



## Local Pensions Board

<b>Date:</b>	<b>Tuesday, 28 June 2016</b>
<b>Time:</b>	<b>1.00 pm</b>
<b>Venue:</b>	<b>MERSEYSIDE PENSION FUND 7TH FLOOR, CASTLE CHAMBERS, LIVERPOOL L2 9SH</b>

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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 14 April 2016.

### 3. LGPS UPDATE (Pages 7 - 18)

### 4. CIPFA KNOWLEDGE & SKILLS FRAMEWORK (Pages 19 - 24)

### 5. PENSION REGULATOR SURVEY OF PUBLIC SERVICE PENSION SCHEMES (Pages 25 - 28)

### 6. DRAFT PENSION BOARD REVIEW AND WORK PLAN 2016-17 (Pages 29 - 38)

### 7. MERSEYSIDE PENSION FUND - COMPLIANCE STATEMENT - TPR CODE OF PRACTICE NO.14 (Pages 39 - 42)

### 8. POOLING UPDATE (Pages 43 - 48)

### 9. IMWP MINUTES - 19/04/16 (Pages 49 - 52)

**10. 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.

- 11. MERSEYSIDE PENSION FUND - COMPLIANCE STATEMENT - TPR CODE OF PRACTICE NO.14 - EXEMPT APPENDICES (Pages 53 - 68)**
- 12. POOLING UPDATE - EXEMPT APPENDIX (Pages 69 - 100)**
- 13. IMWP MINUTES - 19/04/16 - EXEMPT APPENDIX (Pages 101 - 104)**
- 14. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR**

## LOCAL PENSIONS BOARD

Thursday, 14 April 2016

Present:

J Raisin (Chair)

G Broadhead  
M Hornby  
R Dawson  
K Beirne

P Goodwin  
P Wiggins  
P Maloney

Apologies

D Ridland

### 20 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were 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.

No such declarations were made.

### 21 MINUTES

Mr P Wiggins commented that Members would find it helpful if a glossary of acronyms could be included where appropriate. Members having agreed this it was:-

**Resolved – That the accuracy of the Minutes of the Local Pension Board held on 13 October, 2015 be approved as a correct record.**

### 22 LGPS UPDATE

Members considered the LGPS update reports that had been taken to Pensions Committee (25 January and 21 March 2016) since the last Pension Board meeting and were attached as appendices to the report.

**Resolved – That the reports be noted.**

### 23 ADMINISTRATION REPORT

A report of the Principal Pensions Officer provided the Pension Board with monitoring information on the key performance indicators in respect of the work undertaken by the administration team during the period 1 April 2015 – 31 March 2016.

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

**Resolved – That;**

**1) the report be noted.**

**2) the Board offer its thanks to the Officers and in particular Yvonne Caddock and Guy Hayton for their work in preparing the Administration Report.**

24

## **POOLING UPDATE**

Members considered a report of the Head of the Pensions Fund that provided 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.

The initial pooling submission to DCLG which had been reported to March Pensions Committee was attached an appendix to the report.

Appendix 4 – to the report – Cost Analysis and Appendix 5 – Legal Advice 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).

On a motion by Geoffrey Broadhead and seconded by Robin Dawson it was: -

**Resolved: (Unanimously) -That;**

**1) the Local Pension Board of the Merseyside Pension Fund commends and supports the overall approach adopted by the Northern Powerhouse Pool in their February 2016 submission to the DCLG and the Memorandum of Understanding between the Administating Authorities of the Merseyside, Greater Manchester and West Yorkshire Funds of 19 February 2016.**

**2) in particular the Board commends**

**i) the proposed approach to the structure and Governance of the Northern Powerhouse Pool noting in particular the intent to seek to retain genuine Elected Member oversight through a Joint Committee**

- ii) the Pool's proposed approach to the management of alternative/illiquid assets
- iii) the intention to explore a range of options for the management of listed assets
- 3) the Pool's governance arrangements should ideally facilitate the genuine involvement and participation of non-district employer, employee and pensioner representatives.

