deputy for Cllr K Hodson)	

Apologies

Councillors	AER Jones	
	B Kenny	
	J Fulham (St Helens Council)	
	K Hodson	
	W Weightman (Knowsley Council)	
	P Lappin (Sefton Council)	

36 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 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.

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

37 MINUTES

Resolved – That the accuracy of the Minutes of the Pensions Committee held on 14 September, 2015 and 28 September, 2015 be approved as a correct record.

38 LGPS UPDATE

A report of the Strategic Director Transformation and Resources informed Members of the challenges faced by the Administration Section in issuing the 2014/15 Scheme year's Annual Benefit Statements to all active members, in compliance with statutory time limits, as prescribed under section 14 of the Public Service Pension Act 2013 and the Local Government Pension Scheme Regulations 2013.

It also raised awareness of the Government's response to the proposal to cap the cost of Public Sector Exit Payments at £95,000 and the September annual inflation figure as measured by the Consumer Price Index.

It was reported that Regulation 89 of the LGPS Regulations 2013 required administering authorities to issue an Annual Benefit Statement to all active, deferred and pension credit members by 31 August, following the end of the Scheme year

Members commented that given that the deadline to issue the statements had been brought forward under LGPS 2014 from 5 October to 31 August the Committee recognised and thanked the efforts of officers and IT staff.

Resolved – That the report be noted.

39 THE PENSIONS REGULATOR BREACHES POLICY

A report of the Strategic Director Transformation and Resources provided Members with an overview of the enhanced role of the Pensions Regulator and the requirement to report breaches of pension law as defined within section 13 (7) and 70 (2) a of the Pension Act 2004 to the Pension Regulator.

In April 2015, the Regulator had published its Code of Practice Number 14 (the Code) on the governance and administration of public service pension schemes to assist schemes with their administration and governance responsibilities and to establish a procedure in assessing breaches of material significance to the regulator.

Merseyside Pension Fund's proposed Breaches Policy and operational procedure for identifying breaches under both the jurisdiction of the Pension Regulator, and any non-compliance under the Local Government Pension Regulations, was attached as an appendix to the report. A decision tree based on the traffic light system of Red, Amber and Green was included within the policy to assess whether the breach was materially significant and the process for reporting the breach to the Regulator.

It was reported that under the Pension Act 2004, Wirral Council as administering authority of Merseyside Pension Fund, were under a legal obligation to consider making a report to the Regulator, if they become aware that there had been a breach of the legal requirements, relating to the administration and management of Merseyside Pension Fund. Failure to report a breach when required to do so was a civil offence which could result in a fine on the persons who failed to report.

The Chair commented that this item would be a regular item on future agendas. Yvonne Caddock, Principal Pension Officer, confirmed that there would be reports on any non-compliance and what correction had been taken.

Resolved – That

- 1. the breaches policy be noted and adopted.**
- 2. the appointment of the responsible officer be noted and approved.**

3. **that an EDN process be adopted to obtain agreement from Board Members when a breach should or should not be reported to the Regulator be noted and approved.**

40 **POOLING CONSULTATION**

Members considered a report of the Strategic Director Transformation and Resources that provided an update on the Fund's actions in response to the government's proposals for pooling of LGPS investments.

The report also sought Members' approval for officers to continue to develop proposals for pooling in consultation with the Chair.

It was reported that in the Chancellors Budget on 8 July 2015, the Budget Report (Red Book) contained a section announcing potentially far reaching changes to the degree and flexibility that would be given to Local Government Pension Funds (LGPF) in the future regarding local decision making and control in the management and allocation of LGPS pension fund investment assets. The statement had followed:

"Local Government Pension Scheme pooled investments: the government will work with Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs, while maintaining overall investment performance. The government will invite local authorities to come forward with their own proposals to meet common criteria for delivering savings. A consultation to be published later this year will set out those detailed criteria as well as backstop legislation which will ensure that those administering authorities that do not come forward with sufficiently ambitious proposals are required to pool investments."

Members were informed that on 5 October 2015, in his speech at the party conference, the Chancellor had referred to the pooling of LGPS assets the intent of which had subsequently confirmed by DCLG in their letter of 7 October 2015 "the Chancellor announced that we are going to work with administering authorities to bring together investments into up to six pools spread across the country, creating conditions to save hundreds of millions in costs and invest billions in infrastructure in the regions". The letter had continued "The Government remains keen to see authorities take the lead in identifying the best way to deliver savings and drive infrastructure investment and, as announced at the Budget, we will shortly be inviting administering authorities to bring forward proposals to deliver pooled investments that meet published criteria".

It was further reported that to date, actions had included officer attendance at events, and conference calls with the Local Government Association (LGA), Department of Communities and Local Government (DCLG), Scheme Advisory Board (SAB), and many other LGPS funds. The consultation paper, which would be published imminently, would provide a lot more detail and guidance than is present at the moment.

The November consultation paper would cover legislative changes circulated in draft to give the Secretary of State increased powers; proposed changes in the investment regulations; acceptable criteria for pooling; and back stop measures for recalcitrant schemes.

It was noted that the government's proposals were intended to deliver substantial savings from the investment manager fee base within the 89 funds of the LGPS. It was expected that the work being co-ordinated by Hymans Robertson would provide credible data which would inform the costs of the various options and potential savings.

The Chair noted the challenges of the timescales involved and on behalf of the Committee thanked Peter Wallach, Head of the Pension Fund, for the preparatory work being undertaken.

