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WIRRAL

Local Pensions Board

Date:	**Thursday, 14 April 2016**
Time:	**1.00 pm**
Venue:	MERSEYSIDE PENSION FUND 7TH FLOOR, CASTLE CHAMBERS, LIVERPOOL L2 9SH

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AGENDA

1. **MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST**

   Members of the Board 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 - 6)**

   To approve the accuracy of the minutes of the meeting held on 13 October, 2015.

3. **LGPS UPDATE (Pages 7 - 26)**

4. **ADMINISTRATION REPORT**

   Report to follow.

5. **POOLING UPDATE (Pages 27 - 62)**

6. **LGPS INVESTMENT REGULATIONS CONSULTATION (Pages 63 - 82)**

7. **THE PENSIONS REGULATOR BREACHES POLICY (Pages 83 - 108)**

8. **REVISED POLICIES (Pages 109 - 136)**

9. **MEMBER DEVELOPMENT PROGRAMME (Pages 137 - 144)**

10. **IMWP MINUTES (Pages 145 - 148)**

11. **GRWP MINUTES (Pages 149 - 152)**

12. **DRAFT PENSION BOARD REPORT**

13. **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 1 of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

14. **POOLING UPDATE (Pages 153 - 192)**

15. **IMWP MINUTES (Pages 193 - 214)**

16. **GRWP MINUTES (Pages 215 - 224)**

17. **DRAFT PENSION BOARD REPORT**

18. **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR**

LOCAL PENSIONS BOARD

Tuesday, 13 October 2015

Present:	J Raisin (Chair)	
	G Broadhead	D Ridland
	M Hornby	P Wiggins
	R Dawson	P Maloney
	K Beirne	
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 costs and invest 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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WIRRAL COUNCIL

PENSIONS BOARD

14 APRIL 2016

SUBJECT:	**LGPS UPDATE**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**HEAD OF PENSION FUND**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The LGPS update reports taken to Pensions Committee since the last Pension Board meeting are attached as appendices to this report.

2.0 BACKGROUND AND KEY ISSUES

2.1 The LGPS update is a standing item on the Pensions Committee agenda.

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 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 There is a requirement for Members of the Pension Board to be kept informed of pension fund developments as a part of their role in supporting the administering authority.

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APPENDICES

LGPS update reports

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSION COMMITTEE

25 JANUARY 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 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.

1.2 It also provides 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.

2.0 BACKGROUND AND KEY ISSUES

2.1 In addition to the publication of the DCLG's consultation on the investment regulations and guidance setting the high level criteria for pooling investments in the LGPS, covered later on the committee agenda, a number of other items relating to pensions were confirmed by the Chancellor in his Autumn Statement as follows:

a) The Government intends to respond to last year's consultation on tax relief undertaken at the 2016 Budget.

   Industry commentators believe that the move to simplify the auto-enrolment process and to save £840 million in tax relief by delaying the next two increases of minimum contribution levels for automatic-enrolment schemes in line with tax years, (with the first increase now being required in April 2018 instead of October 2017), is a hint of more far-reaching changes to tax relief in the 2016 Budget.

b) The Government plan to consult on further cross–public sector action on exit payment terms, to reduce the costs of redundancy pay outs and ensure greater consistency between workforces. Whilst lacking detail, it is possible this may have further impact on the LGPS. Fund officers will keep Members updated on future developments.

c) The basic state pension for those who have reached SPA prior to April 2016 will be going up by £3.35 to £119.30. The triple lock will also be retained which means that the state pension rises every year by the highest of price inflation, earnings growth or 2.5%

The starting rate of the new single -tier state pension in April 2016 will be £155.65, although this is the full-rate headline figure: in the next twenty years some people will get more, some people will get less.

Contracted–Out Pension Equivalent (COPE)

2.2 HMRC has announced that from November 2015, a Contracted–Out Pension Equivalent amount will be included within State Pension Statements.

2.3 The objective is to explain why individuals may not be entitled to the full amount of the new State Pension if they have been contracted out of the additional State Pension (S2P or SERPS) and paid lower National Insurance contributions prior to April 2016.

As the LGPS is a contracted-out scheme, the amount of State Pension that members will receive will be lower than that received by people with similar earnings who were not contracted-out.

2.4 The pension they get from the LGPS will include an amount that, in most cases, will be at least equivalent to the additional State Pension they would have got if they hadn’t been contracted–out.

This is known as the COPE amount and in most cases the LGPS element will exceed the COPE amount.

Public Sector Exit Payment Cap

2.5 Members were apprised of the Government’s plans to proceed with the proposals to introduce an exit cap within Public Sector Pension Schemes as part of the Enterprise Bill at its last meeting (minute 38 refers).

2.6 The bill to introduce a cap of £95,000 on the total value of exit payments is making its way through Parliament, and the LGA continues to lobby the Government on the operation of the cap, its timescales for implementation and the need for transitional measures.

2.7 Much of the detail of how the cap will work in practice remains to be confirmed. The Government published draft Public Sector Exit Payment Cap Regulations 2016 in early November and the LGA are seeking clarification on whether:

- the cap will apply to all strain costs (e.g flexible retirement) or only those relating to an exit from a public sector employment,
- will the cost be calculated on a central set of assumptions,
- 85 year rule protections and/or payment of pension on compassionate grounds will be included and
- what order the payments have to be set against the cap.

2.8 The latest bill highlights that changes to the regulations of relevant public sector schemes (including the LGPS) will be necessary to implement the cap.

2.9 To date there has been no formal announcement on the timescale to introduce the bill; however, the documented debate on the bill does include reference to the cap being implemented in Summer 2016. This may provide slight relief to authorities concerned about upcoming Voluntary Early Retirement exercises.

2.10 There will be a discretion available to relax the cap in exceptional circumstances, both for individuals and groups of individuals, subject to full council approval. The Government will provide guidance for employers on the use of power to relax the restrictions imposed by the cap, and what would constitute exceptional circumstances.

Finance (no. 2) Act 2015

2.11 The Finance (no.2) Act 2015 received Royal Assent on 18 November. This incorporates into legislation the changes announced in the Summer 2015 budget, specifically, the alignment of all pension input periods to the tax year and the new tapered annual allowance for high earners from 2016/17.

2.12 It is noteworthy that the Act does not cover the announced reduction in the lifetime allowance to £1 million from April 2016. This will be included in the Finance Bill 2016, alongside details of the protections available to secure pension income at the current available allowance of £1.25 million.

2016 Triennial Valuation

2.13 As a result of known budgetary constraints on employers and difficult financial conditions pointing to the likelihood of employer contribution increases, Fund Officers have commenced planning for the 2016 valuation.

To manage employer expectation around any potential easements in the management of pension liabilities and the pace of funding, Officers and the Actuary met with the Merseyside Finance Director Group on 17 November to discuss the structure and approach for setting the actuarial assumptions to determine the funding position and employer contribution rates.

2.14 The key focus for the valuation is the affordability of contributions and the possibility to revise the derivation of assumptions to deliver a clearer alignment between the investment and funding strategy. The Fund is acutely aware of the financial pressures and will work with employers to arrive at an appropriate contribution schedule within acceptable solvency parameters.

This work will also take account of the oversight from the Scheme Advisory Board via the national Key Performance Indicators in respect of funding and from GAD under section 13 of the Public Service Pension Act.

2.15 The aforementioned primary legislation requires GAD to produce a report indicating how solvency and long term cost efficiency should be defined and measured. It has been mooted that there is an expectation that employers cannot knowingly make a decision on funding which will push further costs on future tax payers.

2.16 Following the publication of the 2016 valuation reports, GAD will produce a report on whether actuarial valuations conform to the new requirements and are consistent with other LGPS fund valuations.

2.17 A request has been forwarded to employers seeking all outstanding member documentation to enable the actuary to base his liability calculations on accurate data when setting relevant contribution schedules

3.0 RELEVANT RISKS

3.1 The potential reforms to pension contribution tax relief, to be announced in the 2016 Budget may lead to further reductions of a member's net pay, in addition to the reductions already resulting from the ending of contracting-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 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

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

8.1 The inclusion of the COPE amount on State Pension statements will add further complexity for members in evaluating their retirement income. It is likely to cause confusion in understanding that the value is ultimately an underpin value and not a new benefit.

The purpose of these forecast statements is to establish the new state pension entitlement, but the statements will ultimately give rise to queries for all providers of pension arrangements.

8.2 The introduction of the exit cap could potentially inhibit local authority workforce planning and an increase, within the sector, of compulsory redundancies as opposed to voluntary redundancy exercises.

8.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

9.0 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.

10.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report

12.0 RECOMMENDATION

13.1 That members note the report.

13.0 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
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BRIEFING NOTES HISTORY

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

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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
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BRIEFING NOTES HISTORY

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

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WIRRAL COUNCIL

PENSIONS BOARD

14 APRIL 2016

SUBJECT:	**POOLING UPDATE**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**HEAD OF PENSION FUND**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The initial pooling submission to DCLG which was reported to March Pensions Committee is attached an appendix to this report.