## 25 **LGPS INVESTMENT REGULATIONS CONSULTATION**

The report of the Head of the Pension Fund provided Members with details of a consultation on proposals to revoke and replace the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and the Fund's submission to that consultation.

**Resolved – That the report be noted.**

## 26 **THE PENSIONS REGULATOR BREACHES POLICY**

The Board gave consideration to the policy that had been 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.

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

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

Members sought clarification of the timescales involved in the reporting of potential breaches and it was agreed that officers would revise the wording of the responsibilities of the responsible officer to clarify the policy intent.

**Resolved – That;**

- 1) the report be noted.

**2) officers revise the wording of the responsibilities of the responsible officer to clarify the policy intent.**

**27 REVISED POLICIES**

A report of the Head of the Pension Fund provided Board members with details of any Fund policies that had been revised since the last Pension Board meeting. The reports to Pensions Committee were attached as appendices to the report. Fund policies were subject to regular review and approval by Pensions Committee. Members commented that they were pleased to note the positive management and governance structure.

**Resolved – That the report be noted.**

**28 MEMBER DEVELOPMENT PROGRAMME**

A report of the Head of the Pension Fund outlined the development programme for Members of Pensions Committee that was attached an appendix to the report.

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

The Fund's Statement of Investment Principles stated 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".

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

The Head of the Pension Fund indicated that he would be happy to hear about any other training Members had attended.

**Resolved – That the report be noted.**

**29 IMWP MINUTES**

The IMWP minutes taken to Pensions Committee since the last Pension Board meeting were attached as exempt appendices to the report.

The appendices to the report, the minutes of IMWPs, 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 who had already attended IMWP meetings commented on their usefulness. The Head of the Pension Fund agreed he would circulate the date of the next meeting and bring dates to future meetings of the Board for members' information.

**Resolved – That the report be noted.**

30     **GRWP MINUTES**

Members considered the GRWP minutes that had been taken to 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).

**Resolved – That the report be noted.**

31     **DRAFT PENSION BOARD REPORT**

The Chair reported that this item would be discussed at the June meeting of the Pensions Board. The Chair and Head of the Pension Fund would prepare a report on the annual review of effectiveness a draft of which would come to the next meeting of the Board.

32     **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.**

33     **POOLING UPDATE**

The appendix to the report on Pooling Update was exempt by virtue of paragraph 3.

34     **IMWP MINUTES**

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

35     **GRWP MINUTES**

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

36     **ADMINISTRATION REPORT**

The appendix to the report on the Administration Report was exempt by virtue of paragraph 3.

Members requested additional performance indicators in relation to staff absences and turnover.

**Resolved – That Officers include an additional monitoring measure covering staff absence and turnover.**

37     **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR**

In accordance with the Breaches Policy (Minute 26 ante refers) members considered details of two breaches logged in the Register of Internal Breaches as T001 and T002 and were advised of the subsequent action taken.

**Resolved – That the Breaches as T001 and T002 in the Register of Internal Breaches logged as Green – Non-reportable be agreed.**



## WIRRAL COUNCIL

### PENSIONS BOARD

28 June 2016

<b>SUBJECT:</b>	<b>LGPS UPDATE</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>PRINCIPAL PENSIONS OFFICER</b>
<b>KEY DECISION</b>	<b>NO</b>

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 The LGPS update scheduled for consideration at the Pensions Committee meeting of 4 July 2016 is attached as an appendix 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 As noted in the attached appendix.

#### **4.0 OTHER OPTIONS CONSIDERED**

- 4.1 Not relevant for this report.

#### **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 As noted in the attached appendix.

#### **9.0 LEGAL IMPLICATIONS**

- 9.1 There are none arising from this report.

