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WIRRAL

Pensions Committee

Date:	**Monday, 21 March 2016**
Time:	**6.00 pm**
Venue:	Committee Room 1 - Wallasey Town Hall

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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 - 8)

To approve the accuracy of the minutes of the meeting held on 25 January, 2016.

3. AUDIT PLAN 2015/16 (Pages 9 - 24)

4. LGPS UPDATE (Pages 25 - 32)

5. POOLING CONSULTATION (Pages 33 - 68)

6. PROPERTY VALUER CONTRACT (Pages 69 - 72)

7. CARBON RISK

Report to follow.

8. TUNSGATE QUARTER UPDATE (Pages 73 - 76)

9. LGPS TRUSTEES CONFERENCE (Pages 77 - 80)

10. PLSA LOCAL AUTHORITY CONFERENCE (Pages 81 - 92)

11. PENSION BOARD MINUTES 14/07/15 & 13/10/15 (Pages 93 - 108)

12. IMWP MINUTES 10/03/16

Minutes to follow.

13. GRWP MINUTES 28/01/16 (Pages 109 - 112)

14. 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.

15. POOLING CONSULTATION (Pages 113 - 152)

16. PROPERTY VALUER CONTRACT (Pages 153 - 154)

17. TUNSGATE QUARTER UPDATE (Pages 155 - 160)

18. IMWP MINUTES 10/03/16

EXEMPT Minutes to follow.

19. GRWP MINUTES 28/01/16 (Pages 161 - 166)

20. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR

PENSIONS COMMITTEE

Monday, 25 January 2016

Present:	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)	
Apologies	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 will 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.**

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The Audit Plan
for Merseyside Pension Fund

Year ending 31 March 2016

March 2016

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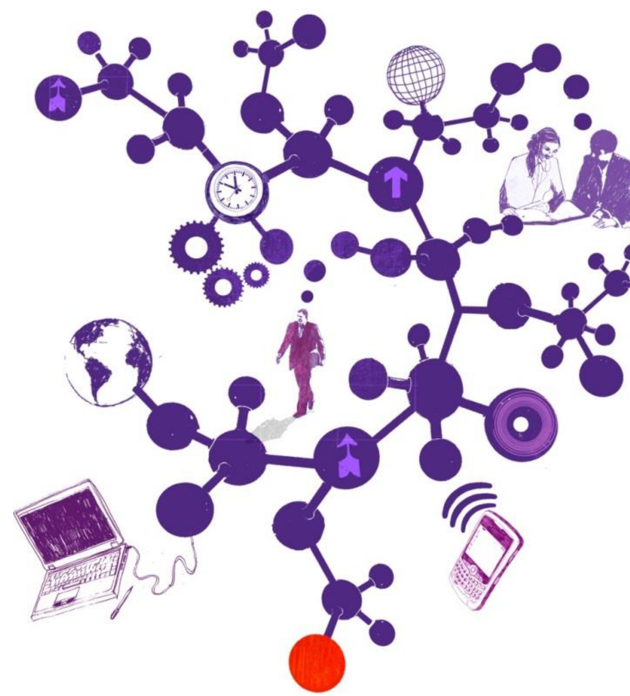

Agenda Item 3

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton

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1 March 2016

Dear Members

Audit Plan for Merseyside Pension Fund for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Merseyside Pension Fund, the Audit and Risk Management Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Pension Fund and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Fund's financial statements
- give an opinion on the Pension Fund Annual Report.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

Fiona Blatcher

Engagement Lead

Contents

Section

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Pension Fund is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Pooling of Investments

- As part of the summer budget 2015 the government has invited LGPS administering authorities to submit proposals for investing their assets through pools of at least £25 billion, with the intention of reducing investment management costs and potentially improving returns.
- The government anticipates that this will improve both capacity and capability to invest in large scale infrastructure projects.
- Initial proposals are to be submitted to DCLG by mid February, with final plans agreed by 15 July 2016.

2. Changes to the investment regulations

- In November 2015 DCLG published draft proposals in relation to the investment regulations governing LGPS funds.
- The proposals seek to remove some of the existing prescribed means of securing a diversified investment strategy and instead give funds greater responsibility to determine the balance of their investments and take account of risk.

3. Governance arrangements

- Local pension boards have been in place since April 2015, and were introduced to assist with compliance and effective governance and administration of the scheme.
- There remains a continued focus on the affordability, cost and management of the scheme, and as such it remains critical that appropriate governance arrangements are in place for the fund.

4. Local Government Outsourcing

- As many Council's look to outsourcing and the set up of external companies as a more cost effective way to provide services, the impact on the LGPS fund needs to be considered.
- Funds need to carefully consider requests for admission to the scheme and where possible mitigate any risks to the fund.
- An increased number of admitted bodies may increase the risks for the fund in the event of those bodies failing. It is also likely to increase the administration costs of the scheme overall.

5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require fund's to bring forward the approval of draft accounts and the audit of financial statements to the 31 May and 31 July respectively by the 2017/18 financial year.

Our response

1. Pooling of Investments

- We will continue to discuss with officers their plans for asset pooling and the implications that this will have on both the investment policy and governance arrangements of the fund.

2. Changes to the investment regulations

- We will discuss with officers their plans to respond to these changes and consider the impact on the fund's investment strategy and its risk management approach to investments.

3. Governance arrangements

- We will continue our on-going dialogue with officers around their governance arrangements, particularly in light of their proposals for pooling investments.
- We will continue to share emerging good practice with officers.

4. Local Government Outsourcing

- Through our regular liaison with officers we will consider the impact of any planned large scale TUPE transfers of staff from employers and the effect on the fund.

5. Earlier closedown of accounts

- We will work with you to identify areas of your accounts production where you can learn from good practice in others.
- We aim to complete all substantive work in our audit of your financial statements by the end of July 2016 as a 'dry run' .

Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Financial Pressures

- Pension funds are increasingly disinvesting from investment assets to fund cash flow demands on benefit and leaver payments that are not covered by contributions and investment income.
- Pension fund investment strategies need to be able to respond to these demands as well as the changing nature of the investment markets

2. Financial Reporting

- There are no significant changes to the Pension Fund financial reporting framework as set out in the CIPFA Code of Practice for Local Authority Accounting (the Code) for the year ending 31 March 2016, however the Pension Fund needs to ensure on going compliance with the Code.
- The application of IFRS13 introduces a new definition of fair value for investment assets which may have an impact on the valuation approach for any directly held property assets.

3. LGPS 2014

- Funds have implemented the requirements of LGPS 2014 and moved to a career average scheme.
- This will continue to increase the complexity of the benefit calculations and the arrangements needed to ensure the correct payment of contributions.
- In addition, this places greater emphasis on the employer providing detailed information to the scheme administrator, while also requiring the scheme to have enhanced information systems In place to maintain and report on this data.

4. Accounting for management costs

- There continues to be a spotlight on the costs of managing the LGPS, and in particular investment management costs.
- Last year CIPFA produced guidance aimed at improving the transparency of management cost data and suggested that funds should include in the notes to the accounts a breakdown of management costs across the areas of investment management expenses, administration expenses and oversight and governance costs.
- This guidance is currently being updated.

Our response

1. Financial Pressures

- We will monitor any changes to the Pension Fund investment strategy through our regular meetings with management.
- We will consider the impact of changes on the nature of investments held by the Pension Fund and adjust our testing strategy as appropriate.

2. Financial Reporting

- We will ensure that the Pension Fund financial statements comply with the requirements of the Code through our substantive testing.

3. LGPS 2014

- We will continue to review the arrangements that the fund has in place for the quality of its' membership data.

4. Accounting for management costs

- We will continue to discuss with officers their plans for increasing the level of transparency of reporting of the costs of managing the fund.

Our audit approach

Global audit technology

Ensures compliance with International Standards on Auditing (ISAs)

Understanding the environment and the entity

Understanding the business

Understanding management's focus

Evaluating the year's results

Inherent risks

Significant risks

Other risks

Material balances

Develop audit plan to obtain reasonable assurance that the Financial Statements as a whole are free from material misstatement and prepared in all material respects with the CIPFA Code of Practice on Local Authority Accounting using our global methodology and audit software

Devise audit strategy (planned control reliance?)

Yes

- Test controls
- Substantive analytical review
- Tests of detail

Extract your data

IDEA

Analyse data using relevant parameters

Report output to teams

No

- Tests of detail
- Substantive analytical review

General audit procedures

Financial statements

Conclude and report

Note:
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

Voyager

Creates and tailors audit programs

Stores audit evidence

Documents processes and controls

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in pension schemes, we have determined materiality for the statements as a whole as a proportion of net assets for the fund. For purposes of planning the audit we have determined overall materiality to be £66,000k (being 1% of net assets). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

In the previous year, we determined materiality to be £68,627k (being 1% of net assets).

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £3,300k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where we will undertake audit procedures as these are key figures/disclosures in the accounts that should be correct:

Balance/transaction/disclosure	Explanation
Management Remuneration	Due to public interest in these disclosures and the statutory requirement for them to be made.
Audit Fees	This is a statutory requirement and a requirement of ethical and auditing standards.
Related party transactions	Due to public interest in these disclosures.

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Merseyside Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Wirral Council as the administering authority, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	**Work planned:** • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions
Level 3 Investments – Valuation is incorrect	Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.	**Work planned:** • We will update our understanding of the arrangements and controls in this area and discuss with relevant personnel from the team during the interim audit. • We will perform walkthrough tests of the controls identified . • For a sample of investments, we will test valuations by reviewing the audited underlying accounts at latest date and agreeing these to the fund manager reports at that date. We will reconcile those values to the values at 31st March with reference to known movements in the intervening period. • We will also consider the basis of preparation of the audited financial statements, the reputation of the auditor of these statements and whether the auditor has issued a clean opinion in respect of these statements.

Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures"(ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Investment Income	Investment activity not valid. Investment income not accurate. (Accuracy)	**Work planned:** • Test a sample of investment income to ensure it is appropriate • Complete a predictive analytical review for dividend income • For direct property investments rationalise income against a list of properties for expected rental income.
Investment purchases and sales	Investment activity not valid. Investment valuation not correct.	**Work planned:** • We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances • Test a sample of purchases and sales to ensure these are correctly stated.
Contributions	Recorded contributions not correct (Occurrence)	**Work planned:** • Controls testing over the Administering Authority's contributions monitoring and reconciliation procedures • Test a sample of contributions to source data to gain assurance over their accuracy and occurrence. • Rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.

Other risks identified (continued)

Other risks	Description	Audit approach
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	**Work planned:** • Controls testing over completeness, accuracy and occurrence of benefit payments, including testing of control account reconciliations. • Test a sample of new starter pensions in payment by reference to member files. • We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained. • Ensure the annual pension increase has been updated in the Altair system correctly
Member Data	Member data not correct. (Rights and Obligations)	**Work planned:** • Controls testing over annual/monthly reconciliations and verifications with individual members • Sample testing of changes to member data made during the year to source documentation

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Other risks identified (continued)

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will likely include:

- Other investment assets
- Transfers in
- Transfers out
- Management expenses
- Cash deposits
- Current Assets
- Non current assets
- Current Liabilities
- Actuarial Valuation and Actuarial Present Value of Promised Retirement Benefits
- Financial Instruments

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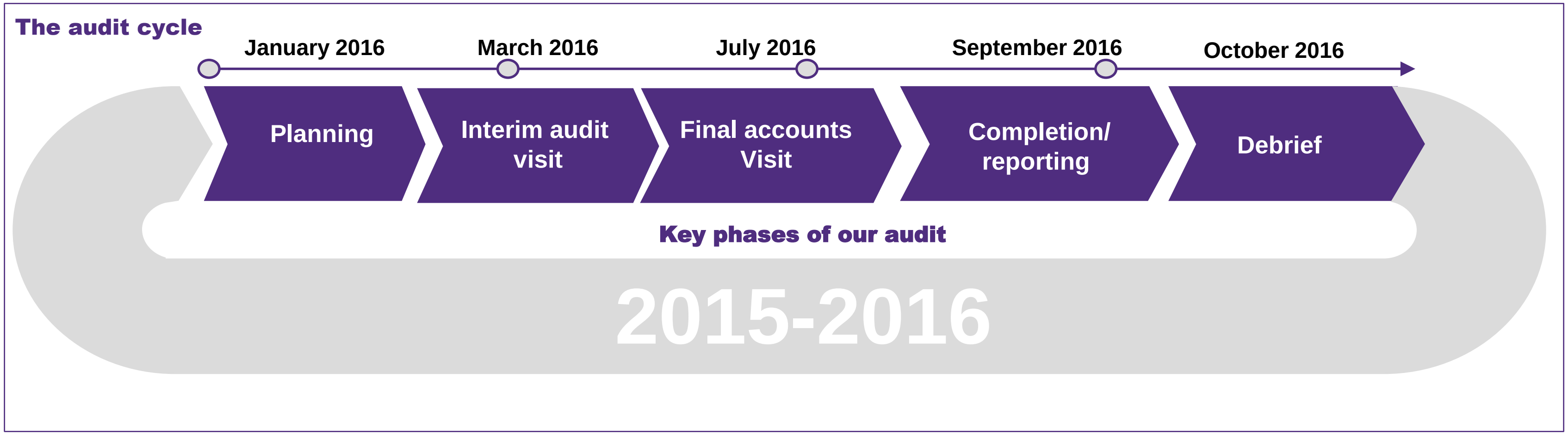
Other audit responsibilities

- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will read the Pension Fund Annual report and ensure that it is consistent with the Pension Fund Accounts included within the Council's statement of accounts

Key dates



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Date	Activity
January 2016	Planning
March 2016	Interim site visit
March 2016	Presentation of audit plan to Pensions Committee and Audit and Risk Management Committee
June/July 2016	Year end fieldwork
August 2016	Audit findings clearance meeting with Head of Pension Fund and Group Accountant
September 2016	Report audit findings to Pensions Committee and those charged with governance (Audit and Risk Management Committee)
September 2016	Sign financial statements opinion

Fees and independence

Fees

	£
Pension Fund Scale Fee	36,882
Total audit fees (excluding VAT)	**36,882**

Fees for other services

Service	£
Proposed fee variation – IAS 19 Assurances to admitted bodies	**2,180**

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Fund and its activities, have not changed significantly.
- The Fund will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and the Annual Audit Letter of the Administering Authority.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to those charged with goverannce.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Administering Authority's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the fund is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

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WIRRAL COUNCIL

PENSION COMMITTEE

21 March 2016

SUBJECT:	**LGPS UPDATE**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**STRATEGIC DIRECTOR OF TRANSFORMATION AND RESOURCES**
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report raises awareness of a further government consultation on public sector exit payments and other forthcoming consultations

1.2 It also informs members on the Fund communications relating to the ending of contracting out as a consequence of the closure of the State Second Pension.