2.0 BACKGROUND AND KEY ISSUES

2.1 This report provides the Board 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.

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 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 There is a requirement for Members of the Pension Board to be kept informed of pension fund developments as a part of their role in supporting the administering authority.

REPORT AUTHOR: **PETER WALLACH**
Head of Pension Fund
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APPENDICES

LGPS Pooling Report and appendices

BACKGROUND PAPERS/REFERENCE MATERIAL

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:	**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***
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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 Greater Manchester Pension Fund ('GMPF')

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.

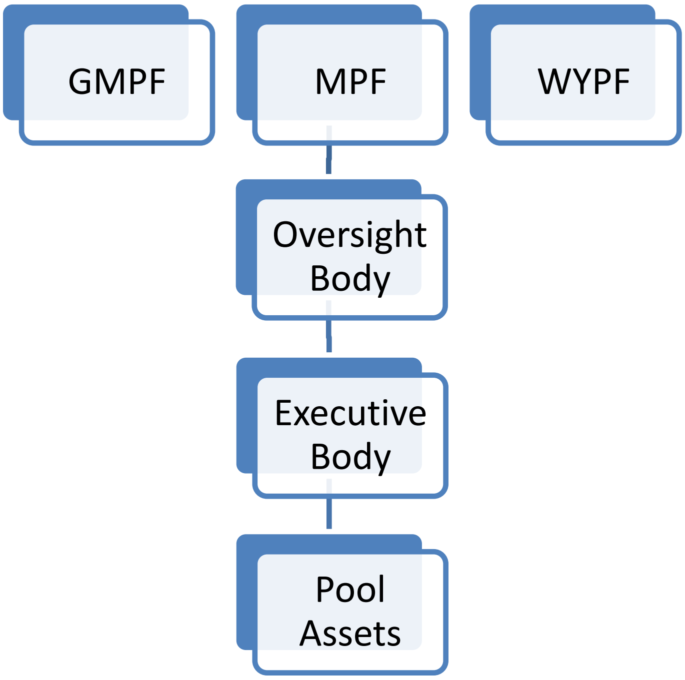
4. Structure and Governance

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

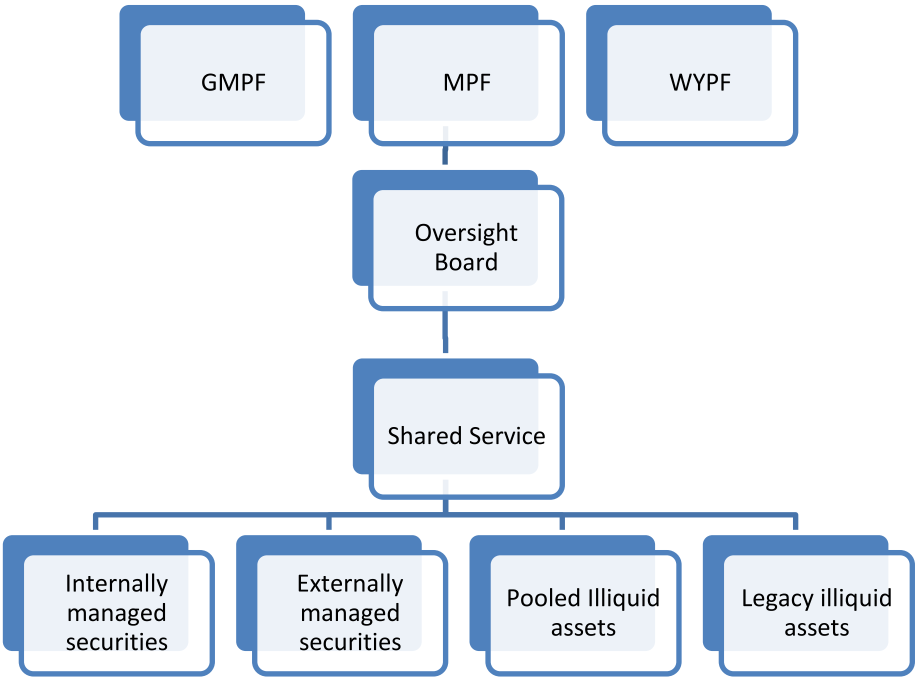
4.5.1 Any material scope for cost savings in the management of listed assets is likely to be obtained from managing a greater proportion of listed securities internally. Based on the legal advice received (attached as Appendix C to this submission) this may be achieved by creating formal 'shared service' 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

WIRRAL COUNCIL

PENSIONS BOARD

14 APRIL 2016

SUBJECT:	**LGPS UPDATE**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**HEAD OF PENSION FUND**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The LGPS update reports taken to Pensions Committee since the last Pension Board meeting are attached as appendices to this report.

2.0 BACKGROUND AND KEY ISSUES

2.1 The LGPS update is a standing item on the Pensions Committee agenda.

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 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 There is a requirement for Members of the Pension Board to be kept informed of pension fund developments as a part of their role in supporting the administering authority.

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APPENDICES

LGPS update reports

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSION COMMITTEE

25 JANUARY 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 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.

1.2 It also provides 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.

2.0 BACKGROUND AND KEY ISSUES

2.1 In addition to the publication of the DCLG's consultation on the investment regulations and guidance setting the high level criteria for pooling investments in the LGPS, covered later on the committee agenda, a number of other items relating to pensions were confirmed by the Chancellor in his Autumn Statement as follows:

a) The Government intends to respond to last year's consultation on tax relief undertaken at the 2016 Budget.

   Industry commentators believe that the move to simplify the auto-enrolment process and to save £840 million in tax relief by delaying the next two increases of minimum contribution levels for automatic-enrolment schemes in line with tax years, (with the first increase now being required in April 2018 instead of October 2017), is a hint of more far-reaching changes to tax relief in the 2016 Budget.

b) The Government plan to consult on further cross–public sector action on exit payment terms, to reduce the costs of redundancy pay outs and ensure greater consistency between workforces. Whilst lacking detail, it is possible this may have further impact on the LGPS. Fund officers will keep Members updated on future developments.

c) The basic state pension for those who have reached SPA prior to April 2016 will be going up by £3.35 to £119.30. The triple lock will also be retained which means that the state pension rises every year by the highest of price inflation, earnings growth or 2.5%

   The starting rate of the new single -tier state pension in April 2016 will be £155.65, although this is the full-rate headline figure: in the next twenty years some people will get more, some people will get less.

Contracted–Out Pension Equivalent (COPE)

2.2 HMRC has announced that from November 2015, a Contracted–Out Pension Equivalent amount will be included within State Pension Statements.

2.3 The objective is to explain why individuals may not be entitled to the full amount of the new State Pension if they have been contracted out of the additional State Pension (S2P or SERPS) and paid lower National Insurance contributions prior to April 2016.

As the LGPS is a contracted-out scheme, the amount of State Pension that members will receive will be lower than that received by people with similar earnings who were not contracted-out.

2.4 The pension they get from the LGPS will include an amount that, in most cases, will be at least equivalent to the additional State Pension they would have got if they hadn't been contracted–out.

This is known as the COPE amount and in most cases the LGPS element will exceed the COPE amount.

Public Sector Exit Payment Cap

2.5 Members were apprised of the Government's plans to proceed with the proposals to introduce an exit cap within Public Sector Pension Schemes as part of the Enterprise Bill at its last meeting (minute 38 refers).

2.6 The bill to introduce a cap of £95,000 on the total value of exit payments is making its way through Parliament, and the LGA continues to lobby the Government on the operation of the cap, its timescales for implementation and the need for transitional measures.

2.7 Much of the detail of how the cap will work in practice remains to be confirmed. The Government published draft Public Sector Exit Payment Cap Regulations 2016 in early November and the LGA are seeking clarification on whether:

- the cap will apply to all strain costs (e.g flexible retirement) or only those relating to an exit from a public sector employment,
- will the cost be calculated on a central set of assumptions,
- 85 year rule protections and/or payment of pension on compassionate grounds will be included and
- what order the payments have to be set against the cap.

2.8 The latest bill highlights that changes to the regulations of relevant public sector schemes (including the LGPS) will be necessary to implement the cap.

2.9 To date there has been no formal announcement on the timescale to introduce the bill; however, the documented debate on the bill does include reference to the cap being implemented in Summer 2016. This may provide slight relief to authorities concerned about upcoming Voluntary Early Retirement exercises.

2.10 There will be a discretion available to relax the cap in exceptional circumstances, both for individuals and groups of individuals, subject to full council approval. The Government will provide guidance for employers on the use of power to relax the restrictions imposed by the cap, and what would constitute exceptional circumstances.

Finance (no. 2) Act 2015

2.11 The Finance (no.2) Act 2015 received Royal Assent on 18 November. This incorporates into legislation the changes announced in the Summer 2015 budget, specifically, the alignment of all pension input periods to the tax year and the new tapered annual allowance for high earners from 2016/17.

2.12 It is noteworthy that the Act does not cover the announced reduction in the lifetime allowance to £1 million from April 2016. This will be included in the Finance Bill 2016, alongside details of the protections available to secure pension income at the current available allowance of £1.25 million.