## **10.0 EQUALITIES IMPLICATIONS**

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

(b) No because the 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 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**

13.1 Pension Board members note the report.

## **14.0 REASON FOR RECOMMENDATION**

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

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## **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**

## **PENSION COMMITTEE**

**4 JULY 2016**

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

### **1.0 EXECUTIVE SUMMARY**

- 1.1 This report provides an update on the preparations for the 2016 Triennial Valuation and the proposed approach to setting employer contribution schedules.
- 1.2 It also raises awareness of a number of current issues facing the LGPS.

### **2.0 BACKGROUND AND KEY ISSUES**

#### **TRIENNIAL VALUATION**

##### **Strategic Overview**

- 2.1 The effective date of the actuarial valuation is 31 March 2016. The principal aim of the process is to monitor assets against the current value of the liability of members' pension benefits earned to date, followed by a review the employers' contribution rates payable for the financial period 1 April 2017 to 31 March 2020.
- 2.2 The review takes account of the Funding Strategy assumptions and principles adopted by the Fund, including any Deficit Recovery strategy, Investment Strategy and individual employer characteristics. There is a statutory requirement for employers to be consulted as part of the valuation process.

- 2.3.1 Officers have met with the actuary to discuss initial strategies and have scheduled further meetings with the Merseyside Finance Director Group, to discuss indicative results based on a roll forward approach from the previous valuation.

This meeting is subsequent to the meeting of 17 November 2015, referenced at Pensions Committee on 25 January 2016, minute 53 refers.

- 2.4 The Reasonableness of the application of a bespoke investment strategy is being considered for certain employers, where the whole Fund strategy may not support funding objectives and the duration of specific employer profiles.

The Actuary's opinion is that the majority would follow the overall Fund risk strategy with a small number of employers adopting a lower risk strategy to reduce funding volatility, in order to provide greater certainty of future liabilities and employer contributions.

- 2.5 The bespoke investment strategy would be applied by the Fund following analysis of an individual employer's risk profile, covenant and funding position.

### **Operational Process**

- 2.6 In order to facilitate the valuation process, employers are required to submit an annual year end data return in respect of the 2015/16 scheme year by 30<sup>th</sup> April.
- 2.7 The Administration and Accounts teams must then process and reconcile the return and undertake a resource intensive data quality testing and cleansing exercise.
- 2.8 The purpose of the data quality work is to provide empirical evidence of the valuation outcome and resultant contribution schedules; particularly given the current pressures on employer's budgets.
- 2.9 There is a short window of two months for Fund Officers to complete this exercise following receipt of the employer returns at the end of April as the Fund has a deadline to submit its complete data set to the Actuary by 30 June 2016.
- 2.10 Upon receipt of the Fund's complete data extracts, the Actuary will undertake full calculations, including demographic analysis of mortality experience, ill health retirement rates, commutation, proportion of deaths giving rise to

dependant pensions and will provide advice on all aspects of the funding assumptions, identifying the level of prudence in each assumption.

- 2.11 This will allow Pension Committee to make informed decisions when consulting and finalising the Funding Strategy. It is noteworthy that although the financial and employer risk will dominate discussions, the demographic factors are instrumental in developing a robust funding plan.
- 2.12 Officers will keep Members apprised on progress of the valuation until final certification of the Rates and Adjustment Certificate on 31 March 2017

## **CURRENT LGPS ISSUES**

### **Guaranteed Minimum Pension (GMP) Indexation**

- 2.13 On 1 March 2016, HM Treasury announced their decision on the interim solution regarding the indexation of GMPs in the Public Sector; following the introduction of the new single tier state pension from 6 April 2016.
- 2.14 It has been confirmed that public service pension schemes will be responsible for paying full pensions increases on both pre and post 1988 GMP for members who reach State Pension Age between 6 April 2016 and 5 December 2018.
- 2.15 For members who attained State Pension Age prior to 5 April 2016, the Fund pay CPI (capped at 3%) on the post-88 element of a GMP and the Government pays for the top-up on both pre and post 1988 elements to the full CPI, via the additional state pension.
- 2.16 For members reaching State Pension Age beyond 5 December 2018, HM Treasury intends to consult later this year on a solution to the indexation issue going forward.

