

PENSIONS COMMITTEE

Monday, 25 January 2016

<u>Present:</u>	Councillor	P Doughty (Chair)	
	Councillors	AR McLachlan G Davies T Johnson AER Jones B Kenny	G Watt K Hodson C Povall P Cleary
		N Crofts, Liverpool City Council J Fulham, St Helens Council	
		B Ellis, (Unison)	
<u>Apologies</u>	Councillors	W Weightman (Knowsley Council) P Lappin (Sefton Council)	
		P Cleary(Unison)	

51 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked if they had any pecuniary or non-pecuniary interests in connections 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 Nick Crofts declared a pecuniary interest by virtue of 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 John Fulham declared a pecuniary interest by virtue of being a member of the Merseyside Pension Fund.

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

52 MINUTES

Resolved – That the accuracy of the Minutes of the Pensions Committee held on 16 November, 2016 be approved as a correct record.

53 LGPS UPDATE

A report of the Strategic Director Transformation and Resources raised awareness of the measures directly affecting pensions announced in the Chancellor's Autumn Statement of 25 November 2015 and the new 'Contracted-Out Pension Equivalent' amount to be included within State Pension Statements.

It also provided a position statement on a number of statutory instruments and the preparatory discussions taking place with the Merseyside Directors of Finance in respect of the 2016 Triennial Valuation.

Resolved – That the report be noted.

54 **POOLING CONSULTATION**

Members considered a report of the Strategic Director Transformation and Resources that provided Members with details of the criteria by which the Government would assess proposals by administering authorities of the Local Government Pension Scheme to pool investments to deliver significantly reduced costs while maintaining overall investment performance.

The report also sought Members' approval for officers to continue to develop proposals for pooling in consultation with the Chair and for an initial response to be issued by 19 February 2016.

A report to November's Pensions Committee (minute 40 refers) had set out the background to the Government's proposals for pooling of LGPS investments to create up to six British Wealth Funds, each with at least £25bn of assets.

On 25 November 2015, the consultation documents had been issued to coincide with the Chancellor's Comprehensive Spending Review statement. The report outlined the four principal criteria that set out how administering authorities could deliver against the government's expectations of pooling assets.

Resolved – That;

- 1) **the report be noted and officers be authorised to continue developing pooling options. The Committee further noted that future papers for the Committee would provide information on the likely costs/benefits and any material costs incurred in working up proposals. Any final decision would subject to Committee approval.**
- 2) **the Committee agree that Officers prepare and submit a response to the consultation due on 19 February 2016 with the approval of the Chair of the Committee.**

55 **PENSION FUND BUDGET**

A report of the Strategic Director requested that Members approve the budget for the financial year 2016/17.

The budget for 2016/17 was attached as appendix 1 to the report.

It was reported that the headline figures were that during the financial year 2016/17, it was estimated that MPF will pay £272m in pensions and receive £196m in

contributions from employers and employees. The Fund had a value of £6.5bn at 30 September 2015. The proposed administration costs of £19.1m including £12.6m of investment management charges to external managers represented a cost of £148.59 per member of the scheme. Taken separately the external investment management costs were approximately £98.33 per member.

The estimated contributions for 2016/17 were again lower than reported in previous years due to a number of employers of the Fund opting to pay their 3 year deficit calculated by the actuary as part of the 31 March 2013 triennial valuation as a one off payment. This had resulted in the Fund receiving additional contributions of £165m during 2014/15, with the subsequent 2 years contributions being lower to account for the upfront payments.

Resolved – That;

- 1) the budget for 2016/17. (Subject to review of charges from the administering authority for support services and changes in recharges for pension deficit recovery) be approved.**
- 2) a further report on the outturn for 2015/16 with finalised estimates in particular for salary overheads and departmental & central support charges for 2016/17 be presented to Pensions Committee Members in June.**

56 MEMBER DEVELOPMENT PROGRAMME 2016

A report of the Strategic Director Transformation and Resources provided Members with an outline of the proposed programme for member development in 2016.

It was a regulatory requirement for LGPS funds to outline in their Statement of Investment Principles the extent of their compliance with the 2008 Myners Principles and associated guidance. Myners emphasises the importance, for effective governance of pension funds, of adequate training for those acting in a trustee-like role.

The outline training programme was attached as an appendix to the report and comprised of a series of internal and external training events throughout the year.

Resolved –That the proposed training and development plan for 2016 be noted and approved.

57 LGPS INVESTMENT REGULATIONS

Members considered a report of the Strategic Director Transformation and Resources provided Members with details of a consultation on proposals to revoke and replace the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and sought approval for the response attached to the consultation. It was noted that responses were required by 19 February 2016.

It was reported that the proposals in the consultation were the culmination of work looking into Local Government Pension Scheme investments that began in early

2013. It had been developed in response to the May 2014 consultation, Opportunities for collaboration, cost savings and efficiencies.

The consultation on the Investment Regulations was being undertaken in parallel with the consultation on pooling of LGPS assets.

It was noted that 2.11 of the report should read 'Having considered fully the recommendation made by the Kay Review and supported by both the Law Commission and the Government, Ministers are satisfied that the Scheme is consistent with the national legislative framework governing the duties placed on those responsible for making investment decisions. The position at common law was also indistinguishable from that produced by the 2005 regulations applicable in respect of trust based schemes.'

Resolved – That with, the approval of the Chair, a response to the consultation be made by officers.