2.0 BACKGROUND AND KEY ISSUES

Public Sector Exit Payments

2.1 On 5 February 2016, the government has launched a further consultation on public sector exit payments as originally announced in the 2015 Spending Review. This consultation has a 12 week timeframe and will close on 3 May 2016.

2.2 The purpose of the consultation is to seek views on options to make public sector exit compensation “fairer, more modern and more consistent with the proposals” as follows:

a) Set the maximum tariff for calculating exit payments at three week’s pay per year of service.

b) Set a maximum salary for the calculation of exit payments, with the possibility for this being £80,000, a figure which is currently used for NHS redundancy payments.

c) Reducing or removing the cost of employer funded pension top-up payments, by limiting the amount of employer funded pension top-ups or by removing access to such top up payments completely.

A further consideration is to increase the minimum age of 55 at which an employee is able to receive an employer funded pension top up.

Transitional Protections for Agreed Arrangements

2.3 The reform will apply to employee exits whether on a mutually agreed or voluntary basis, or through compulsory redundancy. The government expects the reform to apply to existing and future public sector employees, with possible transitional provisions to protect workers who have already agreed exit payment packages before the reforms come into force. It is not anticipated that further transitional protections will be introduced related to the age of individuals or their proximity to retirement age.

Enduring Government Pension Promise

2.4 The government has confirmed that these proposals to public sector employee termination packages will not breach the 25 year guarantee on further changes to public sector pensions; a promise it made when it introduced 'Public Sector Pension Reform' in the Public Service Pensions Act 2013.

It will be interesting to observe how the government reconciles these promises in delivering the changes to pension legislation, specifically with regard to a member's entitlement to retire with an unreduced early retirement pension, payable immediately on redundancy or efficiency grounds from age 55 under the Local Government Pension Scheme.

Associated Measures to Limit Exit Payments in the Public Sector

2.5 The proposals follow the publication of draft regulations in November 2015, confirming the intent to impose a cap of £95,000 on the total aggregate value of compensation for loss of employment, inclusive of the capital costs for the early release of pension benefit. Committee were informed of this at the 25 January 2016 meeting (minute 53 refers).

2.6 In addition, the government has recently finished consulting on a further set of draft regulations that will give effect to the powers enacted in the Small Business, Enterprise and Employment Act. These regulations would allow for the recovery of exit payments when an individual earning £80,000 or more returns to the public sector up to 12 months after exit.

The employer funded pension top-up payments in the guise of capital strain costs under the Local Government Pension Scheme will be included in the recovery plan.

Horizon Scanning - 2016 Budget

2.7 There is industry speculation that the Chancellor will issue an announcement on 16 March 2016, covering the government's response to its review of the current pension tax relief structure - entitled 'Strengthening the Incentive to Save'.

It is expected that the government will issue a consultation on the detail and delivery of the policy intent, with the potential for fundamental change to the current pension tax relief structure.

Officers will keep members informed of the result of the review and the impact to pension contributors and the sustainability of the LGPS.

Local Government Pension Scheme Amendment Regulations

2.8 The DCLG has yet to issue a draft statutory instrument amending the LGPS Regulations 2013, to align Scheme provisions with the 'Freedom and Choice' legislation introduced under the framework of the Pension Scheme Act 2015.

Impact of the Ending of Contracting Out and the new State Pension Cost Implications

2.9 The ending of contracting out has implications for employers, employees and pension schemes:- specifically increases in National Insurance (NI) contributions for employees and employers resulting from the loss of the NI rebates.

2.10 Contributing members to the LGPS have paid a lower rate of NI contribution as the scheme has been contracted out of the state second pension (formerly SERPS). In April 2016, the Government is replacing the two tier state pension arrangements with a single-tier State Pension. This will bring about the ending of contracting out for defined benefit (DB) schemes such as the LGPS.

2.11 From 6 April 2016, contributing members of the LGPS will no longer receive the rebate of 1.4% and will consequently pay a higher amount of NI contributions than they have in previous years.

2.12 Although the Pensions Act 2014 permits occupational pension schemes in the private sector to offset the increases in National Insurance contributions by amending the rules of the pension scheme, the same legislation specifically prevents public sector pension schemes from doing so.

As a consequence LGPS employers will lose the NI rebate of 3.4% between the lower earning limit and upper accrual point (£5,824 - £40,040) and will see an increase in their payroll cost from April 2016 onwards, without a compensating adjustment to employer pension contributions.

Employer Communications

2.13 In January 2016, the Department for Work & Pensions (DWP) asked LGPS administering authorities to assist them in reaching employers, particularly in regards their duties to inform employees of the changes and the implications.

The Fund circulated to employers the following communications:

a) factsheet for public sector employees from the DWP
b) an extract from the December 2015 HMRC Employer Bulletin in regards National Insurance category amendments
c) a Questions & Answers document for Employers and another for Members

2.14 The Fund also made employers aware of the more far-reaching guidance and factsheets within the DWP State Pension Toolkit at:

https://www.gov.uk/government/collections/state-pension-toolkit

Member Communications

2.15 The Fund published an extensive article on the forthcoming State Pension changes within the 'beeline' newsletter; this was circulated to contributing members as part of their Annual Benefit Statement in the later part of calendar year 2015.

2.16 There is a regulatory requirement - under Schedule 2 of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 – for administering authorities to inform all contributing members that they will no longer be participating in a contracted-out pension scheme from 6 April 2016.

2.17 The Fund will be writing to all contributing members with a template letter provided by the Local Government Association. This template letter meets the regulatory requirements and raises awareness of the 50/50 section of the LGPS should the rise in NI contributions place the member into financial difficulty. It is hoped that raising awareness of the 50/50 section will offer an alternative to members other than 'opting out' of future pension saving.

2.18 The letter will be posted to a contributing member's last known postal address, for arrival in early April, and will also be used as another means of communicating the availability of the Fund's online 'MyPension' service, encouraging members to register in advance of the production of this year's Annual Benefit Statements.

3.0 RELEVANT RISKS

3.1 The potential reform to pension contribution tax relief-, to be announced in the 2016 Budget, may lead to further reduction of a member's net pay, in addition to the reduction already resulting from the ending of contacting-out.

These reductions present a significant risk of mass member opt-outs from the LGPS, placing further cash flow pressures on the Scheme.

3.2 The increased employer costs from the ending of contracting out will place further cost pressures on a number of community admission bodies who are facing financial hardship due to cuts in national and local grant funding.

This increased payroll cost may possibly lead to an employer's insolvency. The contingent termination debts would crystallise leaving the Fund with immediate irrecoverable debt with the ongoing responsibility for honouring the employee pension promises.

3.3 Cash flow pressures will affect future investment strategies with a move away from return seeking into defensive assets, culminating in increased employer contributions, further pressures on employer budgets and a direct adverse impact on local taxpayers.

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 The production and distribution of the 'End of Contracting Out' letter with an accompanying 'Frequently Asked Questions' to member home address is estimated to cost £16,000

8.2 The introduction of the various measures to limit employer funded pension strain exit costs, could potentially inhibit local authority workforce planning and an increase, within the LGPS, of compulsory redundancies as opposed to voluntary redundancy exercises.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10 EQUALITIES IMPLICATIONS

10.1 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 RECOMMENDATION

13.1 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
Principle Pension Officer
Telephone (0151) 242 1333
Email yvonnecaddock@wirral.gov.uk

BRIEFING NOTES HISTORY

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

WIRRAL COUNCIL

PENSIONS COMMITTEE

21 MARCH 2016

SUBJECT:	**LGPS – INVESTMENT REFORM CRITERIA AND GUIDANCE**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**STRATEGIC DIRECTOR TRANSFORMATION & RESOURCES**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report provides Members with details of the Fund's initial submission to Government in relation to the ongoing consultation in relation to the requirement for the Local Government Pension Scheme to pool investments to deliver significantly reduced costs while maintaining overall investment performance.

1.2 This report also seeks Members' approval for officers to continue to develop proposals for pooling in consultation with the Chair and for the draft final response to be brought to Committee in June 2016.

1.3 The Fund's response to the consultation on the LGPS Investment Regulations is appended.

2.0 BACKGROUND AND KEY ISSUES

2.1 Report to November 2015 and January 2016 Pensions Committees 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 and the criteria by which those proposals will be assessed by Government.

2.2 Funds were required to submit initial proposals to Government by 19 February 2016. Submissions should include a commitment to pooling and a description of progress towards formalising their arrangements with other authorities. Authorities could choose whether to make individual or joint submissions at the first stage.

2.3 Refined and completed submissions are required by Government by 15 July 2016 which fully address the criteria set out by Government (and set out in the report of 24 January 2016 to this Committee) and provide any further information that would be helpful in evaluating the proposals.

2.4 **Merseyside Pension Fund**

The Fund has had a number of meetings with 'Northern Funds' to discuss options for pooling. Members were briefed on developments at the Governance & Risk Working Party on 28 January 2016. At the time of writing, MPF has agreed in principle to work with two other funds to develop a proposal to pool investment management and a copy of our joint submission is attached (Appendices 1-5). The pool remains open for other funds to join.

2.5 The next step is that Government will evaluate submissions against pooling criteria, with feedback provided to highlight areas that may fall outside of the criteria, or where additional evidence will be required. In the interim, the Fund is continuing to work with its pooling partners in developing final proposals and to engage with Government.

2.6 Final proposals are due by 15 July 2016 and officers intend to bring a draft final proposal to this Committee at the June meeting.

3.0 RELEVANT RISKS

3.1 It is important that appropriate governance arrangements are put in place to ensure that the pooling arrangements work well both now and in the future.

3.2 As set out in the Project POOL report, the costs and resource required to deliver this change programme should not be under-estimated, particularly in the context of continuing budgetary pressures and severe internal resource constraints within local authorities. Also, the risks of a transition of assets on the scale required are considerable. Strong project management and the use of the most skilled and experienced transition managers will be critical to managing these risks.

3.3 The tight timescales for responding to the consultation are not giving much time for data to be collected and assessed appropriately and there is a risk that decisions are ill-considered or that projected cost savings are unrealistic.

4.0 OTHER OPTIONS CONSIDERED

4.1 All appropriate options remain under consideration.

5.0 CONSULTATION

5.1 The Chair of the Pensions Committee has been consulted and has been involved in several meetings including with DCLG and other LGPS funds. Key stakeholders including the other Merseyside authorities have been kept informed of developments.

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 The government's proposals are intended to deliver substantial savings from the investment manager fee base within the 89 funds of the LGPS. However, as set out in the Project POOL report, the costs and resource required to deliver this change programme should not be under-estimated. As one of the funds participating in the

Project POOL report, a further contribution of £7,000 has been made towards the cost of producing the report.

8.2 Costs are also being incurred in relation to legal and technical advice, exemplified in the exempt appendices (appendix 4&5).

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 note the report and authorise officers to continue developing pooling options. Future papers for the Committee will provide further information on likely costs/benefits and any material costs incurred in working up proposals. Any final decision will be subject to Committee approval.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 In view of the tight timescales and requirement for detailed proposals to be developed, it is important that work continues in parallel with reports to this Committee.