2016 Triennial Valuation

2.13 As a result of known budgetary constraints on employers and difficult financial conditions pointing to the likelihood of employer contribution increases, Fund Officers have commenced planning for the 2016 valuation.

To manage employer expectation around any potential easements in the management of pension liabilities and the pace of funding, Officers and the Actuary met with the Merseyside Finance Director Group on 17 November to discuss the structure and approach for setting the actuarial assumptions to determine the funding position and employer contribution rates.

2.14 The key focus for the valuation is the affordability of contributions and the possibility to revise the derivation of assumptions to deliver a clearer alignment between the investment and funding strategy. The Fund is acutely aware of the financial pressures and will work with employers to arrive at an appropriate contribution schedule within acceptable solvency parameters.

This work will also take account of the oversight from the Scheme Advisory Board via the national Key Performance Indicators in respect of funding and from GAD under section 13 of the Public Service Pension Act.

2.15 The aforementioned primary legislation requires GAD to produce a report indicating how solvency and long term cost efficiency should be defined and measured. It has been mooted that there is an expectation that employers cannot knowingly make a decision on funding which will push further costs on future tax payers.

2.16 Following the publication of the 2016 valuation reports, GAD will produce a report on whether actuarial valuations conform to the new requirements and are consistent with other LGPS fund valuations.

2.17 A request has been forwarded to employers seeking all outstanding member documentation to enable the actuary to base his liability calculations on accurate data when setting relevant contribution schedules

3.0 RELEVANT RISKS

3.1 The potential reforms to pension contribution tax relief, to be announced in the 2016 Budget may lead to further reductions of a member's net pay, in addition to the reductions already resulting from the ending of contracting-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 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

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

8.1 The inclusion of the COPE amount on State Pension statements will add further complexity for members in evaluating their retirement income. It is likely to cause confusion in understanding that the value is ultimately an underpin value and not a new benefit.

The purpose of these forecast statements is to establish the new state pension entitlement, but the statements will ultimately give rise to queries for all providers of pension arrangements.

8.2 The introduction of the exit cap could potentially inhibit local authority workforce planning and an increase, within the sector, of compulsory redundancies as opposed to voluntary redundancy exercises.

8.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

9.0 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.

10.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report

12.0 RECOMMENDATION

13.1 That members note the report.

13.0 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.

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BRIEFING NOTES HISTORY

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

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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.

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BRIEFING NOTES HISTORY

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

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WIRRAL COUNCIL

PENSIONS BOARD

14 APRIL 2016

SUBJECT:	**TPR BREACHES POLICY**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**HEAD OF PENSION FUND**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The policy taken to Pensions Committee in relation to the requirement to report breaches of pension law as defined within section 13 (7) and 70 (2) a of the Pension Act 2004 to the Pension Regulator.

2.0 BACKGROUND AND KEY ISSUES

2.1 Under the Pension Act 2004, Wirral Council as administering authority of Merseyside Pension Fund, are under a legal obligation to consider making a report to the Regulator, if they become aware that there has been a breach of the legal requirements, relating to the administration and management of Merseyside Pension Fund. Failure to report a breach when required to do so is a civil offence which can result in a fine on the persons who fail to report.

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 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 There is a requirement for Members of the Pension Board to be kept informed of pension fund developments as a part of their role in supporting the administering authority.

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APPENDICES

Report and policy on breaches.

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSION COMMITTEE

16 NOVEMBER 2015

SUBJECT:	**REPORTING BREACHES OF THE LAW TO THE PENSION REGULATOR**
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 provides Members with an overview of the enhanced role of the Pensions Regulator and the requirement to report breaches of pension law as defined within section 13 (7) and 70 (2) a of the Pension Act 2004 to the Pension Regulator.

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

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

2.0 BACKGROUND AND KEY ISSUES

2.1 Under the Pension Act 2004, Wirral Council as administering authority of Merseyside Pension Fund, are under a legal obligation to consider making a report to the Regulator, if they become aware that there has been a breach of the legal requirements, relating to the administration and management of Merseyside Pension Fund. Failure to report a breach when required to do so is a civil offence which can result in a fine on the persons who fail to report.

2.2 The following persons are required to report breaches of the law to the Regulator where they have reasonable cause to believe that a legal duty, which is relevant to the administration of the LGPS has not been, or is not being, complied with and the failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions:

- the scheme manager (Wirral Council as the administering authority)
- all members of the Pensions Committee
- all members of the Local Pension Board
- all officers involved in the administration of the Fund
- officers of employers participating in the Fund
- professional advisors including auditors, actuaries, legal advisers and Fund managers; and
- any person who is otherwise involved in advising managers of MPF in relation to the LGPS.

2.3 To assist the Regulator's code states that a procedure should be established to ensure that those with a responsibility to make reports are able to meet their legal obligations.

Procedure for reporting procedures of the law to the Regulator

2.4 The Code sets out practical guidance on the procedures to follow in formulating a policy to enable people to raise concerns and facilitate the objective consideration of those matters within an appropriate timescale.

2.5 The Code recommends that the procedures should include the following features:

- a process for obtaining clarification of the law around the suspected breach where needed
- a process for clarifying the facts around the suspected breach where they are not known
- a process for consideration of the material significance of the breach by taking into account its cause, effect, the reaction to it, and its wider implications, including (where appropriate) dialogue with the scheme manager or pension board
- a clear process for referral to the appropriate level of seniority at which decisions can be made on whether to report to the Regulator

- a system to record breaches even if they are not reported to the Regulator (the record of past breaches may be relevant in deciding whether to report future breaches, for example it may reveal a systemic issue); and

- a process for identifying promptly any breaches that are so serious they must always be reported.

2.6 The Code requires that a material breach should be reported to the Regulator as soon as is reasonably practicable but no later than one month after becoming aware of the breach or likely breach. Where a breach is so significant that the Regulator may have to intervene urgently (e.g. in the case of serious fraud) then it should be brought to the attention of the Regulator immediately by way of a telephone call.

2.7 In order to comply with the requirements of the breaches policy, the Fund needs to appoint a senior officer to be responsible for the management and execution of the policy. This person will be responsible for the oversight of recording and reporting breaches (and likely breaches).

2.8 The responsible officer needs to have on objective view of the potential breaches and it is therefore suggested that this should be an officer outside of the pension fund. The Monitoring Officer has been identified as the most suitable candidate and Members are asked to note and approve this appointment.

2.9 Where a breach or potential breach is identified officers in consultation with the Monitoring Officer will undertake the necessary steps to determine whether a breach or likely breach should, or should not, be reported to the Regulator.

2.10 Given the relatively short deadline of one month to report breaches to the Regulator, and recognising that officers will only be able to present the breaches log to the Committee and Local Pension Board at scheduled meetings, it is suggested that an Electronic Decision Notice (EDN) process be adopted.

2.11 As the role of the Local Pension Board is to ensure the efficient and effective governance and administration of the LGPS it is further proposed that the EDN's be sent to the Board and that they approve the decision of whether or not to report a specific breach (or likely breach) to the Regulator.

2.12 The breaches log itself will be presented both to the Committee and the Pension Board on a six monthly basis.

All breaches of the law will be recorded including those that are not reported to the Regulator together with any incidence of non compliance under the LGPS regulations which are not specifically under the remit of the Pension Regulator

2.13 Once the procedure is approved, all persons required to report breaches of the law will be informed of their legal obligations. All officers involved in the administration of the Fund have undertaken the e-learning program "Reporting Breaches of the Law" on the Regulator's website.

3.0 RELEVANT RISKS

3.1 The code outlines the importance of identifying, managing and reporting breaches as failure to report without a reasonable excuse is a civil offence which can result in civil penalties.

3.2 Members of the Pensions Committee and the Local Pension Board will be informed of all breaches and the actions taken for each breach as part of the Pension Fund review of the Risk Register

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 All persons required to report breaches of the law must be trained to ensure awareness of the policy for evaluating and reporting breaches under the Fund's procedure and will be encouraged to test their knowledge and understanding of their legal obligations by completing the e-learning program "Reporting Breaches of the Law" on the Regulator's website.

9.0 LEGAL IMPLICATIONS

9.1 The Code requires that the Fund undertakes robust checks to ensure that a breach has actually occurred before reporting it to the Regulator and must not act on the suspicion of a breach having occurred. This may involve obtaining legal advice to confirm that a breach has actually occurred.

10.0 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 duties under 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 Members are asked to:

- Note and adopt the breaches policy
- Note and approve the appointment of the responsible officer
- Note and approve that an EDN process be adopted to obtain agreement from Board Members when a breach should or should not be reported to the Regulator

14.0 REASON/S FOR RECOMMENDATION/S

14.1 To ensure compliance with the statutory duties placed on Merseyside Pension Fund under relevant Pension Law and the Code of Practice Number 14 which relates to the governance and administration of public service pension schemes.