### **Academies**

- 2.17 The 2016 Budget saw the Chancellor confirm his plans that all authority maintained schools will be required to become academies by 2022. However, following opposition to the proposal the plan has now been modified, and there will not be legislation to bring about a blanket conversion of all schools by 2022.

- 2.18 However, the Government has stated it is still planning on compelling academy conversions in two areas, where the local education authority:
- can no longer viably support its remaining schools because too many schools have already become academies, or;
  - consistently fails to meet a minimum performance threshold across its schools.
- 2.19 Whilst the Government has rebased its plans, it has still formally reaffirmed its determination to push academisation in certain areas.

### **State Pension Age Review**

- 2.20 The 2014 Pensions Act requires the results of an independent review of the State Pension Age to be published at least every six years, with the first review and report to be completed by 7 May 2017.
- 2.21 The Government has recently published the terms and conditions of the first review.

*“The purpose of the review is to make recommendations to the Secretary of State for Work and Pensions on future state pension arrangements. The review should consider whether the status quo of the State Pension Age increasing over time is affordable in the long term, fair to current and future generations of pensioners, and consistent with supporting fuller working lives.”*

- 2.22 The terms and conditions state that the review is to have regard to variations between groups, but as yet there is no further detail on the specific groupings or the possible formula that may apply. The Government intend to consult widely as part of the process to provide opportunity for comments from all stakeholders.
- 2.23 Whilst this review is very relevant to the LGPS given the retirement age link to the State Pension Age, the Government has said that the review and subsequent report will not affect the current timetables for increases to the State Pension age, which will take place between now and 2028.

### **Consultation: Local Government Pension Scheme Regulations**

- 2.24 A consultation has been published by the Department for Communities and Local Government setting out draft changes to the LGPS regulations to introduce New Fair Deal, along with a range of other amendments to the regulations .



- 2.25 The closing date for responses is 20 August 2016 and Officers will seek the Chairs approval before submitting the Fund's proposed response.

### **3.0 RELEVANT RISKS**

- 3.1 As academy conversions move active contributor liabilities from the Local Education Authority to the academy within the Fund, the host council's own liability profile will progressively mature.

This could have a range of implications for funding and investment strategies, depending upon the degree of local authority schools converting to academies; specifically the risk of further pressures on employer budgets and a direct adverse impact on local taxpayers.

- 3.1 As the Fund intends to implement bespoke investment strategies following review of the Funding Strategy Statement, there is a risk of failing to actively engage with employers' at the most opportune time. Failing to capture positive market changes may result in potential claims of mismanagement in regard employer liabilities.

### **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 Fund's Actuary (Mercer) have stated the impact on the LGPS for picking up the cost of full indexation of GMPs for members attaining state Pension Age between 6 April 2016 and 5 December 2018 will incur additional liabilities of the order of £225 million, which will have to be reflected in the forthcoming

valuation. The burden for individual employers will vary depending on membership profiles.

8.2 From a pensioner payroll perspective, there will be a need to identify affected members and set-up administrative processes in order to apply the correct increases going forward as they reach State Pension Age.

8.3 The Government commitment for the academisation programme will result in an increasing number of schools leaving local authorities. The implications for the LGPS, is significant in terms of the operational work needed, given the classification of academies as Scheme Employers. Any rapid increase in the number of schools becoming academies will require additional administration resources.

## **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**

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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

**28 JUNE 2016**

<b>SUBJECT:</b>	<b>CIPFA KNOWLEDGE &amp; SKILLS FRAMEWORK</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF PENSIONS</b>
<b>KEY DECISION?</b>	<b>NO</b>

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 This report recommends that the Board approves adoption of the CIPFA Knowledge & Skills Framework in respect of Pension Board members.