REPORT AUTHOR: ***PETER WALLACH***
HEAD OF PENSION FUND
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email: peterwallach@wirral.gov.uk

APPENDICES

Appendix 1 – Covering letter

Appendix 2 – Joint submission

Appendix 3 – Memorandum of Understanding

Appendix 4 – Cost analysis

Appendix 5 – Legal advice

Appendix 6 – Response to consultation on Investment Regulations

BACKGROUND PAPERS/REFERENCE MATERIAL

Local Government Pension Scheme: Investment Reform Criteria and Guidance

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committe	**January 2016**
Pension Committee	**November 2015**
Pension Committee	**September 2015**

Department for Communities and Local Government
LGPS Reform
2/SE Quarter, Fry Building
2 Marsham Street
London
SW1P 4DF

Our Ref: MPF/PJW

Your Ref:

Direct Line: 0151 242 1309

Please ask for: Peter Wallach

Date: 19 February 2016

Dear Sirs

Local Government Pension Scheme – Investment Reform

Merseyside Pension Fund has assets of £6.8bn at 31 March 2015 and provides the Local Government Pension Scheme for the Merseyside region, delivering pensions' administration, investment and accounting on behalf of the five Merseyside District Councils and 145 other employers on behalf of 128,000 scheme members.

Pooling of Local Government Pension Scheme investments

In accordance with the requirements of the consultation, I confirm that Merseyside Pension Fund ('MPF') is committed to pooling its assets and I am pleased to enclose an initial submission to Government on the progress that MPF and its partner funds are making in developing a Collective Asset Pool which meets the criteria issued by Government on 25 November 2015.

MPF is forming a Collective Asset Pool of around £35bn with the Greater Manchester and West Yorkshire Pension Funds. Our enclosed submission sets out the long-term vision of the pool and the practical steps to achieve this.

In many respects, as all three funds are among the five largest in the LGPS, we start from an advantageous position of already having many of the economies of scale that other pools are seeking. As a consequence, potential cost savings are likely to be lower than in other pools.

Recognising this, we are seeking to build on the existing strengths of the participating funds, further developing internal capacity, skills and resilience with a view to sharing this across other LGPS pools on a collaborative basis, in particular with regards to infrastructure and other private market investments. This is where we strongly believe that greatest value can be added for the large LGPS funds. We will, of course, seek to achieve addition savings from listed assets wherever possible.

The Pool remains open for other funds to join us on the basis of the Memorandum of Understanding contained within the submission, and this will remain the case up until we submit our final proposals in July 2016.

Yours faithfully

Head of Pension Fund

Northern Powerhouse Pool Submission Document

1. Exec Summary

1.1 Purpose of document

1.1.1 This document is a joint submission to Government from Tameside Metropolitan Borough Council, Wirral Metropolitan Borough Council and City of Bradford Metropolitan District Council, the respective administering authorities of the Greater Manchester Pension Fund, Merseyside Pension Fund and West Yorkshire Pension Fund (“the Funds”)

1.1.2 The administering authorities have signed a Memorandum of Understanding (attached as Appendix A to this submission) which sets out, at a high-level;

i) how the Funds will work together to form a Collective Asset Pool (“the Pool”) which meets the criteria released by Government on 25 November 2015 and;
ii) the expected operation of the Pool when established.

1.1.3 The remainder of this document provides the rationale behind the proposed structure and operation of the Pool. This has been developed by drawing on the knowledge and experience of the Funds’ officers and committees, via high-level financial modelling undertaken by PwC (summary report attached as Appendix B) and legal advice from Squire Patton Boggs (attached as Appendix C).

1.2 Benefits that the Pool will deliver

- All funds in the Pool will make new infrastructure commitments via an expanded Greater Manchester/LPFA infrastructure vehicle. Subject to committee approval the capacity of this vehicle will be expanded to approximately £1bn during 2016. This will enable investment in larger infrastructure investments on a direct basis.
- The significant internal resource and experience of the participating funds will enable the Pool to start making collective investments well in advance of Government timescales – cost savings will therefore start to be delivered from an early stage.
- Once Government approval to the Pool is obtained we will quickly implement the collective monitoring and benchmarking of legacy illiquid assets, generating improvements in governance and costs savings above the requirements set out in the Criteria and Guidance.
- As a result of the above, we expect cost savings to emerge from Summer 2016 onwards, with estimated savings of around £30m per annum on alternative/illiquid assets.
- Expectation of being lowest cost pool in the LGPS on a like-for-like basis.

1.2.2 The Pool remains open to other funds to join us on the basis of the Memorandum of Understanding contained within this submission, and this will remain the case up until we submit our final proposals in July 2016. This will enable other LGPS funds to share in the benefits outlined above.

1.3 Contents

2. Background

2.1 Government's proposal

2.2.1 In the Summer Budget in July 2015, the Government issued an appeal to Local Government Pension Scheme (LGPS) administering authorities to pool their investments to significantly reduce costs, while maintaining or improving overall investment performance. The Government invited administering authorities to come forward with their own proposals to meet common criteria to delivering savings. These proposals would need to be 'sufficiently ambitious'.

As part of the Autumn Budget in November 2015, Department for Communities and Local Government (DCLG) released the Investment Reform Criteria that the pooling arrangements should have regard to in developing the pooling proposals. These are:

1. **Asset pools that achieve the benefits of scale:** There will be at most 6 asset pools, each of which should be at least £25bn of Scheme assets in size.

2. **Strong governance and decision making:** At a local level, the governance structure should provide authorities with assurance that their investments are being managed appropriately by the pools, in line with the stated investment strategy and in the long-term interests of their members. At a pool level, the governance structure should ensure that risk is adequately assessed and managed, investment implementation decisions are made with a long-term view, and a culture of continuous improvement is adopted.

3. **Reduced costs and excellent value for money:** Proposals should explain how the pool will deliver substantial savings in investment fees, both in the near term and over the next 15 years, while at least maintaining overall investment performance.

4. **An improved capacity to invest in infrastructure:** Proposals should explain how infrastructure will feature in authorities' investment strategies and how the pooling arrangements can improve the capacity and capability to invest in this asset class.

2.2 Overview of Funds

2.2.1 <u>Greater Manchester Pension Fund ('GMPF')</u>

GMPF is the UK's largest LGPS fund. The Fund has assets of £17.6bn at 31 March 2015, with over 340,000 members across more than 400 contributing employers.

GMPF has an excellent long-term investment track record – GMPF is ranked 5th over 25 years by WM within their Local Authority Universe at 31 March 2015. Performance (gross of fees) to 31 March 2015 is summarised in the table below:

GMPF Annualised investment returns				
1 year	**5 years**	**10 years**	**20 years**	**25 years**
11.7%	8.3%	8.4%	8.3%	9.0%

Listed-securities are generally managed externally via large low-cost multi-asset mandates. Private market assets, with the exception of property, are generally managed internally.

GMPF employs approximately 16 designated investment staff plus legal and accounting support.

GMPF has for many years made direct local infrastructure investments and more recently has experience of investing in collaboration with others funds (such as the infrastructure partnership with LPFA).

2.2.2 Merseyside Pension Fund ('MPF')

Merseyside Pension Fund has assets of £6.5bn and provides the Local Government Pension Scheme for the Merseyside region, delivering pensions' administration, investment and accounting on behalf of the 5 Merseyside District Councils, 145 other employers and over 128,000 scheme members.

The Fund has a ten strong experienced and professionally qualified internal investment team which has delivered consistently good performance by employing a combination of internal and external management and active and passive strategies. This has been achieved with lower risk than the typical LGPS fund. The Fund has a long track record of investing in Alternatives, including infrastructure and has a substantial direct property portfolio.

Performance (gross of fees) to 31 March 2015 is summarised in the table below:

MPF Annualised Investment returns			
1 year	**5 years**	**10 years**	**20 years**
12.6%	8.6%	7.9%	8.1%

2.2.3 West Yorkshire Pension Fund ('WYPF')

WYPF is the UK's 4th largest LGPS fund. The Fund has assets of £11.3bn at 31 March 2015, with over 260,000 members across more than 400 contributing employers.

WYPF has the lowest investment management cost of all LGPS Funds of £11.49 per member or 0.026% of funds under management.

WYPF has an excellent long-term investment track record and it ranked 11th over 20 years, and 15th over 25 years by WM within their Local Authority Universe at 31 March 2015. Performance to 31 March 2015 is summarised in the table below:

WYPF Annualised investment returns				
1 year	**5 years**	**10 years**	**20 years**	**25 years**
11.8%	8.3%	8.3%	8.3%	8.8%

WYPF is almost entirely in-house managed. The active, long term, low risk, low turnover approach has been central to the achievement of low cost outperformance, and high funding levels compared to the average LGPS fund.

The team of 14 investment professionals actively manage equity portfolios in virtually all countries where markets are investable. Bond portfolios covering domestic and overseas government and corporate bonds are actively managed. In addition a diverse portfolio of alternative assets including infrastructure, property, and private equity are managed by way of unitised investments. The WYPF also invests directly in property.

The investment team is stable and investment managers typically have 20 years investment experience. Particular strength is found in the long term stock selection performance vs the market in several equity and bond portfolios whilst maintaining low risk.

2.2.4 Relative investment performance and costs

All 3 funds have strong long-term investment performance and are ranked in the top quartile of LPGS funds on a 20-year basis. When analysed net of investment costs the relative performance will be stronger still due to the relatively low investment management costs of the funds.

Investment cost per member for 2014/15 taken from the DCLG website are:-

Fund	**Rank**	**Investment cost - £ per member 2014/15**
West Yorkshire	1	11.49
Greater Manchester	3	39.01
Merseyside	28	105.41
All England		142.28

2.3 Project POOL

2.3.1 Officers of the Funds all had significant involvement in the work of Project POOL which was the report from LGPS funds to Government supported by Hymans Robertson. This included sitting on the steering group of the project and leading individual asset-class workstreams.

2.3.2 Many aspects of the Pool’s proposed operation are in line with the recommendations set out in the Project Pool report.

3. Investment Philosophy

3.1 Like mindedness

3.1.1 The long-term vision of the Pool is to provide participating funds with access to a range of internal and external investment management and related services at low cost, to enable the participating funds to continue outperforming their benchmark and reduce costs to fund employers and local tax-payers.

3.1.2 The Funds have a combined assets base of £35bn as at 31 March 2015. The intention is that the vast majority of the assets will be managed and monitored from initial formation by the Pool.

3.1.3 The proportion of assets in the pool that are internally managed is expected to increase over time.

3.1.4 LGPS funds exist to meet the benefit promises made to members (i.e. the liabilities). The nature of the liabilities influences the asset allocation of each fund. All funds acknowledge that asset allocation is the dominant determinant of portfolio risk and return.

3.1.5 Markets can be inefficient. Risk premia exist for equity, credit, duration, illiquidity, inflation and volatility. The key principles of the investment approach are a long-term perspective and to maintain simple arrangements with a relatively low number of managers and low manager and portfolio turnover.

3.1.6 The pension committees of the participating funds will retain responsibility for liabilities, setting the strategic asset allocation of their fund, funding strategy statement and appropriate strategy documents.

3.1.7 Subject to continuing to meet best practice and mandates being of sufficient size to ensure low cost, participating funds will also retain the ability to select asset class (equity, bonds, property etc…including multi-asset), territory (UK, Europe, US etc.. or global) style (value, growth etc…) and whether managed actively or passively. For an initial period, participating funds will have the discretion to determine whether a mandate is managed internally by the Pool – as the Pool contains significant capacity and experience in this area or by an external manager. This will enable participating funds who have not previously used internal management to gain comfort of its operation and vice versa.

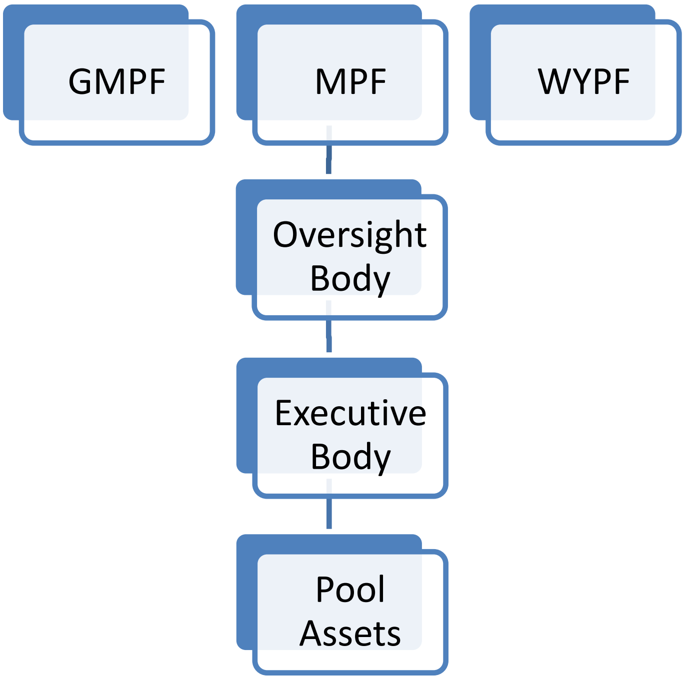
4. Structure and Governance

4.1 Overview

4.1.1 The proposed governance structure for the Pool is an oversight board, consisting primarily of representatives of the participating funds' pension committees, which will define key strategic objectives and provide scrutiny to an executive body of officers who will make the investment management decisions. Both the oversight board and the executive body will work closely with independent advisors.