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APPENDIX

Merseyside Pension Fund Breaches Policy 2015

Briefing Note	Date

BREACHES POLICY 2015

Merseyside
PENSION FUND

Contents

Breaches of the law

Background

Merseyside Pension Fund ("the Fund") has prepared this document in setting out its policy and procedures on identifying, managing and where necessary reporting breaches of the law as covered in paragraphs 241 to 275 of the Pensions Regulator's Code of Practice no 14 (Governance and administration of public service pension schemes) – "the Code of Practice".

This policy sets out the responsibility of elected members, officers of the Merseyside Pension Fund ("the Fund") and the local pension board in identifying, managing and where necessary reporting breaches of the law as they apply to the management and administration of the Fund.

This policy does not cover the responsibility of other "reporters" (described later in this policy) in relation to their obligation to report breaches in accordance with the Code of Practice where they relate to the management and administration of the Fund. Where a breach of the law is identified both the Fund and the local pension board will take all necessary steps to consider the breach and report to the Regulator, rather than having the breach reporting by any of the other "reporters".

This policy will be reviewed by the Fund at least annually. The Fund will monitor all breaches and will ensure that adequate resources are allocated to managing and administering this process.

The Administering Authority Monitoring Officer will be responsible for the management and execution of this breaches policy.

The Head of Pensions will ensure that training on breaches of the law and this policy is conducted for all relevant officers and elected members, as well as members of the local pension board at induction and on an ongoing basis.

Overview

The identification, management and reporting of breaches is important. It is a requirement of the Code of Practice; failure to report a breach without "reasonable excuse" is a civil offence that can result in civil penalties.

At the same time, in addition to identifying, rectifying and where necessary reporting a particular breach it provides an opportunity to learn from mistakes and review and improve processes in the areas where the breach occurred.

All staff are required to take a pro-active approach to the identification, management and reporting of all breaches that have occurred, or are likely to occur.

The Fund will maintain a log of all breaches under the LGPS regulations and wider pension law, statutory guidance or codes of practice under the remit of the pension regulator in accordance with the 2004 Pension Act.

Where a breach has occurred it should be identified as either an area of non compliance under the LGPS Regulation, a breach under Pension Law as defined within section 13 of the 2004 Pension Act or the Pension Regulator's code of practice 14.

The definition of Pension Law under the jurisdiction of the Pension Regulator is any enactment contained in or made by virtue of:

a) the Pension Schemes Act 1993 (c. 48)

b) Part 1 of the Pensions Act 1995 (c. 26), other than sections 62 to 66A of that Act (equal treatment)

c) Part 1 or section 33 of the Welfare Reform and Pensions Act 1999 (c. 30), or

d) this Act

e) section 5(4) (pension board: conflicts of interest and representation), 6 (pension board: information), 14 (information about benefits) or 16 (records) of the Public Service Pensions Act 2013

f) paragraph 2 of Schedule 18 to the Pensions Act 2014 (c 19)

g) the Pension Schemes Act 2015

Therefore as the LGPS Regulations are made under the Superannuation Act 1972, the Pension Regulator views the provisions as being analogous to a private pension scheme's rules which are the preserve of trustees and not of the Regulator

As such in the event of non compliance under the LGPS Regulations the failings should be documented in an internal log specifying the corrective action to be undertaken to strengthen operational procedures and controls in order to prevent or mitigate the impact of any future re-occurrences.

Alternatively where the failure is identified by the Fund or local pension board as a breach of Pension law under the jurisdiction of the Pension Regulator, or the code it should be recorded, assessed and where defined to be of material significance to the Pension Regulator, must be reported as soon as reasonably practicable.

The Fund and the local pension board cannot rely on waiting for other reporters to report a breach where it has occurred

What is a breach of the law?

A breach of the law is *"an act of breaking or failing to observe a law, agreement, or code of conduct."* It can encompass many aspects of the management and administration of the scheme, including failure:

- to do anything required under overriding legislation, applicable statutory guidance or codes of practice
- to maintain accurate records

- to act on any fraudulent act or omission that is identified
- of an employer to pay over member and employer contributions on time
- to pay member benefits either accurately or in a timely manner
- to issue annual benefit statements on time or non-compliance with the Regulator's Code of Practice No 14.

What is Non compliance under the LGPS Regulations ?

Non compliance with the LGPS regulations can encompass many aspects of the management and administration of the scheme, including failure:

- to do anything required under the LGPS Regulations
- to comply with policies and procedures (e.g. the Funds Statement of investment principles, funding strategy, discretionary policies, etc.);

Responsibilities in relation to breaches

Responsibility to report identified breaches of the law in relation to the Code of Practice falls on the following (known as "reporters"):

- Members and officers of the Fund, as the Scheme Manager
- Members of the local pension board
- Scheme employers
- Professional advisers (including the Fund actuary, investment advisers, legal advisers)

  and

- Third party providers (where so employed)

This policy applies only to members and officers of the Fund and members of the local pension board. It is for the other reporters to ensure adequate procedures and policies are put in place in order to identify, assess and where necessary report breaches. Both the Fund and the local pension board will take all necessary steps to consider the breach and report to the Regulator, rather than having the breach reporting by any of the other "reporters".

Requirement to report a breach of the Law

Breaches of the law which affect pension schemes should be considered for reporting to the Pensions Regulator.

The decision whether to report an identified breach depends on whether:

- there is reasonable cause to believe there has been a breach of the law
- and if so, is the breach likely to be of material significance to the Regulator?

It is important to understand that not every breach that is identified needs to be reported to the Regulator. For example, where it can be demonstrated that appropriate action is being taken to rectify the breach, or the breach has occurred due to teething problems with new or revised systems or processes, it may not be necessary to report the incident to the Regulator. It is still necessary that all incidents of breaches identified are recorded in the Fund's breaches log. This log will be reviewed on an on-going basis to determine any trends in the breaches log that might indicate any serious failings or fraudulent behaviour.

Where such failings or fraudulent behaviour are identified immediate action will be taken to agree a plan of action to rectify the matter and prevent such an occurrence in the future.

Examples of potential breaches, including when they should and should not be reported to the Pensions Regulator are included in Appendix A.

When is a breach required to be reported to the Regulator?

The Code of Practice requires that a breach should be notified to the Regulator as soon as is reasonably practicable once there is reasonable cause to believe that a breach has occurred and that it is of material significance to the Regulator. In any event, where a breach is considered to be of material significance it must be reported to the Regulator no later than one month after becoming aware of the breach or likely breach.

Where it is considered that a breach is of such significance that the Regulator is required to intervene as a matter of urgency (for example, serious fraud) the matter should be brought to the attention of the Regulator immediately (e.g. by calling them direct). A formal report should then be submitted to the Regulator, marked as "urgent" in order to draw the Regulator's attention to it.

Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the Regulator will not normally consider this to be materially significant.

A breach is likely to be of concern and material significance to the Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion
- fail to notify affected scheme members where it would have been appropriate to do so.

Assessing "reasonable cause"

It is important that the Fund and the local pension board are satisfied that a breach has actually occurred, rather than acting on a suspicion of such an event.

It will be necessary, therefore, for robust checks to be made by members and officers when acting on any suspicion of a breach having occurred. Where necessary this will involve taking legal advice from Legal Services (who may recommend specialist external legal advice if necessary) as well as other advisers (e.g. auditors or the Fund actuary or investment advisers).

Deciding if a breach is "materially significant" and should be reported to the Regulator

The Regulator has produced a decision tree to assist schemes in identifying the severity of a breach and whether it should then be reported. When determining materiality of any breach or likely breach the Fund and local pension board will in all cases consider the following:

- cause – e.g. dishonesty, poor governance, incomplete or inaccurate information, acting or failing to act in contravention of the law
- effect – e.g. ineffective internal controls, lack of knowledge and understanding, inaccurate records, potential for further breaches occurring
- reaction – e.g. taking prompt and effective action to resolve a breach, notifying scheme members where appropriate; and
- wider implications – e.g. where a breach has occurred due to lack of knowledge or poor systems and processes making it more likely that other breaches will emerge in the future

The decision tree provides a "traffic light" system of categorising an identified breach:

- **Green** – not caused by dishonesty, poor governance or a deliberate contravention of the law and its effect is not significant and a plan is in place to rectify the situation. In such cases the breach may not be reported to the Regulator, but should be recorded in the Fund's breaches log
- **Amber** – does not fall easily into either green or red and requires further investigation in order to determine what action to take. Consideration of other recorded breaches may also be relevant in determining the most appropriate course of action
- **Red** - caused by dishonesty, poor governance or a deliberate contravention of the law and having a significant impact, even where a plan is in place to rectify the situation. The Fund or local pension board must report all such breaches to the Regulator in all cases

If it is unclear as to whether the breach or likely breach is significant, in the first instance full details should always be reported to the Board to determine the appropriate course of action.

It should be noted that failure to report a significant breach or likely breach is likely, in itself, to be a significant breach.

The Fund will use the Regulator's decision tree as a means of identifying whether any breach is to be considered as materially significant and so reported to the Regulator.

Any failure of a scheme employer to pass over employee contributions that are considered to be of material significance must be reported to the Regulator immediately.