#### **2.0 BACKGROUND AND KEY ISSUES**

- 2.1 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 with particular reference to:

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

- 2.2 CIPFA has issued a publication in respect of local pension board knowledge and skills. This was discussed at the meeting in October 2015. The publication provides a useful overview of knowledge areas which are set out in appendix 1.

- 2.3 The annual assessment of the performance of the Pension Board will include a detailed report on training events offered and attended by Board members. The Framework provides a useful benchmark against which to assess training needs and develop appropriate future development programmes.

- 2.4 The policy and regulatory emphasis on the need for good governance arrangements in the LGPS necessitates that members of bodies advising and

supporting the LGPS are equipped with the necessary knowledge and skills to effectively perform this function. Formal adoption of the Framework would represent best practice by the Board and demonstrate that it is actively managing the development of its 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 the Board adopts the CIPFA Knowledge & Skills Framework for Board members.

## 14.0 REASON/S FOR RECOMMENDATION/S

14.1 The Pensions Act 2004 and Public Service Pensions Act 2013 require members of Wirral's Pensions Board to be conversant with key areas of knowledge and understanding of the law relating to pensions.

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## APPENDICES

None

## BACKGROUND PAPERS/REFERENCE MATERIAL

## BRIEFING NOTES HISTORY

Briefing Note	Date

## SUBJECT HISTORY (last 3 years)

Council Meeting	Date

<b>Pensions legislation</b>	<p>A general understanding of the pension's legislative framework in the UK.</p> <p>An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.</p> <p>An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.</p> <p>A regularly updated appreciation of the latest changes to the scheme rules.</p>
<b>Pensions governance</b>	<p>Knowledge of the role of the administering authority in relation to the LGPS.</p> <p>An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions</p>

Appendix 1 (below)

	<p>Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.</p> <p>Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.</p> <p>Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.</p> <p>Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.</p> <p>Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.</p> <p>A detailed knowledge of the duties and responsibilities of pension board members.</p> <p>Knowledge of the stakeholders of the pension fund and the nature of their interests.</p> <p>Knowledge of consultation, communication and involvement options relevant to the stakeholders.</p> <p>Knowledge of how pension fund management risk is monitored and managed.</p> <p>Understanding of how conflicts of interest are identified and managed.</p> <p>Understanding of how breaches in law are reported.</p>
<b>Pensions administration</b>	<p>An understanding of best practice in pensions administration, eg performance and cost measures.</p> <p>Understanding of the required and adopted scheme policies and procedures relating to:</p> <ul style="list-style-type: none"> <li>• member data maintenance and record-keeping processes</li> <li>• internal dispute resolution</li> <li>• contributions collection</li> <li>• scheme communications and materials</li> </ul> <p>Knowledge of how discretionary powers operate.</p> <p>Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).</p> <p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.</p> <p>An understanding of what additional voluntary contribution arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.</p>
<b>Pensions Accounting and auditing standards</b>	<p>Understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.</p> <p>Understanding of the role of both internal and external audit in the governance and assurance process.</p> <p>An understanding of the role played by third party assurance providers.</p>
<b>Pensions</b>	<p>Understanding of the background to current public procurement policy and procedures, and of</p>