4.1.2 This structure is designed to maintain democratic accountability for the investment outcomes of each of the participating funds, whilst ensuring all investment decisions are made by individuals with appropriate knowledge and experience.

4.1.3 The structure is set out in the diagram below.



4.2 Oversight body

4.2.1 Following consideration of all available options and obtaining external advice, it is proposed that the oversight body will be a joint committee, with equal representation from each participating fund.

4.2.2 The administering authorities have experience of joint committee working, for example in the creation of combined authorities in their respective regions and the devolution of health spending and have been impressed by the progress made in these areas.

4.2.3 The flexibility of the joint committee approach will allow speedy implementation of the Pools' investment objectives, such as further investment into infrastructure and will allow collaboration with other pools or national initiatives.

4.2.4 The relative simplicity and familiarity with the joint committee approach will enable focus on the areas of pooled working which can deliver material financial benefits, primarily the management of alternative/illiquid assets.

4.3 Executive body and choice of operating model

4.3.1 This body will make the decisions on manager selection and the legal vehicles and structures in which to implement funds' asset allocation decisions. Between February and July further work will be undertaken to determine the most appropriate form for the executive body.

4.3.2. As evidenced in section 2 of this submission, due to the existing scale and simplicity of management arrangements, the funds in the Pool already deliver low-cost management of listed securities either via internal management or via large external mandates (WYPF manages approximately £9bn of listed securities internally and GMPF's largest external mandate is c£6bn – these mandates are significantly larger than any other LGPS pool will realistically achieve in the short to medium term).

4.3.3 Long term performance has also been strong, with all 3 funds being in the top quartile of LGPS funds in terms of performance over 20 years. This is on a gross of fees basis. On a net of fees basis the outperformance will be stronger still.

4.3.4 This impressive track record highlights both the existing expertise and robustness of governance within the Funds.

4.3.5 Whilst there may be some scope via pooling to reduce these costs further and potentially harness an additional governance dividend, it is expected that the biggest benefits from pooling for the Funds will be in the management of alternative/illiquid assets such as property, private equity and infrastructure (including local investments) and the ability to increase allocations to these asset classes via further developing capacity and capability. All 3 funds have significant experience of investing in these asset classes on a direct basis and are well placed to move quickly in developing their collaborative approach, which will best be facilitated by a simple joint-committee structure.

4.3.6 Based on the Funds' knowledge and experience, the conclusions of Project Pool and the professional advice received (see appendices B and C to this submission), our understanding is that alternative/illiquid assets can be held more effectively outside of an Authorised Contractual Scheme ('ACS') structure (for example via limited partnerships), primarily due to their illiquid nature.

4.3.7 The Funds also have experience of creating appropriate legal structures for specific investments – for example GMPF's Matrix Homes project – building 240 homes for sale and rent, was managed via a limited partnership structure.

4.3.8 Using limited partnerships provides ‘legal pooling’ – for example the GLIL infrastructure partnership between GMPF and LPFA discussed in more detail later in this submission is an entity in its own right rather than a wrapper for two underlying LGPS funds (and is viewed in the market as such).

4.3.9 These limited partnerships would be managed by the Exec Body of the Pool and investors would have day-to-day involvement in their management.

4.3.10 The most appropriate operating model for the management of the Pool’s listed securities is less clear. The main options being considered are:

a) An Authorised Contractual Scheme (‘ACS’);
b) The creation of a FCA Authorised Asset Management Company which would be owned by the Funds;
c) Developing a formal ‘shared-service’ arrangement which enables the legal ownership of funds’ assets to remain unchanged, but still harnesses the benefits of the pooled approach. This could include one of the participating funds obtaining FCA Authorisation to act as an asset manager (similar to the South Yorkshire Pension Fund’s authorisation to manage the assets of the South Yorkshire Passenger Transport Fund).

4.3.11 Regardless of which operating model is ultimately chosen, the governance and investment decision making will be comparable to a FCA regulated vehicle. Further detail on the Pool’s decision making arrangements is provided in section 4.6 below.

4.4 Authorised Contractual Scheme (‘ACS’)

4.4.1 It appears that the ACS structure is favoured by some other LGPS pools, and has already been implemented by the London CIV. An ACS appears to be a good structure for consolidating relatively small external mandates to generate scale and material cost savings, but for the reasons set out above, this is not something that adds material value in this Pool.

4.4.2 The benefit of an ACS structure over the other models appears to be a preferential rate of taxation on equity dividends in some territories (principally France and Sweden), although the Funds’ allocations to these markets are relatively low and there is no certainty that this preferential tax treatment will continue to exist. It is less tax efficient in emerging markets, a likely area of increased allocations, than other structures.

4.4.3 The analysis provided by PwC (see Appendix B) indicates additional costs in the set-up and transfer of assets into an ACS of approximately £13m.The ongoing costs of operating an ACS are broadly comparable to the alternatives, with the tax benefits referred to above offsetting higher operating costs.

4.4.4 From a practical perspective, the additional work and longer timescales required to implement an ACS structure could take focus away from areas where real value can be added, primarily in the management of alternative/illiquid assets and in particular investing in infrastructure.

4.4.5 Our understanding is that there are also legal constraints which restrict the ability to hold 'life insurance-wrapped' passively managed securities in an ACS.

4.5 Advantages of alternative models to an ACS

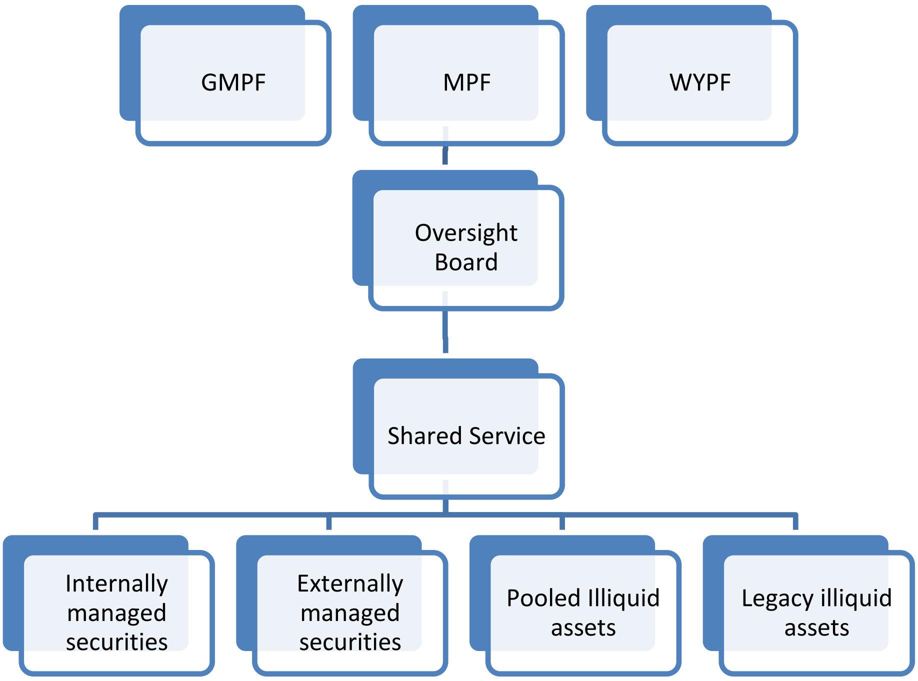
4.5.1 Any material scope for cost savings in the management of listed assets is likely to be obtained from managing a greater proportion of listed securities internally. Based on the legal advice received (attached as Appendix C to this submission) this may be achieved by creating formal 'shared service' arrangements between the Funds or by one or more of the funds in the pool seeking FCA authorisation as an asset manager (option c) in 4.3.10 above). Alternatively this could be achieved by establishing an asset management company owned by the participating administering authorities (option b) in 4.3.10 above).

4.5.2 An advantage of option c) is that resource will remain available to manage the diverse range of alternative/illiquid assets which will be retained by the participating funds, in the short to medium term, to avoid exit penalties and charges on change of ownership.

4.5.3 In addition, internal expertise would be retained to advise the Funds' committees on asset allocation and help provide robust challenge to the external asset allocation advice which the committee receives. It is widely accepted that asset allocation is the primary factor in determining investment returns. Further detail on how this shared service structure may operate is provided in the section below. The Pool would welcome the opportunity to develop this further in conjunction with Government over the next few months

4.6 Shared Service Structure

4.6.1 The structure is set out in the diagram below



4.6.2 The shared service structure is used both to allocate to external managers and to manage assets directly. The key element of the structure is that the individual funds have investment mandates with the pooled/shared investment management service. These are drawn from existing arrangements, and rely on key tools of investment guidelines and a compliance manual. This structure will ensure standards that are consistent with an FCA regulated entity without losing the cost effectiveness and alignment of interests that this management structure provides.

4.6.3 The Funds have a long history of clear and controlled delegation to officers for investment management and this structure is an extension of this. The controls in place and quality of resources available are consistent with an FCA regime.

4.6.4 A role of the oversight board is to oversee the operations of the shared service in a similar manner to a scrutiny committee in local government. The board would ensure compliance of the shared service team with the investment guidelines and compliance manual.

4.6.5 Investment staff are retained in their current employment with their existing authority, but will work as part of a combined Pool investment team. The combined team would be managed using a matrix structure with a Chief Investment Officer (‘CIO’) for each fund responsible for the relationship with that fund and also leading on various areas of investment activity for the Pool.

4.6.6 The CIO group would be responsible for day to day management of the service and investment decision making, with key strategic decisions such as staffing budgets set by the oversight board.

4.6.7 For a transitional period, investment staff below CIO level would be allocated to specific asset classes and would work on the management of both new pooled investments, legacy illiquid assets and the reporting to the oversight board and the Funds’ committees. This ensures the highest quality management across each fund's entire asset base and also ensures an orderly transition of illiquid assets into the Pool. The table below shows an example illustration (not exhaustive) of the types of activity that would be allocated to CIOs. Specific individuals would also be allocated to compliance and risk roles in a similar manner to an FCA regulated entity. Over time, the location of the management of individual asset classes would evolve to centres of excellence as these emerge.

	CIO GMPF	CIO MPF	CIO WYPF
Internal equities			
External Equities			
Infrastructure			
Property			
Private Equity			
Compliance			
Accounting			
Risk			

4.6.8 In the shared service model, increasing the proportion of listed securities that are managed internally could be achieved by all funds appointing a common custodian who could undertake 'block-trading' of securities under instruction from the Pool Executive Body. How this arrangement meets with FCA requirements is covered in the legal advice attached as Appendix C to this submission. The move to a common custodian is also likely to generate a cost saving to the Pool.

4.7 Initial conclusions

4.7.1 The vehicle used to manage the listed securities of the Pool is unlikely to have a material impact on the Pool's performance. However, an ACS is not currently the Pool's preferred option due to:

i) the significant costs involved in its set-up, in particular the costs of transferring assets to the new vehicle;
ii) the relative ease of implementation of the alternative structures to an ACS is considered to allow greater focus on:
   a. the pooled management of alternative/illiquid investments. This is where material cost savings can be obtained;
   b. increasing investment in infrastructure.

4.7.2 Over the period up to the July submission, the Pool will explore available options in more detail and will welcome further discussion with Government in this area.

4.8 Timeline of implementation

4.8.1 As outlined in this document, one of the key aims of the Pool is simplicity. This allows the Pool to focus on driving cost savings whilst maintaining or improving performance and increasing investment in infrastructure.

4.8.2 The proposed time-table for implementation of the pooled arrangements is shown below

Pre Submission

19 Feb	Submission of initial document
Feb - April	Business Planning - Forming of groups of officers at all levels in investment teams to analyse existing arrangements (internal and external portfolios) and internal resources (staffing systems) against the requirements for the Pool
	Further discussion with Government
	MPF and WYPF to consider becoming partners in GLIL infrastructure vehicle and discussions to continue with other pools on using GLIL infrastructure vehicle
May	Consideration of draft Business Plan by the Funds
June	Finalisation of Business Plans and commissioning of any required external work/advice
15 July	Individual and joint submissions to Government

Post Submission Summary

2016	Establish the combined team and focus arrangements for collective investment in alternative/illiquid assets going forward. Existing fund assets remain in the ownership of existing funds at this stage.
	Progress discussions with other pools to work collaboratively in respect of certain asset classes.
2017	Review of Investment management arrangements in listedsecurities
	Combined, multi-site but with centres of excellence, investment team established.
2018	Pooling of management of listed securities focusing on simple, large scale and cost effective structures of internal and external management
Post 2018	Run off of remaining illiquid investments in alternatives retained by funds.