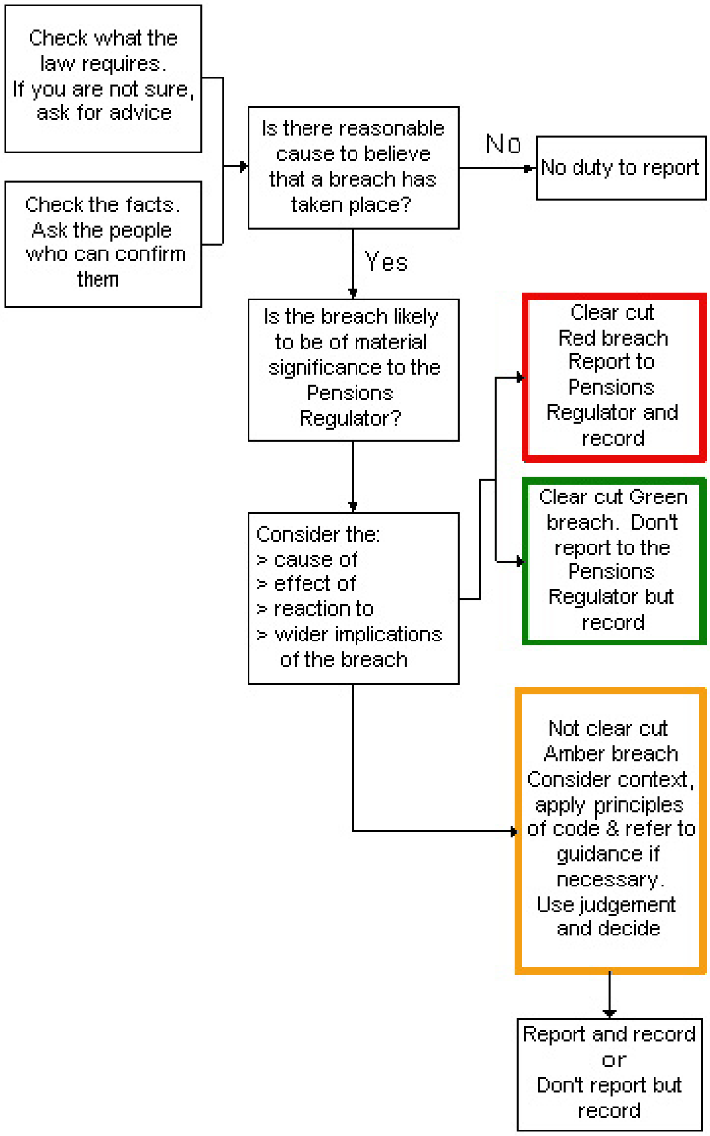
In order to determine whether failure to pay over employee contributions is materially significant or not the Fund will seek from the employer:

- the cause and circumstances of the payment failure
- what action the employer has taken as a result of the payment failure, and
- the wider implications or impact of the payment failure

Where a payment plan is agreed with the employer to recover outstanding contributions and it is being adhered to or there are circumstances of infrequent one-off late payments or administrative failures the late payment will not be considered to be of material significance.

All incidences resulting from the unwillingness or inability of the employer to pay over the employee contributions, dishonesty, fraudulent behaviour or misuse of employee contributions, poor administrative procedures or the failure to pay over employee contributions within 90 days from the due date will be considered to be of material significance and reported to the Regulator.

Once a breach or likely breach has been identified, regardless of whether it needs to be reported to the Regulator, the relevant manager, in consultation with the Monitoring Officer, must review the circumstances of the breach in order to understand why it occurred, the consequences of the breach and agree the corrective measures required to prevent re-occurrence, including an action plan where necessary. All breaches must be recorded in the Fund's breaches log.



Process for reporting breaches

All revenant officers and elected members of the Fund, as well as all members of the local pension board have a responsibility to:

- identify and assess the severity of any breach or likely breach
- report all breaches or likely breaches to the Monitoring Officer
- in conjunction with relevant officers agree a proposed course of action to rectify the breach and put in place measures to ensure the breach does not re-occur, obtaining appropriate legal or other advice where necessary
- ensure that the appropriate corrective action has been taken to rectify the breach or likely breach and to prevent it from recurring; and

- co-operate with, and assist in, the reporting of breaches and likely breaches to the Pension Fund Committee, local pension board and where necessary the Regulator

Responsibilities of the responsible officer

The Fund will appoint one of the administering authority's senior officers to be responsible for the management and execution of this breaches policy. That officer will be the Monitoring Officer.

The Monitoring Officer will be responsible for recording and reporting breaches and likely breaches as follows:

- record all identified breaches and likely breaches of which they are aware in the Fund's breaches log

- investigate the circumstances of all reported breaches and likely breaches

- ensure, where necessary that an action plan is put in place and acted on to correct the identified breach and also ensure further breaches of a similar nature do not reoccur

- report to the Pension Fund Committee and local pension board:

    - all materially significant breaches or likely breaches that will require reporting to the Regulator as soon as practicable, but no later than one month after becoming aware of the breach or likely breach; and

    - all other breaches at least quarterly as part of the Committee cycle

- report all materially significant breaches to the Regulator as soon as practicable but not later than one month after becoming aware of the breach

The Monitoring Officer will determine whether any breach or likely breach is materially significant, having regard to the guidance set out in the Code of Practice and after consultation where considered appropriate with the Pension Fund Committee and local pension board.

Where uncertainty exists as to the materiality of any identified breach the Fund or local pension board will be required to informally notify the Regulator of the issue and the steps being taken to resolve the issue.

How should a breach be reported to the Regulator?

All materially significant breaches must be reported to the Regulator in writing. This can be via post or electronically. The Regulator encourages the use of its standard reporting facility via its on-line Exchange service.

The Fund will report all material breaches to the Regulator via the online Exchange function.

How are records of breaches maintained?

All breaches and likely breaches are to be reported to the Monitoring Officer as soon as they are identified. The Head of Pensions will log all breaches on the Fund's breaches log, including the following information:

- date the breach or likely breach was identified
- the pension scheme's registry number (if available)
- name of the employer (where appropriate)
- any relevant dates
- a description of the breach, its cause and effect, including the reasons it is, or is not, believed to be of material significance
- whether the breach is considered to be red, amber or green
- a description of the actions taken to rectify the breach
- whether the concern has been reported before, and
- a brief description of any longer term implications and actions required to prevent similar types of breaches recurring in the future.

The Monitoring Officer will be responsible for ensuring the effective management and rectification of any breach identified. The Principal Pension Officer will be responsible for submission of any report to the Regulator. Any documentation supporting the breach will be maintained by the Head of Pensions.

Whistleblowing

It is a statutory duty to report breaches of the law. In rare cases this may involve a duty to whistleblow on the part of an employee of the Fund or a member of the local pension board. The duty to report does not override any other duties a "reporter" may have, such as confidentiality. Any such duty is not breached by reporting to the Regulator. Given the statutory duty that exists, in exercising this breaches policy the Fund will ensure it adheres to the requirements of the Employment Rights Act 1996 in protecting an employee's making a whistleblowing disclosure to the Regulator.

The duty to report, however, does not override 'legal privilege', so oral and written communications between the Fund or local pension board and a professional legal adviser do not have to be disclosed.

Training

The Head of Pensions will ensure that all relevant members and officers, as well as members of the local pension board receive appropriate training on this policy at the commencement of their employment or appointment to the local pension board as appropriate and on an ongoing basis.

APPENDIX A

Examples of breaches

Example 1

An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is contacted by officers from the administering authority, it immediately pays the moneys that are overdue, and it improves its procedures so that in future contributions are paid over on time. In this instance there has been a breach but members have not been adversely affected and the employer has put its house in order regarding future payments. The breach is therefore not material to the Regulator and need not be reported.

Example 2

An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is also late in paying AVCs to the AVC provider. It is contacted by officers from the administering authority, and it eventually pays the moneys that are overdue, including AVCs to the AVC provider. This has happened before, with there being no evidence that the employer is putting its house in order. In this instance there has been a breach that is relevant to the Regulator, in part because of the employer’s repeated failures, and also because those members paying AVCs will typically be adversely affected by the delay in the investing of their AVCs.

Example 3

An employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return. Because the administering authority does not have the year-end data it is unable to supply, by 31 August, annual benefit statements to the employer’s members. In this instance there has been a breach which is relevant to the Regulator, in part because of the employer’s failures, in part because of the enforced breach by the administering authority, and also because members are being denied their annual benefits statements.

Example 4

A member of the Pension Fund Management Panel, who is also on the Property Working Group, owns a property. A report is made to the Property Working Group about a possible investment by the Fund, in the same area in which the member’s property is situated. The member supports the investment but does not declare an interest and is later found to have materially benefitted when the Fund’s investment proceeds. In this case a material breach has arisen, not because of the conflict of interest, but rather because the conflict was not reported.