<b>services procurement and relationship management</b>	<p>the values and scope of public procurement and the roles of key decision makers and organisations.</p> <p>A general understanding of the main public procurement requirements of UK and EU legislation.</p> <p>Understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.</p> <p>An understanding of how the pension fund monitors and manages the performance of their outsourced providers.</p>
<b>Investment performance and risk management</b>	<p>Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.</p> <p>Awareness of the Myners principles of performance management and the approach adopted by the administering authority.</p> <p>Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.</p>
<b>Financial markets and products knowledge</b>	<p>Understanding of the risk and return characteristics of the main asset classes (equities, bonds, property).</p> <p>Understanding of the role of these asset classes in long-term pension fund investing.</p> <p>Understanding of the primary importance of the investment strategy decision.</p> <p>A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.</p> <p>An understanding of the limits placed by regulation on the investment activities of local government pension funds.</p> <p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.</p>
<b>Actuarial methods, standards and practices</b>	<p>A general understanding of the role of the fund actuary.</p> <p>Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.</p> <p>Awareness of the importance of monitoring early and ill health retirement strain costs.</p> <p>A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.</p> <p>A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.</p> <p>A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers</p>

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## WIRRAL COUNCIL

### PENSIONS BOARD

28 June 2016

<b>SUBJECT:</b>	<b>PENSION REGULATOR SURVEY OF PUBLIC SERVICE PENSION SCHEMES</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>PRINCIPAL PENSIONS OFFICER</b>
<b>KEY DECISION</b>	<b>NO</b>

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to present the results of the Pension Regulator's (TPR) survey on the Governance and Administration of Public Sector Pension Schemes which was issued on 10 December 2015.

#### **2.0 BACKGROUND AND KEY ISSUES**

- 2.1 The Public Service Pensions Act 2013 introduced a number of changes for public service pension schemes, which provide pensions for the armed forces, local government, NHS, teachers, civil servants, the police force, fire-fighters and the judiciary.
- 2.2 In the summer of 2015, TPR undertook a survey to establish how these schemes have implemented the additional administration and governance requirements and the standard to which they are being operated.
- 2.3 The rationale is that a well administered Scheme provides members with high standards of service. It will also help the Government and public to have confidence that the cost of public service pensions are correctly accounted for, affordable and fair to all stakeholders.

##### **Number of responses**

- 2.4 TPR identified 209 separate "schemes" within the public sector, treating each LGPS fund as a separate scheme; as well as each police authority, and fire and rescue authority.
- 2.5 Of the 209 surveyed, 84 named and 17 anonymous responses were received, giving an overall response rate of 48% (covering 85% of membership).

The LGPS fared a little better than the average with 52% (covering 66% of membership) of Funds responding, including Merseyside Pension Fund

The results of the survey can be accessed at the following link

### **Pension board set up**

- 2.6 92% of schemes had established pension boards at the time of the survey, though only 80% were actually in operation (i.e. meetings commenced).

The remainder of respondents stated they would have the board operational within 6 months. The MPF established its Board in March 2015, and was operational by July 2015.

### **Internal controls**

- 2.7 TPR recognised that 76% of Funds have procedures in place to manage risk, and 82% have a risk register, but is concerned that only 56% assess their risks either quarterly or annually.

MPF undertakes a formal review of its risk register biannually at the Governance & Risk Working party. Officers consider the strategic risk parameters when setting the annual business plan and monitor any emerging risks or changes to its risk profile at the monthly Fund Operating Group.

### **Record keeping**

- 2.8 Only 45% of schemes have measured themselves against the record-keeping requirements and only 27% have undertaken a data cleansing exercise with 71% having carried out a review of their data in the last year.

The MPF monitors its data on an ongoing basis and is strengthening existing processes to demonstrate the efforts taken to assist and educate employers in submitting accurate, timely information. MPF is recording evidence of any employer's failure to improve. In terms of the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014, the Fund continues to monitor the presence of its 'common data' and always endeavours to trace missing information.

### **Breaches of the law**

- 2.9 Only 55% of schemes who responded to the survey have procedures for identifying and assessing breaches in Pension Law. It's noteworthy that the survey was carried out between July and September 2015, and a more recent survey would probably show much further progress. MPF had a policy in development for recommendation to the Pension Committee in November 2015, advocating that the Pension Board would be responsible for ensuring that the Breaches Policy is applied.
- 2.10 MPF were able to respond positively to most of the areas within the survey, and for those where it didn't it had policies pending approval or work planned to assist in meeting these requirements.