Resolved – That;

- 1. the report be noted and officers be authorised to continue developing pooling options.**
- 2. future papers for the Committee provide further information on likely costs/benefits and any material costs incurred in working up proposals and it be noted that any final decision will be subject to Committee approval.**

41 INTERNAL DISPUTE RESOLUTION PROCEDURE

The Pensions Committee considered a report of the Local Government Pension Scheme (LGPS) which had a statutory complaints procedure for dissatisfied members; the Internal Dispute Resolution Procedure (IDRP).

The report sought approval to amend the panel of Appointed Persons who could consider appeals at stage 1 and stage 2 of the IDRP process in respect of MPF.

Resolved – That the proposed changes to the panel of authorised officers to consider appeals under the Internal Dispute Resolution Procedure be agreed.

42 GOVERNANCE POLICY

A report of the Strategic Director Transformation and Resources informed Members of a number of amendments required to the Fund's Governance Policy that reflected changes to the national governance arrangements of the Local Government Pension Scheme. It also documented a change of the responsible officer from the Director of Finance to the Head of Pension Fund within the scheme of delegation pursuant to Section 101 of the Local Government Act 1972.

It was noted that provision of the Pensions Administration service by the Council in its role as Administering Authority of the Merseyside Pension Fund under Regulation 2 and Schedule 3 of the LGPS Regulations 2013 was a statutory duty.

A copy of the Governance Report was attached as an appendix to the report.

Resolved – That the updated Governance Policy attached at Appendix 1 to the report be approved.

43 RESPONSIBLE INVESTMENT AND CLIMATE RISK

Further to Pensions Committee, 28 September, 2015, (Minute 35 refers) the Pensions Committee had discussed concerns relating to the risks to the investments of Merseyside Pension Fund presented by climate change. In particular, such risks as they related to the Fund's fossil fuel-related investments. Members had noted the Fund's activities in this area, carried out in accordance with its commitment to Responsible Investment, and requested a further update on the issues. A report of the Strategic Director Transformation and Resources outlined that Climate change had significant investment implications, which Merseyside Pension Fund addressed through its responsible investment strategy. Members were asked to reaffirm the commitment to responsible investment and to approve further investigation of alternative investment approaches to climate risk mitigation and adaptation. The Local Authority Pension Fund Forum (LAPFF), 'Pension Fund Investments in Fossil Fuels', 2015 and the Institutional Investors Group on Climate Change (IIGCC), 'Global Investor Statement on Climate Change', September 2014 were attached as appendices to the report.

Peter Wallach, Head of the Pension Fund, responded to Members questions and indicated that a further report would be brought to the Pensions Committee meeting in March 2016.

Resolved – That;

- 1. the commitment to responsible investment be reaffirmed and further investigation of alternative investment approaches to climate risk mitigation and adaptation be approved.**
- 2. a further report providing more information on the implications of alternative investment approaches to climate risk mitigation and adaptation be brought to the Pensions Committee in March 2016.**

44 PROPERTY: APPOINTMENT OF STRATEGIC ADVISOR

Members of the Pensions Committee considered a report of the Strategic Director Transformation and Resources that recommended the appointment of CBRE Capital Advisor Ltd (CBRE) in respect of the mandate as Strategic Property Advisor to Merseyside Pension Fund. The mandate was for an initial term of four years with the option of a further three, two year extensions.

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 any particular person (including the authority holding that information).

Resolved – That the appointment of CBRE in respect of Strategic Advisor for a period of four years with the option to extend for a further six years, subject to satisfactory biennial reviews be approved.

45 MONITORING - TRAINING, GIFTS & HOSPITALITY RETURNS

A report of the Strategic Director provided Members with a summary of monitoring/training events attended by officers of the Fund and details of gifts and hospitality received over the past 12 months.

In November 2012, the Committee had approved new guidance in relation to the declaration of gifts and hospitality received by officers and those members of Committee that were not otherwise subject to personal conduct arrangements.

The guidance was reflected by Wirral in its overall governance arrangements and was set out in the Fund's Compliance Manual last approved March 2014, reflecting the practicalities of the Pension Fund's business needs.

Appendix 1 of the report provided a schedule of declarations from October 2014 to September 2015 and Appendix 2 of the report provided a schedule of CPD/Training for the same period.

Resolved – That the report be noted.

46 **AUTHORISED SIGNATORIES**

Members of the Pensions Committee considered a report that set out proposed changes to authorised signatories at Merseyside Pension Fund (MPF) following the retirement of the Head of Business Processes.

The report described 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.

The report also formed a part of the Fund's scheme of delegation and set 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.

Resolved – That;

- 1. the arrangements set out in section 2 of the report in relation to the internal control arrangements at Merseyside Pension Fund be approved.**
- 2. the officers designated in section 2 of the report be approved as authorised signatories for Merseyside Pensions Fund.**

47 **IMWP MINUTES**

A report of the Strategic Director provided Members with the minutes of the Investment Monitoring Working Party (IMWP) held on 17 September 2015 and 8 October 2015.

The appendices to the report, the minutes of the IMWP on 17 September 2015 and 8 October 2015, 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 Investment Monitoring Working Party (IMWP) held on 17 September 2015 and 8 October 2015 be approved.

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

Resolved – That in accordance with section 100 (A) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business, on the grounds that it involved the likely disclosure of exempt information as defined by relevant paragraphs of Part 1 of Schedule 12A (as amended) to that Act. The public interest test had been applied and favoured exclusion.

49 **PROPERTY : APPOINTMENT OF STRATEGIC ADVISOR**

The appendix to the report on Property: Appointment of Strategic Advisor was exempt by virtue of paragraph 3.

50 **IMWP MINUTES EXEMPT APPENDICES**

The appendices to the report on IMWP Minutes were exempt by virtue of paragraph 3.