58 **PROPERTY MANAGEMENT CONTRACT**

A report of the Strategic Director Transformation and Resources recommended the appointment of CBRE Ltd made under delegation in respect of the mandate as Property Manager (Operational) 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 Ltd made under delegation in respect of Property Manager (Operational) for a period of four years with the option to extend for a further six years, subject to satisfactory biennial reviews, be noted.

59 **TREASURY MANAGEMENT STRATEGY**

Members considered a report of the Strategic Director Transformation and Resources that requested that Members approve the treasury management policy statement and the treasury management practices and annual plan for Merseyside Pension Fund (MPF) for the year 2016/17.

It was noted that the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services required Pensions Committee to receive an annual report on the strategy and plan to be pursued in the coming year. The plan and strategy had last been approved by the Pensions Committee on 19 January 2015.

It was reported that the Fund's cash flows for dealings with members had moved negative with outflows to pensioners more than income from contributions. In an environment where a significant proportion of investment income was directly re-invested, the levels of liquid resources held needed to be adequate and daily cashflows and regular reporting was essential.

The policy statement was attached as Appendix 1 to the report. It was noted that there were no changes to the policy followed for 2015/16.

Members were reminded that the approval of the treasury management policy statement and the treasury management annual plan and strategy for Merseyside Pension Fund by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund. These arrangements had been approved by Pensions Committee as part of the Statement of Investment Principles on 19 November 2013.

Resolved – That the treasury management policy statement and the treasury management annual plan and strategy for Merseyside Pension Fund for the financial year 2016/17 be approved.

60 **LGC INVESTMENT CONFERENCE**

A report of the Strategic Director Transformation and Resources requested nominations for members to attend the Local Government Chronicle (LGC) Investment Conference, to be held in Chester from 3 to 4 March 2016.

The conference was themed “2016: be prepared for the year of change” and would address topical issues such as the government’s efficiency challenge, the next actuarial valuation, governance & accountability as well as involving a number of investment workshops. The draft agenda was attached at appendix 1 to the report.

Members from Wirral commented that this date would clash with that of Budget Council.

Resolved – That;

1. attendance at the 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.

61 **ELECTED MEMBER EDUCATIONAL EVENT**

A report of the Strategic Director Transformation and Resources recommended that the Committee considered attendance by Members at the 330 Consulting Elected Member Educational Event (EMEE) in the Palace of Westminster in London on Wednesday 17 February 2016.

Members were informed that the event was designed for those members of Pensions Committees who were relatively new to their roles, but it was also open to other, more experienced, Committee members who would like a refresher on some key investment concepts and issues.

That Committee were asked to consider if it wished to send a delegation to attend this event and, if so, to determine the number and allocation of places.

Attendance at this conference was a part of the development programme approved by Members in January 2016 and would assist Members in fulfilling the Committee's Knowledge and Skills objectives as set out by CIPFA.

Resolved – That members of the Pensions Committee wishing to attend this event contact the Head of the Pensions Fund.

62 LOCAL INVESTMENT

Members considered a report of the Strategic Director of Transformation and Resources that informed Members of arrangements in place at MPF in respect of local investment and sought approval for the approach proposed by officers.

Members were advised that the fund believes there was scope for further investment in the region particularly if undertaken in conjunction with other partners and investors (including other LGPS funds) and had taken steps to ensure that the necessary external advice and resource was available to it.

The report also noted that Regional investments brought greater potential for conflicts of interest that must be managed appropriately through suitable governance arrangements. Members were informed that it was important that all the Fund's investments were subject to rigorous assessment and suitably diversified.

Resolved – That the report be noted and the intention to undertake regional investments consistent with the Fund's investment criteria be approved.

63 IMWP MINUTES 10/12/15

A report of the Strategic Director Transformation and Resources provided Members with the minutes of the Investment Monitoring Working Party held on 10th December 2015.

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

Resolved – That the Minutes of the IMWP meeting which were attached as an exempt appendix to this report be approved.

64 PROPERTY ARREARS

A report of the Strategic Director Transformation requested that Members agree to the write off of £165,930.31 of unrecoverable rent arrears from the Fund's property portfolio.

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

Resolved – That

1. the write-off of uncollectable property rental income of £165,930.31 as detailed in the exempt appendix be approved.
2. that CBRE attend a future Investment Monitoring Working Party to provide an explanation of their policy and procedures for the collection of rental income from the Fund and the management of rental arrears.

65 **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.

66 **IMWP EXEMPT MINUTES 10/12/15**

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

67 **PROPERTY ARREARS EXEMPT APPENDIX**

The appendices to the report on Property Portfolio Rent Arrears and Write Arrears and Write Offs were exempt by virtue of paragraph 3.

68 **MERSEYSIDE PENSION FUND - HEAD OF SERVICE PAY AND GRADING EXEMPT REPORT AND APPENDICES**

The Strategic Director Transformation and Resources outlined the forthcoming changes and challenges in relation to the post referred to in the exempt report and appendices.

In accordance with paragraphs 1 and 10 of Schedule 12A to the Local Government Act 1972 this report contained exempt information as it related to an individual and the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Officers from Merseyside Pension Fund left the room during discussion of this item.

Resolved – That;

1. with immediate effect the re-grading of the post referred to in the exempt report be approved to ensure that the level of remuneration reflects the size and scope of the role in line with market rates.
2. a full restructure review be undertaken within the next 6 months.