## **Self-assessment against the law and Code of Practice**

- 2.11 TPR states “We also expect all schemes to have assessed themselves against the law and our code of practice” and that they will be ensuring that every fund reaches a basic level of compliance within the next year.
- 2.12 As a result of the survey, it is expected that TPR will now focus attention on the key areas of internal controls, record keeping and provision of accurate and high quality communications to members. A further communication is anticipated from TPR in Spring 2016 to evaluate progress, with the expectation of subsequent annual reviews.
- 2.13 Therefore, a key area of work in 2016 will be the development of a TPR compliance model, which is outlined in another report on the agenda.

## **3.0 RELEVANT RISKS**

- 3.1 Failure to undertake a self-assessment against the Code of Practice No.14 may result in the Fund not identifying a failure to comply with the governance and administration requirements.

## **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 The review of MPF’s governance and administration against the Code of Practice No.14, is an action within the Fund’s Business Plan with a completion date of March 2017.

## **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

13.1 Pension Board members note the report.

## 14.0 REASON FOR RECOMMENDATION

14.1 There is a requirement for members of the Pension Board to be kept up to date with legislative developments as part of their role.

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## APPENDICES

### BACKGROUND PAPERS/REFERENCE MATERIAL

### BRIEFING NOTES HISTORY

Briefing Note	Date

### SUBJECT HISTORY (last 3 years)

Council Meeting	Date

## WIRRAL COUNCIL

### PENSIONS BOARD

28 JUNE 2016

<b>SUBJECT:</b>	<b>PENSION BOARD REVIEW 2015-16 AND WORK PLAN 2016-17</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>INDEPENDENT CHAIR OF PENSION BOARD</b>
<b>KEY DECISION?</b>	<b>NO</b>

#### 1.0 EXECUTIVE SUMMARY

1.1 This report which has been prepared in accordance with the Terms of Reference of the Pension Board reviews the performance of the Board and its members during its first year. The first year of the Board has been taken as from 15 May 2015 when Board members were selected to 30 April 2016.

#### 2.0 BACKGROUND AND KEY ISSUES

2.1 Section 8 of the Terms of Reference of the Local Pension Board of the Merseyside Fund states that *“The Board will undertake each year a formal review process to assess how well it and its members are performing with a view to seeking continuous improvement in the Board’s performance.”*

The responsibility for preparing and co-ordinating the annual Board Review lies with the Independent Chair as the Terms of Reference state at 4.7 i. that it will be the role of the Chair to *“To annually review and report on the performance of the Board”* and at 4.7 g. to *“Write reports required by the Scheme Manager on the performance of the Board.”*

This Board Review is separate but complementary to the Pension Board Annual Report (required under Section 11.3 of the Terms of Reference) to be prepared by the Director of the Merseyside Pension Fund in consultation with the Independent Chair.

As the Board Members were appointed on 15 May 2015 this review of 2015/16 will cover the period 15 May 2015 to 30 April 2016.

#### Establishment of the Board

The effectiveness of the Board is dependent not only on the approach and contribution of its Members but also that of the Administering Authority. Regulation 106(1) of the

Local Government Pension Scheme Regulations 2013 (As amended) requires that each Administering Authority, which in the case of the Merseyside Fund is Wirral MBC, establish a Local Pension Board by 1 April 2015 and that this Board has (Regulation 107(2)) at least two Employer and Employee representatives. Guidance on the creation and operation of Local Pension Boards in England and Wales issued by the (National) Shadow Scheme Advisory Board in February 2015 (Section 3.2, page 7) “*anticipated*” that each Local Pension Board “*be operational*” by 31 July 2015.