4.9 Management of Alternative/Illiquid assets

4.9.1 The experience in the Pool is potentially a national leader on collective investment in illiquid alternatives.

4.9.2 The Pool's approach to alternative/illiquid assets, will broadly follow the recommendations of Project POOL, which also reflects the Pool's approach to infrastructure. The most significant allocations are currently in property, private equity and 'Special Opportunities' (including hedge funds).

4.9.2 Infrastructure investment is covered in detail in Section 6 of this submission as it is an important differentiator in our approach to pooling compared to other pools and an area where we believe we have built significant capacity and capability.

4.9.3 The Pool is seeking simplicity in its operating model in order to focus attention on the management of these asset classes as this is where the greatest cost savings are likely to be achieved (given the economies of scale that the Funds already have in listed securities).

4.9.4 The broad approach for the management of each asset class is as follows:

<u>Property</u>

Initially, 'virtual' pooling for existing holdings of direct (building) assets. A tender process will be undertaken across all existing mandates to try and achieve fee reductions through economies of scale. There will be no transfer of existing properties but a long-term approach of managing out the portfolios will be developed. The appointed manager would also run a new pooled portfolio alongside the existing portfolios where new purchases would be made, this could be via a Limited Liabilty Partnership ('LLP') structure. (See Project POOL report for further detail).

Using the same manager across all the Pool's portfolios will ensure alignment of interests.

The expected approach to new investments would be to hold direct property, but in-direct investments may be required for efficient portfolio construction. The aims will be to reduce fees through economies of scale and improve investment performance over time through combining teams and strengthening processes.

<u>Private Equity</u>

Existing assets would remain in the individual funds' ownership, but would be monitored via the Pool investment team. New investments would be made collectively through a LLP structure The aims will be to reduce fees through economies of scale (larger commitments and ability to co-invest) and improve investment performance over through combining teams and strengthening process.

<u>Special Opportunities</u>

Special Opportunities covers a variety of investments that do not naturally fit within mainstream fund assets. It could for example reflect short-term opportunities where there have been market dislocations and/or there are early mover advantages. Such investments are primarily asset allocation decisions and thus individual funds decide the allocation.

Existing assets would remain in the individual funds' ownership. New investments may be made collectively through an LLP structure. The aims would be to reduce fees through economies of scale with bigger mandates to external investment managers. The breadth and expertise in the pool may result in more suitable opportunities being identified.

Local Investments

Local investments generally have twin aims of generating commercial returns and supporting the local economy. Examples include GMPF’s residential housing developments and social impact investments. Investments are typically made via limited partnerships.

The expectation is that these investments would continue to be held by the individual fund, but management would be undertaken by the Pool as a whole to develop resources and experience in this area.

5. Costs and Savings

5.1 Background

5.1.1 The Funds believe that control of costs is important from the perspective of maximising risk adjusted returns. This applies to both:

(i) The costs of administering the pool investments;

(ii) The underlying investment management costs.

5.1.2 This concept does not always mean the absolute minimisation of costs; for example, certain investment classes, such as private equity and infrastructure, have higher cost than others, such as bonds, but are expected to deliver higher returns. Active investment management has a higher cost than passive but should deliver additional returns. Portfolio construction requires a balance of assets and management approach to control risk, returns and costs to meet the ultimate objective.

5.1.3 Due to the scale of the participating funds and the simplicity of arrangements, this pool will likely have the lowest costs of any of the LGPS Pools at the outset. Given this, the scope for father savings, particularly in management of liquid securities is limited and there will be a focus on saving costs in alternative assets.

5.2 2012/13 Data and comparison to present

5.2.1 The Pool is currently working on calculating 2012/13 investment costs on a consistent basis, including transaction costs and the cost of some underlying investment vehicles. This is important for targeting savings from alternative assets and will be included in the July submission in detail

5.2.2 The table below shows a comparison of the costs of the Funds on a % of Assets Under Management ('AUM') basis from 2012/13 to 2014/15 and the national average.

	GMPF	MPF	WYPF	Combined Pool	National Average
2012/13	0.092%	0.209%	0.019%	0.090%	0.229%
2014/15	0.076%	0.197%	0.026%	0.083%	0.349%

5.3 Alternative/illiquid assets

5.3.1 The pool believes that significant savings can be made in the management of alternative/illiquid assets by using improved in-house capability and the skills of the Pool to undertake more co-investment and direct investment. However we are still working on how to measure costs on a consistent basis for a current base line. The Pool is also continuing to work on how it will manage alternatives in the future and therefore accurate calculation of projected savings is not possible at this stage.

5.3.2 Based on GMPF's current investment of £2bn in these assets, a conservative estimate of the potential saving is £7m per annum. However, the current investments strategy that is in the process of being implemented over the next 3 to 4 years envisages a doubling of investment to these areas and on a like-for-like basis this would yield savings estimated at £17m per annum, again evaluated on a reasonably prudent basis. The equivalent figures for WYPF are £6m and £8m.

5.3.3 Assuming a proportionately similar cost saving for MPF it is therefore envisaged that savings of around £30m per annum could be achieved via the pooled management of alternative/illiquid assets.

6. Infrastructure

6.1 Background

6.1.1 The Funds note the Government's criteria relating to infrastructure. Funds are asked to state in their response the following:

- The proportion of their fund currently allocated to infrastructure, both directly and through funds, or "fund of funds".
- How they might develop or acquire the capacity and capability to assess infrastructure projects, and reduce costs by managing any subsequent investments directly through the pool(s), rather than existing fund, or "fund of funds" arrangements.
- The proportion of their fund they intend to invest in infrastructure, and their ambition in this area going forward, as well as how they have arrived at that amount.

6.1.2 This section sets out how the criteria will be met by the Pool, referring to Project POOL and other collaboration.

6.2 Current Position

6.2.1 The current position of each Fund is set out below.

		GMPF	MPF	WYPF	**Total**
Direct	Allocated	1.5% £250m			**0.7% £250m**
	Committed	0.4% £60m	0.5% £30m		**0.3% £90m**
	At Work	0.1% £17m	0.2% £15m		**0.1% £32m**
Funds	Allocated	4% £680m		3.0% £325m	**3.0% £1,005m**
	Committed	2.8% £469m	4.2% £272m	3.3% £366m	**3.0% £1,107m**
	At Work	1.3% £224m	3.4% £220m	2.4% £271m	**2.0% £716m**
Total	Allocated	5.5% £930m		3.0% £325m	**3.5% £1,255m**
	Committed	3.1% £529m	4.7% £302m	3.3% £366m	**3.3% £1,197m`**
	At Work	1.7% £241m	3.6% £235m	2.4% £271m	**2.2% £747m**

`% are of whole Fund as at 31 December 2015

6.3 Developing capacity and capability in infrastructure

6.3.1 The Funds all made active contributions to Project POOL and are in broad agreement with the key conclusions of the infrastructure section of the report, including:

- Infrastructure assets that are most attractive to pension funds are established infrastructure projects delivering steady income streams that rise with price inflation (since LGPS pension payments increase with inflation). There will also be demand for some higher risk-return assets as reflected in existing portfolios held by the funds in the pool.
- Improved access and lower cost is most likely to be achieved through a national platform accessible to all the LGPS asset pools.
- Further work is required to determine how the national platform should be established and whether it builds on or runs alongside any existing arrangements. Government can assist the investment in infrastructure by ensuring that there is a pipeline of projects that are suitable for investment by the LGPS.
- The creation of an LGPS infrastructure 'Clearing House' will enable a meaningful dialogue with Government in the period leading up to the formal inception of the pools. The Clearing House could source, undertake due diligence and aggregate investment opportunities in the interim period.

6.3.2 This Pool envisages that in addition to commitments to the national pool, there would be some investment by LGPS pools alongside the national pool, either as co-investment opportunities or separately, where appropriate due to location, scale, local knowledge, existing relationships or other factors, but with the national pool providing a clear lead.

6.3.3 Ahead of the pooling agenda, GMPF, which has a long track record of investing in infrastructure funds, has developed capacity to invest in direct infrastructure opportunities through its joint venture with the London Pension Fund Authority ('LPFA'). This vehicle is currently known as GLIL but is due to be renamed. Both funds have committed £250m each to make investments up to £150m. The first investment has been made and due-diligence is being concluded on a number of other opportunities.

6.3.4 This vehicle has been designed to be extended to accommodate other funds and could form part of the national solution. The intention of the Pool and its existing collaborative partners is to promote the concept of an LGPS owned entity with both direct investment capacity and to facilitate the clearing house concept. It is felt that GLIL could form part of the foundations of this.

6.3.5 At present the collaborative partners include LPFA directly; this would quickly be extended to include WYPF and MPF. In addition the "Borders to Coast" Pool has expressed an interest in working with us and has agreed the key features set out below. Much more work is needed on governance structures and it is intended to be very much a collaborative approach with all of the LGPS. If the number of parties investing in GLIL became such that it is impractical for all parties to be actively involved in the decision making process then the vehicle will seek the appropriate level of FCA authorisation.

6.3.6 The key features of this proposal as an investment vehicle and 'clearing house' are:

<u>GLIL Vehicle</u>

- A clear governance structure with decision making devolved from funds' pension committees to officers with a clear investment mandate including risk and return parameters and allowable investment types.
- All contributing pools participating in decision making.
- A number of sub funds targeting assets on the basis of direct or indirect risk/return targets and UK/overseas.
- An appropriately resourced internal transaction team to appraise opportunities
- Use of external resources as appropriate using economies of scale to reduce costs.

Clearing House

This could have the ability to speak for the LGPS as a whole within pre-agreed parameters. The general concept is to avoid loss of value through LGPS pools competing against each other for infrastructure deals. It would then perform roles including:

- Identifying infrastructure projects suitable for direct investment by LGPS pools;
- Performing initial due diligence and present the projects to LGPS pools;
- Gather together the necessary funding commitments from LGPS pools;
- Complete the full due diligence process and act as agents for LGPS pools in the investment.

6.3.7 To provide capacity and capability in a cost effective manner the Clearing House could be supported by the GLIL vehicle in terms of resourcing with costs recovered through a mechanism of charging for investments made.

6.3.8 The Northern Powerhouse Pool specifically would look to support this proposal and the other partners would look to commit both capital and further internal management resources as soon as possible. One of the key strengths of the Pool is its internal management capacity and this is demonstrated in this proposed solution to the infrastructure criteria.

6.4 Future allocation

6.4.1 The Funds are open to further investment in infrastructure and will look to achieve an allocation of 10% of fund value in the medium term subject to identification of investment opportunities that meet the required risk adjusted returns to meet their liabilities. The additional investments would be made via the GLIL vehicle directly and then the Clearing House when available.

Memorandum of Understanding

This agreement is made on 19 February 2016 between the Local Government Pension Scheme ('LGPS') funds administered by Tameside Metropolitan Borough Council, Wirral Metropolitan Borough Council, City of Bradford Metropolitan District Council ("the Funds")

The Funds will work together to form a Collective Asset Pool ("the Pool") which meets the criteria released by Government on 25 November 2015.

This Memorandum of Understanding sets out at a high-level the expected operation of the Pool and the proposed steps in its development.

This will form the basis of the joint submission to Government which the Pool is required to make by July 2016.

The proposals outlined below will likely be subject to change following receipt of professional advice and any changes to the pooling criteria or further detail being provided by Government.

In working together, knowledge and expertise will be shared and resilience will be developed. Collaboration with other LGPS pools is expected and will be encouraged.

Investment philosophy

The long-term vision of the pool is to provide participating funds with access to a range of internal and external investment management and related services at low cost, to enable the participating funds to continue outperforming their benchmark.

Liabilities influence the asset structure; funds exist to meet their liabilities. Asset allocation is the dominant determinant of portfolio risk and return. Markets can be inefficient. Risk premia exist for equity, credit, duration, illiquidity, inflation and volatility. The key principles of the investment approach are a long-term perspective and to maintain simple arrangements with a relatively low number of managers and low manager and portfolio turnover.

The proportion of assets in the pool that are internally managed is expected to increase over time.

The pension committees of the participating funds will retain responsibility for liabilities, setting the strategic asset allocation of their fund and associated regulatory policies and strategy documents.

Subject to continuing to meet best practice, participating funds will also retain the ability to select asset class (equity, bonds, property etc…), territory (UK, Europe, US etc..) style and whether managed actively or passively. For an initial period, participating funds will have the discretion to determine whether a mandate is managed internally by the pool or by an external manager.

If it is expected to improve returns net of costs, as and when necessary, the pool will seek FCA Authorisation for the management of specific asset classes. This may require the establishment of legal vehicles such as an Authorised Contractual Scheme (‘ACS’).

Governance

The proposed governance structure for the Pool is an oversight board, consisting primarily of representatives of the participating funds' pension committees, which will define key strategic objectives and provide scrutiny to an executive body of officers who will make the investment management decisions. Both the oversight board and the executive body will work closely with independent advisors.

The legal structure of the Pool Board is expected to be a joint committee.

All Pool Board members have equal voting rights.