Example 5

A pension overpayment is discovered and thus the administering authority has failed to pay the right amounts to the right person at the right time. A breach has therefore occurred. The overpayment is however for a modest amount and the pensioner could not have known that (s)he was being overpaid. The overpayment is therefore waived. In this case there is no need to report the breach as it is not material.

APPENDIX B

Form to report a breach of the law or Code of Practice under the Jurisdiction of the Pension Regulator to the Monitoring Officer

Name of Reporter:	
Position:	
Telephone number	
Email address	
Address	
Description of the breach (please include any relevant dates)	
Do you believe that the breach is of material significance to The Pensions Regulator?	
Please give your reasons	
Have you reported the breach to The Pensions Regulator?	

Please send the completed form by email or post to:

Colin Hughes
Monitoring Officer
Town Hall
Brighton Street,
Wallasey
Wirral
CH44 8ED

Telephone Number 691 8502
E-mail: colinhughes@wirral.gov.uk

APPENDIX C
Hypothetical Example Record of Breaches under Pension Law/ Or Code Relevant to Pension Regulator

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported/Not reported to the Regulator (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions
30/09/2015	Contributions	No employer and employee contributions paid by employer for two months (June and July). Queried with employer on 23/08/215	Where contributions remain outstanding for more than 90 days, then likely to be of material significance to the Regulator	Employer advised Fund on 26/08/2015 that late payment of contribution due to installation of new payroll system and outstanding contribution will be paid without delay	Not reported as outstanding contribution paid over on 31/08/2015 and therefore not of material significance as paid within 90 days of the due date	Investigations showed that the employer had not previously been late in paying contributions. Contributions for August paid on 19/09/2015	Monitor payments on 19/10/2015 to ensure that late payment was a one off failure

APPENDIX D

Hypothetical Example Record of Non Compliance With Local Government Pension Scheme Regulations

Date	LGPS Regulatory Provision or failure to comply with published policies	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Outcome of investigations	Outstanding actions
01/10/2015	Regulation 40 Death Grant payment	Failure to identify beneficiaries of estate of deceased. Correct procedure not followed.	Where a member died in service without completing an expression of wish form, but Fund did not identify correct dependents, leading to possible 2nd payment of death grant.	Dependent, a long term partner of deceased appealed the decision to pay on strength of letters of administration. Recipient relative identified by probate office refused to repay death grant.	Investigations showed that the Probate office was limited by their regulations which pre-judged against a partner and Fund had failed to recognize this.	Ensure all staff trained and policy updated. Documented Procedure inbuilt in to electronic workflow system

WIRRAL COUNCIL

PENSIONS BOARD

14 APRIL 2016

SUBJECT:	**POLICY REVISIONS**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**HEAD OF PENSION FUND**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The report provides Board members with details of any Fund policies that have been revised since the last Pension Board meeting. The reports to Pensions Committee are attached as appendices to this report.

2.0 BACKGROUND AND KEY ISSUES

2.1 Fund policies are subject to regular review and approval by 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 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 There is a requirement for Members of the Pension Board to be kept informed of pension fund developments as a part of their role in supporting the administering authority.

REPORT AUTHOR: **PETER WALLACH**
Head of Pension Fund
telephone (0151) 2421309
email peterwallach@wirral.gov.uk

APPENDICES

Governance &IDRP policies

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSION COMMITTEE

16 NOVEMBER 2015

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

1.0 EXECUTIVE SUMMARY

1.1 This report is to inform Members of a number of amendments required to the Fund's Governance Policy reflecting changes to the national governance arrangements of the Local Government Pension Scheme. It also documents a change of the responsible officer from the Director of Finance to the Head of Pension Fund within the scheme of delegation pursuant to Section 101 of the Local Government Act 1972.

1.2 Provision of the Pensions Administration service by the Council in its role as Administering Authority of the Merseyside Pension Fund under Regulation 2 and Schedule 3 of the LGPS Regulations 2013 is a statutory duty.

2.0 BACKGROUND AND KEY ISSUES

2.1 The recommendations made by Lord Hutton with regard to the governance and administration of Public Service Pension Schemes were accepted by the Government and were carried forward into the Public Service Pensions Act 2013 . The Act includes a requirement for DCLG as the responsible authority to make regulations requiring each LGPS administering authority to create a local pension board with effect from 1 April 2015.

2.2 Regulation 55 of the LGPS Regulations 2013 sets out the requirements for the publication of a Governance Policy Statement by the Fund.

2.3 The current version of the Governance Policy was agreed by Committee at its meeting on 27 June 2011 (Minute 18 refers).

2.4 The existing Governance statement needs to be updated to include the following:

- Details of the new Wirral Council Pension Board approved by Full Council on 16 March 2015 (Minute 138 refers)

- The post titles of the officers to reflect changes to the Scheme of Delegation and to include the Strategic Director of Transformation and Resources within the various Working Parties and Fund Operating Group.

3.0 RELEVANT RISKS

3.1 None arising from this report

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report

5.0 CONSULTATION

5.1 Consultation with relevant stakeholders is not necessary as the amendments are as a result of statutory changes to the LGPS Regulations which have been previously subject to national consultation

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 None arising 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?

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 are recommended to approve the updated Governance Policy attached at Appendix 1

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

Appendix 1
Draft Updated Governance Policy 2015

BRIEFING NOTES HISTORY

Briefing Note	Date
Governance Policy Statement	**6 April 2009**
Governance Policy Statement	**27 June 2011**

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GOVERNANCE POLICY 2015

Merseyside
PENSION FUND

Contents

Introduction

This statement sets out the scheme of delegation, the terms of reference, structure and operational procedures of the delegation.

Relationship of Merseyside Pension Fund and Wirral Council

Wirral Council is the administering authority of the Merseyside Pension Fund under the Local Government Pension Scheme Regulations 2013 and is the Scheme Manager as defined by Section 4 of the Public Service Pension Act 2013. In its capacity as Scheme Manager the council is authorised to manage the Pension Fund's assets and liabilities and carry out any other specified activities associated with the operation of the Scheme. The authority is not authorised to give investment advice.

Due to this status, the Fund is not required to be regulated by the Financial Conduct Authority (FCA) in order to operate its business. It is regulated by the Department for Communities and Local Government (DCLG).

As an administering authority, Wirral Council is required to act as if the Fund were set up under trust with the authority itself as the sole trustee, although the assets are not trust assets in the legal sense.

Scheme of Delegation of (Non-Executive) Functions to Committees

Under its Constitution, the council delegates, under Section 101 of the Local Government Act 1972 to Pensions Committee all those non-Executive functions vested in it, identified in the terms of reference for the Committee (See page 3 below).

The scheme delegates powers and duties within broad functional descriptions and includes powers and duties under all legislation present and future within those descriptions and all powers and duties including any statutory re-enactment or moderation of the legislation referred to in this scheme.

Any exercise or responsibility for functions or delegated powers shall comply with:

- any statutory requirements;
- the Council's Constitution;
- the Council's Budget and Policy Framework and approved budget;
- the Members Code of Conduct;
- the Code of Recommended Practice on local authority publicity;
- the agreed arrangements for recording decisions;

This scheme does not delegate any matters reserved by law to the full Council or assigned to the Executive.

Pensions Committee

Membership

The Committee is comprised of fifteen voting members; ten of whom are members of Wirral Council, four members from the other local authorities and one member representing the other employing organisations in the Fund. Three trade union representatives, with observer status, are invited and represent active, deferred and pensioner members.

Terms of Reference

1) To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as administering authority of Merseyside Pension Fund, and in particular the following:

2) To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance.

3) To appoint and terminate professional advisors to, and external managers of, the Fund and agree the basis for their commission and remuneration.

4) To receive actuarial valuations of the Fund and determine the level of employers' contributions necessary to balance the Fund.

5) To monitor the Local Government Pension Scheme Regulations and overriding pension law, overseeing the governance of the Fund including the day to day administration and policy decisions relating to the management of the Scheme.

6) To consider any views expressed by employing organisations, staff representatives and other stakeholders relating to the Fund.

7) To appoint members of the Investment Monitoring Working Party, which shall have responsibility for reviewing the performance of the Fund's investments, and its asset allocation and regularly reporting their findings to the Pensions Committee.

8) To appoint members of the Governance and Risk Working Party, which shall have responsibility for reviewing governance and risk issues, and regularly reporting their findings to the Pensions Committee.

9) To award contracts for goods and services relating to the Fund in accordance with the Contract Procedure Rules after taking into account the recommendations of officers and external professional advisors (where appropriate).

The Local Pension Board

The Pension Board was established in April 2015 in accordance with the Public Service Pensions Act 2013, the national statutory governance framework delivered through the LGPS Regulations and guidance as issued by the Scheme Advisory Board.

Membership

The Pension Board is comprised of four voting employer representatives and four voting Scheme member representatives selected from the broad range of employers in the Fund and the different categories of the membership base.

The employer representatives are office holders or senior employees of employers of the Fund or have experience of representing Scheme employers in a similar capacity.

Member representatives are Scheme members of Merseyside Pension Fund and have the capacity to represent Scheme members of the Fund.