In general, decisions of the Pool Board will be made by majority decision. Unanimous decisions will be required for any changes to governance arrangements

The Pool Board will consider whether to appoint independent members and advisors to the Board and whether these appointments should be in a voting or non-voting capacity.

The Pool Board can form sub-committees to oversee specific aspects of the Pool's operation in more detail.

Role of Pool Board

The Pool Board will oversee all aspects of the operation of the Pool's Executive Body, it will not perform any FCA regulated functions. The Board will have oversight of the following:

- The implementation of participating funds' asset allocation instructions;
- The transition of existing fund investments into the Pool;
- Monitoring and benchmarking performance and reporting back to individual fund committees;
- Responsible Investment activities
- Engagement with the committees of participating funds to help drive efficiencies (for example providing details of what mandates already exist in the Pool and new mandates);
- Nominating representatives to national structures as appropriate (for example any national infrastructure board);
- Staffing requirements of the Pool.

Approach to infrastructure investing

The Pool will seek to collaborate more widely across the LGPS on infrastructure investment, either by working collaboratively with other pools or as part of a LGPS-wide infrastructure vehicle. This collective working will help increase the scale and diversity of infrastructure investment held by the Pool.

To minimise cost and build on existing experience, the Pool will look to use the existing GMPF/LPFA Infrastructure Partnership ('GLIL'), which is open to other investors, for direct infrastructure investments.

Subject to suitable governance arrangements, consideration will be given to infrastructure investment in the area served by the participating funds which meet the twin objectives of generating appropriate commercial returns and supporting the local economies of the participating funds.

Where a fund holds local investments outside the Pool, management of those assets will be undertaken by the Pool where that will achieve value for money.

Staffing of Executive Body

Over time a multi-site investment team will be developed, with different specialisms being based in different locations in order to make best use of the skills, talents and resources that the Pool has available to it and the desire for local expertise to be maintained.

The intention of the Pool is for a combined Pool resource to undertake monitoring and reporting to fund committees of all participating funds' investments.

Further work will be undertaken to determine whether the Pool's objectives are best delivered via a 'shared service' model, where staff will be employed directly by the administering authorities or whether an investment company should be established by the Pool.

Transition of assets into pool

The Pool will start to make collective investments at the earliest practical opportunity. It is expected that initial pooled investments will be in asset classes where there is currently duplication of effort and material economies of scale can be generated.

As part of the work in formulating the submission to Government in Summer 2016, the pool will draw up a high-level timetable for how assets will transition into the Pool.

Participating funds, in collaboration with the Pool, will periodically assess whether it is cost effective, for both the Pool and the fund, for any non-pooled assets to transition into the pool.

Management of non-pooled assets

Funds' existing holdings of the asset classes listed below are expected to be held outside of the pool in the medium term. The pool will work together to establish measures which could be taken in order to drive efficiencies in the management of these assets, some of these are set out below.

Infrastructure - combine monitoring resources for existing fund assets

Property – undertake a tender exercise to select a single provider for individual funds' existing advisory mandates and the newly created Pool property fund for new investments

Private equity – combine monitoring resources; develop opportunities for co-investment

Other illiquid assets – combine monitoring where possible

Where possible, external managers (for example life-wrapped passive equity) will be jointly procured between participating funds in order to leverage the Pool's scale.

Joint procurement of other investment related service providers such as custodians will also be considered.

Costs

Detailed work will be undertaken on a mechanism for Pool costs to be met by participating funds on an equitable basis.

This will allow smaller funds to benefit from the economies of scale generated by the Pool and avoid an increase in 'like-for-like' costs for larger funds compared to their existing position.

ESG

Consideration of ESG matters will be an integral part of the investment process. The pool will work collaboratively to consider ESG and Responsible Investment issues.

Regular dialogue will take place between the Pool Board and participating funds' committees on how ESG/RI issues are being tackled by the Pool.

Participating funds will have flexibility to express different views where this is appropriate to their investment principles.

The pool will collaborate with national initiatives in this area such as the Local Authority Pension Fund Forum (LAPFF); Institutional Investor Group on Climate Change.

Councillor Kieran Quinn, Chair, Greater Manchester Pension Fund

Councillor Paul Doughty, Chair, Merseyside Pension Fund

Councillor Andrew Thornton, Chair, West Yorkshire Pension Fund

Ms Victoria Edwards
Department for Communities and Local Government
LGPS Reform
2/SE Quarter, Fry Building
2 Marsham Street
London
SW1P 4DF

Our Ref: MPF/PJW

Your Ref:

Direct Line: 0151 242 1309

Please ask for: Peter Wallach

Date: 12 February 2016

Dear Vicky

Local Government Pension Scheme – Revoking and replacing the LGPS (Management & Investment of Funds) Regulations 2009

Merseyside Pension Fund provides the Local Government Pension Scheme for the Merseyside region, delivering pensions administration, investments and accounting on behalf of the 5 Merseyside District Councils, plus 145 other employers.

The Fund has over 128,000 scheme members and is responsible for the investment and accounting for a pension fund of £6.5bn.

Response to questions within the consultation.

1. **Does the proposed deregulation achieve the intended policy aim of removing any unnecessary regulation while still ensuring that authorities' investments are made prudently and having taken advice?**

   We welcome the intention to deregulate and simplify the investment regulations to bring the LGPS more in line with private sector occupational pensions legislation.

   Understandably, the draft regulations provide broad direction but do not provide detail on requirements or definitions in relation to the preparation of an investment strategy statement and it is important that the accompanying guidance addresses fully areas of uncertainty.

2. **Are there any specific issues that should be reinstated? Please explain why**

   It would be helpful for the regulations to make some reference to the ultimate purpose of the investment; the fiduciary responsibility to pay members' benefits.

   In his recent opinion regarding fiduciary responsibility in the LGPS, Nigel Giffin QC said that, whilst he acknowledged the Government's argument that common law fiduciary duty would apply, he did state that 'it would clearly be preferable if the relevant provisions of the Occupational Pension Schemes (Investment) Regulations 2005 were made to apply to the LGPS'. These relevant provisions include the requirement that assets are invested 'in the best interests of members and beneficiaries and, in the event of a conflict of interest, in the sole interests of members and beneficiaries.' We would suggest that this requirement be included in the regulations to put this duty beyond all doubt.

3. **Is six months the appropriate period for the transitional arrangements to remain in place?**

   As the 2016 Actuarial Valuation and pooling discussions may influence the scope of an Investment Strategy Statement, we would recommend that the timescale is extended to twelve months to reflect this.

4. **Should the regulation be explicit that derivatives should only be used as a risk management tool? Are there any other circumstances in which the use of derivatives would be appropriate?**

   We believe it would be unhelpful for the regulation to stipulate that derivatives should only be used as a risk management tool.

   Private sector funds are permitted to make use of derivatives for 'efficient portfolio management' and we would recommend that an equivalent arrangement was permitted within the LGPS.

   As a fund, we already use derivatives to implement asset allocation decisions in a timely and cost effective manner. Not all the derivative transactions undertaken by us would be deemed risk management although we have clear guidelines which ensure that, at no time, are derivatives used to 'gear' the portfolio.

   In view of the current ambiguity around direct and indirect investment in derivatives, the Regulations should provide clarity around this point.

5. **Are there any other sources of evidence that then Secretary of State might draw on to establish whether an intervention is required?**

   The regulations allow the Secretary of State to draw on external advice to determine what the specific intervention should be. Additional information may be available from:

   Auditor

   Actuary

   The Pensions Regulator / Ombudsman

   Local Pension Board

6. **Does the intervention allow authorities sufficient scope and time to present evidence in favour of their existing arrangements when**

either determining an intervention in the first place, or reviewing whether one should remain in place?

Yes, subject to a reasonable timetable for intervention being set by the Secretary of State.

7. **Does the proposed approach allow the Secretary of State sufficient flexibility to ensure that he is able to introduce a proportionate intervention?**

   Yes, providing such intervention and direction to invest is not made without regard to a fund's fiduciary duty.

8. **Do the proposals meet the objectives of the policy, which are to allow the Secretary of State to make a proportionate intervention in the investment function of an administering authority if it has not had regard to best practice, guidance or regulation?**

   In principle, yes, but guidance from the Secretary of State will be central to how these Regulations are applied.

Yours sincerely

Head of Pension Fund

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WIRRAL COUNCIL

PENSIONS COMMITTEE

21 MARCH 2016

SUBJECT:	**APPOINTMENT OF INDEPENDENT PROPERTY VALUER**
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 recommend the appointment of Savills (UK) Ltd with respect to the mandate as Independent Property Valuer to Merseyside Pension Fund. The mandate is for an initial term of five years with the option for up to a further five years to be reviewed on an annual basis.

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

2.0 BACKGROUND AND KEY ISSUES

2.1 The contract for Independent Property Valuer was last awarded in 2010 in respect of Merseyside Pension Fund's property portfolio, which ended with the last valuation on 31 December 2015. Consequently, a procurement exercise was instigated in the summer to retender the contract. The tender exercise was conducted in house between the Corporate Procurement Department and Officers of the Fund.

2.2 The criteria for assessment were pre-set at 30% for qualitative and technical ability and 70% for price.

2.3 There were 4 completed responses received to the contract notice resulting from specific scoping of the role.

2.4 Officers of the Fund, in conjunction with the Corporate Procurement Unit, scored all of the received offers and ranked submissions using pre-determined criteria on a quantitative basis and taking into account fees proposed for the five year term. Full details are set out in the appendix to this report.

2.5 Savills (UK) Ltd had the highest overall score and was recommended for appointment as being the most economically advantageous tender.

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 ROUPS

7.1 There are none arising from this report.

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

8.1 The financial implications of the contract are set out in the attached appendix.

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 note the appointment of Savills (UK) Ltd in respect of Independent Property Valuer for a period of five years with up to a further five years to be reviewed annually, subject to satisfactory reviews.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The existing contract for Independent Property Valuer terminated with the last valuation on 31 December 2015 and it is essential that the Fund receives an independent valuation on its UK property holdings commencing 31 March 2016.

REPORT AUTHOR: **Peter Wallach**
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APPENDICES

Exempt Appendix 1

BACKGROUND PAPERS/REFERENCE MATERIAL

None

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

WIRRAL COUNCIL

PENSIONS COMMITTEE

21 MARCH 2016

SUBJECT:	**TUNSGATE DEVELOPMENT**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report recommends approval for the second phase of the development of the Tunsgate Centre as set out in the attached report from CBRE.

1.2 An exempt report on the agenda, report of CBRE, 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 On 15 January 2013, Committee gave approval for an extensive redevelopment of Tunsgate Square in accordance with a detailed proposal from the Fund's property advisors, and authorised officers to undertake the implementation of that proposal in conjunction with CBRE.

2.2 Good progress has been made in preparing the design works, achieving the necessary planning approvals, procurements and all the other prerequisites for construction works to begin. CBRE continue to work closely with the developers in managing the project and a status report has been prepared by them (attached) that makes recommendations in terms of the key future actions required to take the scheme forward to full implementation.

2.3 Arrangements are being made for the developers to attend a future Investment Monitoring Working Party to provide members with a further update on plans and progress.

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 None

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 AND ENVIRONMENTAL IMPLICATIONS

11.1 As a condition of the planning consent, the developer is required to achieve a BREEAM score of Good.

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 recommendations from CBRE as set out in the attached report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 As set out in the report, a redevelopment of Tunsgate Square is required to ensure the asset remains fit for purpose and is forecast to provide good returns over the longer-term.

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APPENDICES

Appendix 1 – Report of CBRE

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	**15 January 2013**

Minutes of the Meeting of the Governance and Risk Working Party

Thursday 28 January 2016

Present:

Councillor Paul Doughty (Chair) (WBC)	Peter Wallach (Head of MPF)
Councillor Geoffrey Watt (WBC)	Joe Blott (Strategic Director T&R)
Councillor Cherry Povall (WBC)	Guy Hayton (Operations Manager)
	Donna Smith (Group Accountant)

Apologies were received from:

Councillor Ann McLachlan (WBC)	Councillor Brian Kenny (WBC)
Councillor Paulette Lappin (Sefton)	Councillor Paulette Lappin (Sefton)
Yvonne Caddock (Principal Pensions Officer)	Councillor Pat Cleary (WBC)

In attendance: *Emma Jones, John Raisin (Pension Board Chair) and Kerry Beirne (Pension Board)*

1. Approval of Minutes

Minutes of G&RWP, dated Tuesday 30 June 2015 were approved.

2. Declarations of Interest

Councillor Paul Doughty declared an interest due to a relation being a beneficiary of the Fund.

Councillor Geoffrey Watt declared an interest due to a relation being a beneficiary of the Fund.

WIRRAL COUNCIL

PENSIONS COMMITTEE

21 MARCH 2016

SUBJECT:	**ANNUAL LGPS TRUSTEES CONFERENCE**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**STRATEGIC DIRECTOR TRANSFORMATION & RESOURCES**
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 This report requests nominations to attend the thirteenth Annual LGPS Trustees' conference organised by the Local Government Pensions Committee from 23 to 24 June 2016.

2.0 BACKGROUND AND KEY ISSUES

2.1 The LGPC trustees' conferences are specifically aimed at elected members with responsibility for the Local Government Pension Scheme but is open to officers and other scheme member representatives who support pensions committees or hold pension fund investment or administration responsibilities. It is also of interest to local pension board members.

2.2 The programme for this year's conference "In at the deep end" has yet to be finalised but, as is apparent from the title, pooling of investments is to the forefront of everyone's mind and topics likely to be included are:

- Submissions to the pooling agenda
- Investment Manager selection going forward
- Cessation of contracting-out; liability for pensions increases
- Investment cost transparency
- 2016 and English/Welsh Valuations / cost management
- Pensions Tax – implications for the LGPS
- MIFID II + IORPII = ?

The event is to be held in the Macdonald Hotel, Manchester and will have its popular lunchtime-to-lunchtime format commencing on Thursday 23 and concluding on Friday 24 June 2016.

2.3 MPF has been represented at previous LGPC Conferences with a general invitation to Committee members.

2.5 Accommodation will be required for the night of 23 June 2015.

3.0 RELEVANT RISKS

3.1 The Fund is required to demonstrate that Members of Pensions Committee have been adequately trained. This conference is a recognised training opportunity.

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 The actual cost of attendance plus a night's accommodation is not yet known but is expected to be around £500 + VAT per delegate, 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 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 Committee considers if it wishes to send a delegation to attend this conference and, if so, to determine the number and allocation of places.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The conference forms a part of the Members' development plan approved by Committee in January 2016.

REPORT AUTHOR: **Peter Wallach**
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APPENDICES

NONE

BACKGROUND PAPERS/REFERENCE MATERIAL

NONE

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSIONS COMMITTEE

21 MARCH 2016

SUBJECT:	**PLSA LOCAL AUTHORITY 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 Pensions & Lifetime Savings (PLSA (formerly NAPF)) Local Authority Conference 2016 to be held in Gloucester from 16 May to 18 May 2016.

2.0 BACKGROUND AND KEY ISSUES

2.1 The PLSA Local Authority Conference is a specialist pension event for Local Authorities, designed to look at the ever-changing Local Government Pension Scheme.

This year's conference focuses on efficiency, transparency and collaboration: the major themes shaping the modern LGPS. The programme will cover many of the challenges associated with the day job but pooling is clearly at the top of the agenda and there will be a number of sessions focusing on how to get pooling right.

A draft agenda is attached as an appendix.

2.2 Merseyside Pension Fund is a member of the PLSA which represents some 10 million employees in pension schemes. The NAPF seeks to make effective representation to encourage provision as well as sound stewardship of pension fund assets.

2.3 MPF has been represented at all previous PLSA Local Authority Conferences usually by the Chair of Pensions Committee and party spokespersons.

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 The cost of attendance plus two nights' accommodation will be £368 + VAT per delegate, 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 Committee considers if it wishes to send a delegation to attend this conference and, if so, to determine the number and allocation of places.

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 2016.

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APPENDICES

Appendix 1- Agenda

BACKGROUND PAPERS/REFERENCE MATERIAL

None

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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MONDAY 16 MAY 2016	
12:00-19:00	**Registration open**
13:00-14:00	**NETWORKING LUNCH DISCUSSIONS**
Local Pension Board Networking Lunch	Discuss Board work programmes, how to hold funds to account and what are the key areas Boards should be focusing on in 2016. Open to representatives of Local Pensions Boards only. Pre-registration essential.
Delegate Networking Lunch	An opportunity for pensions officers, pension committee members, participating employers and service providers to get together and discuss the key issues facing the scheme.
14:00-15:00	Learning Zone session 1 - sponsored by Newton Investment Management **CAPITAL PRESERVATION VS OUTPERFORMING THE MARKET - WHAT SHOULD MATTER MOST TO THE LGPS** If you had to choose between a manager who outperforms a market benchmark by 3% per annum consistently year after year, and another that focuses on capital preservation at the cost of outperformance in bull markets, which would you choose? In this session we argue that focus on market benchmarks and short performance evaluation periods leads LGPS funds down the wrong path and why therefore they should be thinking of absolute risk not relative risk and long-term total return. Suzanne Hutchins, Portfolio manager, Real Return team, Newton Investment Management
15:00-15:30	**Refreshment break**

15:30-16:30	LEARNING ZONE SESSION 2 - sponsored by Squire Patton Boggs Session details to follow soon…port
16:30-16:45	**Refreshment Break**
16:45-17:45	**F**RINGE MEETING - sponsored by State Street Global Advisors Session details to follow soon…
17:45-19:00	**Welcome drinks reception in the exhibition hall**
19:00-21:00	**Dinner in the hotel restaurant (no formal arrangements)**

TUESDAY 17 MAY 2016	
09:00	**Exhibition opens and coffee served**
09:15-09:35	**PENSIONS AND LIFETIME SAVING ASSOCIATION WELCOME** Joanne Segars, Chief Executive, Pensions and Lifetime Savings Association
09:30-10:15	**A POLITICAL IMPERATIVE** The Government is awaiting the submission of final proposals for pooling within the next month. What is the Local Government Minister looking for in these proposals? And what does he see as the greatest benefits, and risks, of pooling assets in the LGPS? **Marcus Jones MP, Local Government Minister** **Chaired by Joanne Segars, Chief Executive, Pensions and Lifetime Savings Association**
10:15-11:00	**CONTROLLING ALL COSTS** The 2016 valuation will be critical to the sustainable future of the LGPS. How will the new cost control mechanism shape this valuation and how can we ensure fair measurement of deficits across the LGPS? **Martin Clarke, Government Actuary, Government Actuary's Department** **Co-speakers TBC**
11:00-11:30	**Refreshment break in the exhibition hall**
11:30-12:15	**Concurrent sessions**

Good governance	**GOOD GOVERNANCE - BEING A LOCAL PENSIONS BOARD**

stream sponsored by: Mercer	What does good Local Pensions Board governance look like? What should Board members be focusing upon and what do they need to know to do the job? Speakers TBC
Investment stream sponsored by: MFS	Session details to follow…
Thought leadership stream sponsored by: Winton	Session details to follow…
LGPS Employers Forum	**WHAT ISSUES FACE EMPLOYERS WITHIN THE LGPS?** This session will explore the main issues facing employers within the LGPS including engagement during valuation and managing entry and exit. *This session is open to employers within the LGPS and admitted bodies only.*
12:15-13:45	**Lunch**
13:45-14:30	**GOOD GOVERNANCE AND THE LGPS** One of the Government's key criteria for pools is that they improve the governance of the LGPS. But are pooling and good governance really natural bed fellows? How do we ensure that governance operates effectively, at both fund and pool level. **Dawn Turner, Head of Pension Fund Management, Environment Agency** **Mike Ellsmore, Chair of Local Pension Boards at Croydon, Southwark and Sutton**

	Karen McWilliam, Head of Public Sector Benefits Consultancy, Aon Hewitt **Chaired by Joanne Segars, Chief Executive, PLSA**
14:35-15:20	**Concurrent sessions**
Good governance stream sponsored by: Mercer	Session details to follow…
Investment stream sponsored by: MFS	**INVESTMENT REGULATIONS - INVESTING IN A WORLD WITHOUT RESTRICTION** What do the new investment regulations ultimately mean? How should funds be approaching their investment strategy statements and what does prudence mean in the LGPS? Speakers TBC
Thought leadership stream sponsored by: **Winton**	**MANAGING INFORMATION** Managing the flow of information under a career average arrangement is one of the key challenges facing the funds. What can funds do to ensure they manage this information well and meet their deadlines? Speakers TBC
Local Pension Board Forum	**WHAT ARE THE ISSUES THAT FACE LOCAL PENSION BOARDS** The Pensions and Lifetime Savings Association sets out the main issues facing Local Pension Boards including legal status, their work programme, their role in the pooling. *This session is open to members of Local Pension Boards only*.
15:20-15:45	Refreshment break in the exhibition hall

15:45-16:30	**COMBINING FORCES** Regardless of the many challenges associated with the day job, pooling is clearly at the top of everyone's agenda. We hear from those funds who are actually driving forward new pooling proposals. What are the real opportunities and challenges and how do we ensure that all these pools fit together? Speakers TBC
16:30-17:15	**WEATHERING NEW CHALLENGES** Sentiment over the health of the global economy continues to worsen and the prospect of interest rate rises on this side of the Atlantic looks increasingly slight. Are policy makers out of ammunition to fight global financial jitters or re there signs that central banks may take further action. **Carl Tannenbaum, Chief Economist, Northern Trust** **Chaired by Joanne Segars, Chief Executive, Pensions and Lifetime Savings Association**
17:15-17:20	**LAUNCH OF NEW MADE SIMPLE GUIDE ENVIRONMENTAL, SOCIAL AND GOVERNANCE MADE SIMPLE** We are delighted to announce the launch of Environmental, Social and Governance Made Simple sponsored by BNP Paribas Securities Services.
19:00-22:00	**CONFERENCE GALA DINNER sponsored by Equiniti**

WEDNESDAY 18 MAY 2016	
09:00	**Exhibition open and coffee served**
09:30-10:15	**INVESTING FOR SUCCESS** **One of the critical issues facing the new pools will be how to balance the investment needs of the participating funds with the requirement to reduce the overall number of mandates.** **Speakers TBC**
10:15-11:00	**TRANSACTION COSTS - CLEAR AS MUD?** **We are now over a year into the new guidance for disclosing transaction costs. How have funds found the process of uncovering these costs, what more is to come and what is still missing?** **Peter Dorward, Royal London Independent Governance Committee** **Geik Drever, Director of Pensions, West Midlands Pension Fund** **Co-speaker TBC** **Chaired by Joanne Segars, Chief Executive, Pensions and Lifetime Savings Association**
11:00-11:30	**Refreshment break in the exhibition hall**
11:30-12:15	**GOOD GOVERNANCE: COLLABORATION WITH LGPS EMPLOYERS** It's no secret that the number of employers is expanding rapidly and that the challenging economic climate is making life difficult for admitted bodies. The 2016 valuation is likely to bring new challenges and difficult discussions. So how do funds get on the front foot? And what does best practice look like when it comes to managing employers in (and out) of the LGPS? **Helen Forrest Hall, Policy Lead: DB, Pensions and Lifetime Savings Association**

	Co-speakers TBC **Chaired by Joanne Segars, Chief Executive, Pensions and Lifetime Savings Association**
12:15-13:00	**POLITICAL REALITY** Between local, Scottish and Mayoral Elections in early May, an EU referendum in June and the US General Election in November we live in interesting political times. What does this fluctuating political climate mean for long term policy making? Michael Crick, Political Journalist & Broadcaster
13:00	**Lunch and close of conference**

WIRRAL COUNCIL

PENSIONS COMMITTEE

21 MARCH 2016

SUBJECT:	**PENSION BOARD MINUTES**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report provides members with the minutes of the Pension Board held 14 July 2015 and 13 October 2015.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Pension Board was established in 2015 in accordance with section 5 of the Public Service Pensions Act 2013 to assist the Administering Authority in its role as a scheme manager of the Scheme.

2.2 The Pension Board provides reports to the Administering Authority on its activities and, as a part of that reporting, the minutes of its meetings are shared with Pensions Committee.

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 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 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 note the minutes of the Pension Board

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The Pension Board provides reports to the Administering Authority on its activities and, as a part of that reporting, it is best practice that its minutes are shared with Pensions Committee on a regular basis.

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APPENDICES

Appendix 1 Pension Board minutes

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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LOCAL PENSIONS BOARD

Tuesday, 13 October 2015

Present:	J Raisin (Chair)	
	G Broadhead M Hornby R Dawson K Beirne	D Ridland P Wiggins P Maloney
Apologies	P Goodwin	

9 **MINUTES**

Resolved – That the accuracy of the Minutes of the Local Pensions Board held on 14 July, 2015 be approved as a correct record.

10 **LGS UPDATE**

Members of the Pension Board considered the LGPS update report that had been taken to September 2015 Pensions Committee and was attached as an appendix to the report. The report informed Members of a number of policies announced in the 2015 Summer Budget and the associated impact on the LGPS and its members. It also raised awareness that the Government had issued consultations on the potential reform of pension tax relief and a cap on public sector staff exit payments. The LGA response to HMT Consultation on the Proposed Exit Cap was attached as an Appendix to the report.

An extract from a recent Scheme Advisory Board meeting which provided further information on the Government's proposals for LGPS assets to be pooled was also considered.

A letter from Chris Megainey, Deputy Director, Workforce, Pay and Pensions, dated 7 October, 2015 sent to Jeff Houston, Head of Pensions, Local Government Association was circulated to Members. This had been copied to each Administrative authority in England and Wales and identified the Government's intention to work with administering authorities to bring together investments into up to six pools spread across the country, with the aim to create the conditions to enable significant cost savings and substantial investment in infrastructure in the regions. Peter Wallach, Head of Pensions informed the Board that work was being undertaken by having regular meetings with other LGPS funds and involvement in various work streams and responded to Members questions.