The Pension Board is chaired by an independent non-voting member with significant relevant experience either as a Pension Fund trustee or in the running of Pension Funds.

The role of the Pension Board is to assist Wirral Council, as Scheme Manager to:

- comply with the Scheme regulations and other legislation relating to the governance and administration of the Scheme; and
- any requirements imposed by the regulator.

A member of the Pension Board must be conversant with:

- the rules of the Scheme and the law relating to pensions, and
- any document recording policy about the administration of the Scheme which is for the time being adopted in relation to the Scheme.

The Council considers that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision making body in relation to the management of the Pension Fund but merely makes recommendations to assist in such management.

Full details of the operational procedures are set out in the Pension Board's Terms of Reference which can be accessed from the following link:

http://mpfund.uk/pensionboard

Scheme of Delegation of Functions to Officers

Head of Pension Fund

The following functions, particular to the Pension Fund, are delegated to the Head of Pension Fund pursuant to Section 101 of the Local Government Act 1972 and by the Executive under Section 15 of the Local Government Act 2000.

1) Undertake all day to day administration of, and investment decisions for, the Merseyside Pension Fund within the policy laid down by the Pensions Committee including the authorisation of admission agreements with contractor admission bodies pursuant to Best Value arrangements, as required by the Local Government Pensions Scheme Regulations.

2) Terminate a contract of an external investment manager and enter into any consequential arrangements for the transitional management of the Fund's investments pending the decision of the Pensions Committee on the award of a new contract.

The Head of Pension Fund may authorise officers in his department to exercise on his behalf, functions delegated to him. Any decisions taken under this authority shall remain the responsibility of the Head of Pension Fund and must be taken in his name, and he shall remain accountable and responsible for such decisions.

Decision Making Structure

The structure for the management and governance of the Fund is as follows:

PENSIONS COMMITTEE
14 elected Members +
1 employer representative +
3 active, deferred & pensioner member representatives
(minimum of 5 meetings per annum)

INVESTMENT MONITORING WORKING PARTY
Members of Pension Committee +
Strategic Director of Transformation & Resources +
Head of Pension Fund + Independent advisors
(6 meetings per annum)

GOVERNANCE AND RISK WORKING PARTY
Members of Pensions Committee +
Strategic Director of Transformation & Resources +
Head of Pension Fund + other officers as required
(1 or 2 meetings per annum)

FUND OPERATING GROUP
Strategic Director of Transformation & Resources +
Head of Pension Fund + Principal Pension Officer +
Senior Investment Manager + Group Accountant
(and deputies) (monthly meetings)

HEAD OF PENSION FUND

PENSION BOARD

Role to assist and provide a scrutiny function to the decision making structure

4 voting employer representatives

4 voting member representatives

1 non-voting independent chair

3 Meetings per annum

Functions

The functions for the various elements are as follows:

Pensions Committee

To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as administering authority of the County of Merseyside Pension Fund.

Investment Monitoring Working Party (IMWP)

Has responsibility for reviewing the performance of the Fund’s investments and its asset allocation and regularly reporting their findings to the Pensions Committee.

Governance and Risk Working Party (GRWP)

Has responsibility for reviewing governance and risk issues and regularly reporting their findings to the Pension Committee.

Fund Operating Group (FOG)

Forum for formal monthly reports to the Strategic Director of Transformation & Resources on the day-to-day operations of the Fund.

Head of Pension Fund

Responsible to the Strategic Director of Transformation & Resources and has delegated authority to make investments or to delegate to other employees investment decisions in accordance with the Fund’s strategic benchmark and delegated dealing limits.

Policy on Training and Expenses

Details of the policy on training and payment of expenses in respect of members of the Pensions Committee is set out in Annex 1 attached.

Accountability and Publication of Information

Details of Pensions Committee and Pension Board meetings are published on the Wirral Council website together with agendas, reports to be considered by the Committee and Board and minutes of proceedings.

The meetings of the Pensions Committee are held at Wallasey Town Hall with the Pension Board Meetings held at the Fund Office, both are open to the public.

An Annual Pension Fund Report & Accounts is published and circulated to all employing bodies reporting on the activities and investment performance of the Fund during the year. Details of matters considered during the year and meetings held are reported and a copy of the annual report is available on the Fund website.

Meetings with Stakeholders

An Annual Employer Conference is held to which all Fund employers and members of the Pensions Committee and Pension Board are invited to attend. The annual conference is an opportunity for employers to question and challenge officers and elected members on matters of interest to their authorities and organisations.

The Fund also holds other meetings as required with Employers to discuss important issues such as the Funding Strategy which underpins the actuarial valuation of the Fund and determines both employer's liabilities and contribution schedules.

Compliance Statement

The Fund fully complies with the best practice guidelines on governance issued by the DCLG and details can be found at Annex 2 attached.

ANNEX 1

Training and Expenses Policy for Members of Pension Committee and Pension Board

1. Introduction

1.1 Myners' first principle recommends that "decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively". Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

1.2 Trustees should ensure that they have sufficient in-house staff to support them in their investment responsibilities and should assess whether they have the right set of skills, both individually and collectively, and the right structures and processes to carry out their role effectively.

2. Legal Considerations

2.1 Elected members have a fiduciary responsibility to the Fund, Scheme members and local council tax payers in relation to the Local Government Pension Scheme. They can delegate functions to officers but they retain overall responsibility for the management of the Fund and its investment strategy, and individual decisions about investments.

2.2 Administering authorities are required to take proper advice to enable them to fulfil their obligations under the above regulations. "Proper advice" is defined in the regulations as "the advice of a person who is reasonably believed…to be qualified by his ability in and practical experience of financial matters…."

2.3 The Local Pension Board has a statutory duty under the Public Service Pension Act 2013 to be conversant with the rules of the Scheme and to discharge their responsibilities as set out in the Pension Regulator's Code of Practice No 14 and to comply with the Knowledge and Understanding Policy specific to Wirral Pension Board.

3. Training Policy and Plan

3.1 The Fund has had regard to the legal requirements set out in the Local Government Pension Scheme Regulations, other relevant legislation and best practice guidance published by CIPFA and other professional and regulatory bodies in drawing up this policy to ensure that all those involved in the decision making and oversight process receive all relevant training required to properly discharge their responsibilities.

3.2 The Fund arranges an annual program of external and internal training events throughout the year designed to meet the requirements of new members of the Committee and the Board along with the ongoing needs of existing members.

3.3 These events are reported, formally, to Members of Committee and Pension Board on an annual basis.

Individual reports, to authorise attendance at these events are put to Committee on an event-by-event basis. Attendance of training events for the Pension Board is as agreed by the Independent Chair and the Head of Pension Fund.

4. Policy for Payment of Expenses

4.1 The Fund will reimburse all reasonable costs and expenses incurred in undertaking approved training for all members of the Pensions Committee and Pension Board.

4.2 Claims should be submitted to the Fund and supported by an official receipt.

4.3 Members serving on the Committee from other local authorities or organisations may choose to continue to claim any such expenses from these bodies instead if they prefer.

ANNEX 2

Merseyside Pension Fund Governance Compliance Statement

Part	Governance Requirement	Fully Compliant
II/A	**Structure**	
a.	The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council.	Yes
b.	That representatives of participating LGPS employers, admitted bodies and Scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Yes
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Yes
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Yes
II/B	**Representation**	
a.	That all key stakeholders are afforded the opportunity to be represented, within the main or secondary committee structure. These include:- i) employing authorities (including non-Scheme employers, e.g. admitted bodies); ii) Scheme members (including deferred and pensioner Scheme members), iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).	Yes
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes
II/C	**Selection and role of lay members**	
a.	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes

II/D	**Voting**	
a.	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees. Following consultation undertaken with all stakeholders groups during 2008 the Fund confirmed that it believes its current representation and voting arrangements are appropriate to ensure good governance. Although they do not have voting rights the three trade union members representing the interests of active, pensioner and deferred members are able to play a full role in all aspects of the Governance of the Fund, including attendance at the Pension Committee and Investment Monitoring Working Party. They receive copies of all reports and are included in all training and briefings.	Yes
II/E	**Training/Facility time/Expenses**	
a.	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Yes
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes
II/F	**Meetings (frequency/quorum)**	
a.	That an administering authority's main committee or committees meet at least quarterly.	Yes
b.	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Yes
c.	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Yes

II/G a.	**Access** That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Yes
II/H a.	**Scope** That administering authorities have taken steps to bring wider Scheme issues within the scope of their governance arrangements.	Yes
II/I a.	**Publicity** That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the Scheme is governed, can express an interest in wanting to be part of those arrangements.	Yes

DRAFT
28th October 2015

Merseyside Pension Fund
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Castle Chambers
43 Castle Street
Liverpool L69 2NW

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ADMINISTERING AUTHORITY
WIRRAL

WIRRAL COUNCIL

PENSIONS COMMITTEE

16 NOVEMBER 2015

SUBJECT:	**INTERNAL DISPUTE RESOLUTION PROCEDURE**
WARDS AFFECTED:	**ALL**
REPORT OF:	**STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES**
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1 The Local Government Pension Scheme (LGPS) has a statutory complaints procedure for dissatisfied members; the Internal Dispute Resolution Procedure (IDRP).