Resolved - That the report be noted.

11 ANNUAL REPORTS AND ACCOUNTS

The Pension Board considered a report that provided Members with the Annual Report of Merseyside Pension Fund for 2014/15.

Resolved – That;

1. **the Annual Report of Merseyside Pension Fund be noted.**
2. **the Pension Board offers its thanks to the staff at Merseyside Pension Fund for their work.**

12 GIFTS & HOSPITALITY POLICY

A report of the Head of Pension Fund set out a draft gifts and hospitality policy for the Board to consider with a view to implementing a policy for Pension Board members.

It was reported that Merseyside Pension Fund had a gifts and hospitality policy in place which had been approved by Pensions Committee in 2012. Pensions Committee had also agreed that it should be best practice guidance for those members of Committee who otherwise were not subject to personal conduct arrangements.

It was recognised that members of the Pensions Board were not decision makers in relation to the pension fund's business. Nonetheless, in view of the public office that they fulfil, it was recommended that an equivalent policy be adopted by Pension Board members.

The Fund's policy followed the Council's policy and was set out in the report. Peter Wallach, Head of the Pension Fund, informed the Board that a record of training/hospitality would be maintained and requested that Members make a monthly return. In response to questions from Members he indicated that a report would be published annually and would be made available in the public domain on the Funds website.

Resolved – That the gifts & hospitality policy be adopted for members of the Pension Board.

13 WORK PLAN

The Pension Board considered a report that provided Members with an outline of current and future legislative changes affecting MPF and the Pension Fund's key activities and projects in response to them.

The purpose of the Board was to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance was to:

a) secure compliance with the Regulations , any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pension Regulator in relation to the Scheme and;

b) ensure the effective and efficient governance and administration of Merseyside Pension Fund.

c) provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Board does not have a conflict of interest.

To assist the Pension Board in directing its future activities MPF's key activities and projects were set out in the appendix to the report to enable Board members to identify and develop its work and training programme. Following a discussion with Members, the Head of Pensions undertook to bring a draft Pensions Administration performance overview to the next Board.

Resolved – That the report be noted.

14 **TRAINING**

A report of the Head of Pension Fund provided Members with an update on the proposed training programme to assist members in fulfilling requirements of the Knowledge and Understanding policy.

In a report on this subject brought to the July Board meeting members had been informed that, in accordance with the Pensions Act 2004, every member of the Wirral Pension Board must be conversant with key areas of knowledge and understanding of the law relating to pensions.

Pension Board members were expected to complete induction training within the first three months of their appointment. This consisted of an online training course provided in a Trustee Toolkit by the Pensions Regulator (TPR). Peter Wallach, Head of the Pension Fund, noted that members of the Board were making good progress in training.

It was reported that CIPFA had issued a publication in respect of local pension board knowledge and skills. The publication provided a useful overview of knowledge areas and was set out in appendix 1 of the report.

A number of these areas had been covered in the training organised by the LGA on 28 May 2015 and the additional bespoke training day arranged on 29 September 2015. Members of the Board offered their thanks to Peter Wallach for arranging the training on 29 September 2015 that they agreed had been very useful and informative. At the request of Board members it was agreed that the course content could be circulated to members. It was proposed that training would be provided on all areas in the future.

The annual assessment of the performance of the Pension Board would include a detailed report on training events offered and attended by Board members. The Chair encouraged Members to inform the Fund of training successfully completed to enable personal records to be kept up-to-date. Several members expressed the concern that the majority of training opportunities were offered in London which was disadvantageous in terms of time and cost. Members discussed alternatives such as Webinars and Peter Wallach noted members' comments and informed the Committee that there would be some local training opportunities such as the forthcoming Annual Conference to be held at Aintree Racecourse.

Resolved – That:

1. **the report be noted.**
2. **Members undertake to report all personal learning and development activities to the Fund.**

15 IMWP MINUTES - 19 JUNE, 2015

Members considered the IMWP minutes that had been taken to the September Pensions Committee that were attached as an exempt appendix to this report.

The appendix to the report, the minutes of the IMWP on 19 June 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).

Members raised the question of whether it would be appropriate for them to attend meetings of the IMWP and it was agreed that Members could attend – as observers only – and that it would be advisable if they contacted the Fund of their intention to attend to ensure that only 2 members maximum would be attending any meeting.

Resolved – That the report be noted.

16 GRWP MINUTES - 30 JUNE, 2015

Members considered the GRWP minutes that had been taken to the September Pensions Committee and were attached as an exempt appendix to the report.

The appendix to the report, the minutes of the GRWP on 30 June 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).

Members questioned whether it would be feasible for the Board to receive further information on the tracking tool and to access the Risk Register. Peter Wallach, Head of the Pension Fund informed the Board that it would be possible for representative of Mercer or the officers to give Members a short presentation. At the request of the Chair it was also agreed that this item be included as an exempt standing item on the agenda of future meetings.

Resolved – That the report be noted.

17 **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.

18 **IMWP MINUTES - EXEMPT APPENDIX**

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

19 **GRWP MINUTES - EXEMPT APPENDIX**

The exempt appendix to the report on GRWP minutes was exempt by virtue of paragraph 3.

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LOCAL PENSIONS BOARD

Tuesday, 14 July 2015

Present:	J Raisin (Chair)	
	G Broadhead	P Goodwin
	M Hornby	P Wiggins
	K Beirne	P Maloney
	D Ridland	
Apologies	J Dawson	

1 **APPOINTMENT OF CHAIR OF PENSION BOARD**

On a motion by Mr Mike Hornby and seconded by Mr Paul Wiggins it was;

Resolved (unanimously) – That John Raisin be appointed Chair of the Wirral Local Pension Board for a term of 4 years.

2 **REVIEW OF PENSION BOARD POLICIES**

A report of the Strategic Director Transformation and Resources provided members with policies relevant to the Pension Board to which they would be subject.

Members were requested to approve and adopt the Board's Terms of Reference which had been agreed at Wirral's Council meeting on 16 March 2015.

The Terms of reference were attached at appendix 1 to the report and it was noted that the role of the Board members required the highest standards of conduct and therefore the "seven principles of public life" as defined within the Council Constitution would be applied to all Pension Board members and embodied in their code of conduct.

In addition, a 'Knowledge and Understanding' and 'Conflict of Interest Policy', attached as appendices 2 and 3 to the report, had been drafted to assist the Board in compliance with the LGPS regulations and the Pension Regulator's Code of Conduct.

Resolved – That;

1. the Local Pension Board's Terms of Reference be approved and adopted and that it be agreed that the Chair of the Committee signs them on behalf of Members of the Board.

2. the other policies relevant to Members of the Board be noted.

3 **BUSINESS PLANNING**

A report of the Strategic Director Transformation and Resources provided Members with an outline of current and future legislative changes affecting MPF and the Pension Fund's key activities and projects in response to them.
To assist the Pension Board in directing its future activities, MPF's key activities and projects were set out in the appendix to the report to enable Board members to identify and develop its work and training programme.

It was reported that the purpose of the Board was to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance was to:
a) secure compliance with the Regulations , any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pension Regulator in relation to the Scheme and;
b) ensure the effective and efficient governance and administration of Merseyside Pension Fund.
c) provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Board does not have a conflict of interest.

Resolved – That;

1. the report be noted.

2. the Head of the Pension Fund bring a draft Business Work Plan to the next meeting of the Local Pension Board.

4 **STRONGER FUTURES: DEVELOPMENT OF THE LGPS**

The Board considered a report of the Strategic Director Transformation and Resources which informed members that Grant Thornton had undertaken a review of governance arrangements at local government pension scheme funds in England and Wales. Grant Thornton's findings were contained in the appendix to the report.

Grant Thornton had based its second review of the governance in LGPS funds on comprehensive research with pension fund senior officers, supported by insights from pension fund auditors.

The review was intended to help those with responsibility for managing funds to assess the strength of their governance arrangements. It would also assist members of Local Pension Boards to consider what good governance looked like and how they might best focus their efforts. The report also included the areas of priority focus and action points for local pension boards and administrating authorities.

Resolved – That the report be noted.

5 POLICY ON COMPLIANCE WITH THE PENSIONS REGULATOR

A report of the Strategic Director of Transformation and Resources informed Board Members that the changes introduced by the Public Service Pension Act 2013 provided for clearer governance and extended the work and the oversight of The Pensions Regulator (TPR) to the LGPS.

Members were informed that the aim of the TPR was to implement and monitor a robust and consistent set of principles to ensure the correct payment of benefits, timely receipt of contributions and the publication of clear information by pension administrators under agreed industry standard policy and practice.

Merseyside Pension Fund has a large and diverse employer base, including councils, colleges, and academies and admitted bodies. This presented a significant challenge in achieving and maintaining high quality data due to different IT systems, levels of staff knowledge and technical expertise amongst the employers.

The Pensions Regulator had published Code of Practice 14: Governance and Administration of Public Service Pension Schemes in January 2015, to assist schemes in achieving and maintaining high quality administration – this took effect from April 2015.

The code set out the legal requirements, gave practical guidance and expected standards for those responsible for the operations and management of public service pension schemes. It also raised awareness of the knowledge and understanding required of local board members and how potential conflicts of interest should be managed.

It was noted that the code of practice could be accessed via the link below:

http://www.thepensionsregulator.gov.uk/docs/draft-code-14-governance-administration-public-service-pension-schemes.pdf

Resolved – That the Code of Practice and Policy framework outlined in the report be noted.

6 **TRAINING PROGRAMME**

A report of the Strategic Director Transformation and Resources provided Members with an outline of the proposed programme to assist members in fulfilling requirements of the Knowledge and Understanding policy.

The Board were informed that in accordance with the Pensions Act 2004 members of the Wirral Pension Board must be conversant with key areas of knowledge and understanding of the law relating to pensions with particular reference to:

- Background and understanding of the legislative framework of the LGPS:
- General pension legislation applicable to the LGPS;
- Role and responsibilities of the Local Pension Board;
- Role and responsibilities of the Administering Authority;
- Funding and investment;
- Role and responsibilities of Scheme Employers;
- Tax and contracting out;
- Role of advisors and key persons;
- Key bodies connected to the LGPS.

Pension Board members were expected to complete induction training within the first three months of their appointment. This consisted of an online training course provided in a Trustee Toolkit by the Pensions Regulator (TPR). Several members raised concerns relating to the usability of the Toolkit and Guy Hayton, Operations Manager, agreed to undertake to look into this matter as some members were concerned that they may be unable to complete their induction training within the time limit.

Peter Wallach, Head of Pensions, informed members that he would prepare and circulate a timeline of training opportunities and providers to the Board.

Resolved – That the report be noted.

7 **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.

8 **APPOINTMENT OF CHAIR - EXEMPT APPENDICES**

The appendix to the report on Appointment of Chair of the Local Pension Board was exempt by virtue of paragraph 3.

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WIRRAL COUNCIL

PENSIONS COMMITTEE

21 MARCH 2016

SUBJECT:	**GOVERNANCE & RISK WORKING PARTY MINUTES**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report provides members with the minutes of the Governance & Risk Working Party (GRWP) held 28 January 2016.

1.2 An exempt report on the agenda, the minutes of the GRWP on 28 January 2016, 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 GRWP meets twice yearly to enable Members and their advisers to consider governance and risk related 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 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 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 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 minutes of the GRWP

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The approval of the GRWP 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 on 27 June 2011.

REPORT AUTHOR: ***PETER WALLACH***
HEAD OF PENSION FUND
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email: peterwallach@wirral.gov.uk

APPENDICES

Appendix 1 – Minutes

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
GRWP minutes	September 2015
GRWP minutes	March 2015
GRWP minutes	September 2014

Minutes of the Meeting of the Governance and Risk Working Party

Thursday 28 January 2016

Present:

Councillor Paul Doughty (Chair) (WBC)	Peter Wallach (Head of MPF)
Councillor Geoffrey Watt (WBC)	Joe Blott (Strategic Director T&R)
Councillor Cherry Povall (WBC)	Guy Hayton (Operations Manager)
	Donna Smith (Group Accountant)

Apologies were received from:

Councillor Ann McLachlan (WBC)	Councillor Brian Kenny (WBC)
Councillor Paulette Lappin (Sefton)	Councillor Paulette Lappin (Sefton)
Yvonne Caddock (Principal Pensions Officer)	Councillor Pat Cleary (WBC)

In attendance: *Emma Jones, John Raisin (Pension Board Chair) and Kerry Beirne (Pension Board)*

1. Approval of Minutes

Minutes of G&RWP, dated Tuesday 30 June 2015 were approved.

2. Declarations of Interest

Councillor Paul Doughty declared an interest due to a relation being a beneficiary of the Fund.

Councillor Geoffrey Watt declared an interest due to a relation being a beneficiary of the Fund.

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

Agenda Item 15

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