1.2 This report seeks approval to amend the panel of Appointed Persons who can consider appeals at stage 1 and stage 2 of the IDRP process in respect of MPF.

2.0 BACKGROUND AND KEY ISSUES

2.1 Section 50 of the Pensions Act 1995 and the Occupational Pensions Schemes (Internal Dispute Resolution Procedures) Regulations 1996 requires the LGPS to operate a two stage procedure for the resolution of disagreements.

2.2 The Regulations require the individual Scheme Employers to consider any stage 1 appeal against a decision taken by them. If the applicant is dissatisfied with the stage 1 decision then he or she may appeal further to the Administering Authority (MPF) which is responsible for consideration of the stage 2 appeal.

2.3 Both stage 1 and stage 2 appeals against decisions taken by the Pension Fund need to be considered by the persons appointed by the Administering Authority to undertake this role. The same appointed person cannot consider an appeal from an individual at both the first and second stage of the process.

2.4 At the present the panel of Appointed Persons established by the Merseyside Pension Fund consists of:-

Malcolm Flanagan	Head of Benefits, Revenue & Customer Services
Peter Wallach	Head of Merseyside Pension Fund
Yvonne Caddock	Principal Pension Officer
Barbara King	Benefit Manager
Keith Higgins	Benefit Manager

2.5 It is proposed to amend the panel of Appointed Persons to:

Tom Sault	Acting Section 151 Officer / Head of Finance
Peter Wallach	Head of Merseyside Pension Fund
Yvonne Caddock	Principal Pension Officer
Barbara King	Benefit Manager
Keith Higgins	Benefit Manager

2.6 The Head of Benefits, Revenue & Customer Services has retired and it is proposed that his role is replaced by the Acting Section 151Officer. There is a need to ensure sufficient resource and the need to appoint an officer independent of the pension fund to demonstrate appropriate governance when re-considering previous Fund determinations.

3.0 RELEVANT RISKS

3.1 If the Pension Fund does not have a suitably qualified panel of persons to determine disputes then there is a risk of criticism from the Pensions Ombudsman.

4.0 OTHER OPTIONS CONSIDERED

4.1 Any officer could be appointed to consider appeals but I recommend these officers as having the most relevant knowledge and experience.

5.0 CONSULTATION

5.1 No specific consultation has been undertaken with regard to this report

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising from this report.

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

7.1 There are no additional requirements

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality? Equality Impact Assessment (EIA) is not required for this report.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 None arising from this report

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 None arising from this report

12.0 RECOMMENDATION/S

12.1 That Members agree the proposed changes to the panel of authorised officers to consider appeals under the Internal Dispute Resolution Procedure

13.0 REASON/S FOR RECOMMENDATION/S

13.1 One of the existing signatories is no longer available to undertake IDRP reviews and it has been necessary to refresh the panel of authorised officers.

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REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	**Date**
INTERNAL DISPUTE RESOLUTION PROCEDURE	25 March 2013

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WIRRAL COUNCIL

PENSIONS BOARD

14 APRIL 2016

SUBJECT:	**MEMBER DEVELOPMENT PROGRAMME**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**HEAD OF PENSION FUND**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The development programme for Members of Pensions Committee is attached an appendix to this report.

2.0 BACKGROUND AND KEY ISSUES

2.1 It is 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.

2.2 The Fund's Statement of Investment Principles states that "an ongoing training programme (updated annually) for Committee Members and Fund officers [is provided] to ensure that decision-making is on an informed basis.

2.3 A number of these development opportunities will also be made available to Pension Board members.

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 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 There is a requirement for Members of the Pension Board to be kept informed of pension fund developments as a part of their role in supporting the administering authority.

REPORT AUTHOR: **PETER WALLACH**
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APPENDICES

Member development programme

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSIONS COMMITTEE
25 JANUARY 2016

SUBJECT:	**MEMBERS' DEVELOPMENT 2016**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES**
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to provide Members with an outline of the proposed programme for member development in 2016.

2.0 BACKGROUND AND KEY ISSUES

2.1 It is 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.

2.2 The Fund's Statement of Investment Principles states that "an ongoing training programme (updated annually) for Committee Members and Fund officers [is provided] to ensure that decision-making is on an informed basis.

2.3 The CIPFA Pensions Panel has developed a technical knowledge and skills framework for the LGPS. This framework has been adopted by Pensions Committee as demonstrating best practice and representing the appropriate mix of knowledge and skills necessary to discharge the governance role. It also assists Members in planning their training and development needs.

2.4 Two of the six IMWP meetings contain a formal training session covering relevant/topical subject matter. Additionally, presentations by external professional organisations and the deliberative nature of all the working parties mean that attendance is regarded as an important element of Member development.

2.5 The outline training programme is attached as an appendix to this report. It is comprised of a series of internal and external training events throughout the year. Individual papers may be brought to consider and approve attendance at each event and, if officers become aware of other appropriate events, Committee will be informed.

2.6 The Local Government Pensions Committee-organised ‘Fundamentals’ course is considered essential for all members to complete. It provides a comprehensive overview of the LGPS and the ‘trustee’ role carried out by those serving on a pension committee/panel. The course takes place over three days (during October – December), at multiple dates and in multiple locations (Cardiff, Leeds & London). While considered essential for new members, longer serving members of Pensions Committee may also benefit from refresher training.

2.7 It is a statutory requirement that the Fund’s annual report includes detailed information on training events offered and attended by elected members. A register of Members’ attendance at training and development events is kept and reviewed annually by the Governance & Risk Working Party.

3.0 RELEVANT RISKS

3.1 Failure to maintain an appropriate level of knowledge and skills, commensurate with that thought appropriate for those acting in a trustee-like role in the LGPS, may impair effective decision-making. Suitable and effective training and development activity should assist in mitigating this risk.

4.0 OTHER OPTIONS CONSIDERED

4.1 Based on an ongoing assessment of training needs, there may be the option of reverting to stand-alone training and development events.

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 Provision for Member training and development is included in the Fund’s annual operating 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 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/S

13.1 That Members note and approve the proposed training and development plan for 2016.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The requirement for good governance in the LGPS to be underpinned by informed decision-making, combined with the increasing complexity of financial markets and investment strategies, makes ongoing training and development an essential element of Members' responsibilities.

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APPENDICES

Appendix 1

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date
Pensions Committee	**January 2015**
Pensions Committee	**January 2014**
Pensions Committee	**January 2013**

APPENDIX 1

MONTH (2016)	**EVENT**	**REPRESENTATION***
17 February	330 Consulting LGPS seminar, Houses of Parliament	Party Spokespersons
3 - 4 March	LGC Investment Summit, Chester	All Members
9 - 11 March	PLSA Investment Conference, Edinburgh	Chair
March	IMWP – Member development session	All Members
16 - 18 May	NAPF Local Authority Conference, Cotswolds	Party Spokespersons
June	LGPC Annual Trustee Conference	All Members
June	PIRC Corporate Governance Conference	Chair
July	CIPFA Conference	Chair
September	LGC Investment Seminar, Celtic Manor	Party Spokespersons
October	330 Consulting LGPS seminar,	Party Spokespersons
October	IMWP – Member development session	All Members
2 November	PLSA Local Authority Forum, London	Chair
November	Annual Employers Conference, Aintree	All Members
October – December	Fundamentals training days; multiple dates & locations	All Members
December	LAPFF Annual Conference, Bournemouth	Party Spokespersons

**Reflects previous attendance*

WIRRAL COUNCIL

PENSIONS BOARD

14 APRIL 2016

SUBJECT:	**INVESTMENT MONITORING WORKING PARTY (IMWP) MINUTES**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**HEAD OF PENSION FUND**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The IMWP minutes taken to Pensions Committee since the last Pension Baord meeting are attached as exempt appendices to this report.

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

2.0 BACKGROUND AND KEY ISSUES

2.1 The IMWP meets at least six times a year to enable Members and their advisors to consider investment matters, relating to Merseyside Pension Fund, in greater detail.

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 There is a requirement for Members of the Pension Board to be kept informed of pension fund developments as a part of their role in supporting the administering authority.

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APPENDICES

Exempt appendix 1, 2 & 3

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSIONS BOARD

14 APRIL 2016

SUBJECT:	**GOVERNANCE & RISK WORKING PARTY (GRWP) MINUTES**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**HEAD OF PENSION FUND**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The GRWP minutes taken to September Pensions Committee are attached as an exempt appendix to this report.

1.2 The appendix to the report, the minutes of the GRWP on 30 June 2015, 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 at least twice a year to enable Members and their advisors to consider investment matters, relating to Merseyside Pension Fund, in greater detail.

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 There is a requirement for Members of the Pension Board to be kept informed of pension fund developments as a part of their role in supporting the administering authority.

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APPENDICES

Exempt appendix 1, 2.

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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