The Administering Authority took a clearly proactive approach to both the creation and nature of the Pension Board. The Pension Committee considered the establishment of the Pension Board at its meeting held on 19 January 2015, prior to the Department for Communities and Local Government issuing the relevant final Governance Regulations (which were issued on 28 January 2015). The Pension Committee agreed that the Pension Board should consist of not the minimum of four but eight members (4 Employer and 4 Employee) plus an Independent Chair. This representation enabled Employer representatives to be appointed from each of the major Employer groups – one each for Admitted bodies (excluding contractors) and Education bodies and two from Authorities (Councils, Police, Fire, Transport). Diversity amongst Employee representatives was facilitated by two representing active members and the other two pensioner/deferred members. The Independent Chair was to have experience as a trustee or officer preferably in the LGPS. The Terms of Reference and composition of the Pension Board were approved by the Council at its meeting on 16 March 2016.

The Administering Authority undertook a recruitment campaign which sought to facilitate Board effectiveness in terms of the appointed members. A vigorous information and advertising campaign was undertaken to seek an Independent Chair, Employer and Employee representatives all of whom had significant relevant experience/understanding of Pensions issues. A Selection Panel of three Wirral Councillors advised by the Director of the Merseyside Pension Fund and the External Auditor to the Council appointed the members of the Board.

The Selection Panel appointed four Employer representatives with strategic and operational knowledge, understanding and experience of pension schemes. This included significant involvement with both the LGPS and private sector Defined Benefit and Defined Contribution Schemes. Three of the four Employer representatives are senior managers with large Employers within the Fund which are diverse in their nature (One Vision Housing, Wirral Met College and Merseyside Police). The fourth is a former Councillor and former Member of the Wirral MBC Pension Committee.

Active, Deferred and Pensioner members of the Fund are all represented by Employee representatives. One active Employee member is an experienced Trade Union representative who was a member of the Wirral Pension Committee from 2008 to 2015. The other active Employee member is a senior finance officer of Liverpool City Council. Deferred members are represented by a former Liverpool City Councillor who also has private sector pension trustee experience. Retired members are represented by an experienced Trade Union representative who also served on the Wirral Pension Committee from 2008 to 2015.



The Independent Chair is Independent Advisor (for Governance and Investment) to three London LGPS Funds. He was Head of the Northamptonshire LGPS Fund from 2004 to 2009 and then Director of Finance of the London Borough of Waltham Forest.

The Board was properly operational prior to 31 July 2015. The Board Members were appointed by the Selection Panel on 15 May 2015, a full day training event was held on 28 May 2015 and the first Board meeting was held on 14 July 2015.

## **Training and Development**

It is a statutory requirement under Schedule 4 of the Public Service Pensions Act 2013 and Section 248A of the Pensions Act 2004 (As amended) that members of Pension Boards have “knowledge and understanding” of pensions law and be “conversant” with the Scheme Regulations and Fund documents. The issue of training and development has been approached in a methodical and serious manner by both the Administering Authority and individual Board members.

Each of the three Board Meetings held between July 2015 and April 2016 considered Training and Member Development. The first Board Meeting held on 14 July 2015 included a paper by the Fund Officers entitled “Training Programme” which provided details of the knowledge and understanding requirements of Board members, set out the overall approach to training to be adopted and included a specific requirement that all Board Members commit to completing the Pensions Regulator’s on-line Toolkit for Public Service schemes. At the Board meeting held on 13 October 2015 members received a further paper on training and were briefed on the CIPFA *“Local Pension Boards A Technical Knowledge and Skills Framework”* issued in July 2015 in respect of all areas of which the report stated training will be provided over time. A further report on Member Development including details of a wide range of external events which Board members may potentially attend was received at the April 2016 Board meeting.

During 2015 the Fund organised two full day training events for Board members. Prior to the first meeting of the Board a full day training session was organised by the Fund on 28 May 2015 which aimed to highlight and in brief explain, all the areas of knowledge a Board member might be expected to have as indicated in Schedule B of the (National) Shadow Scheme Advisory Board *“Guidance on the creation and operation of Local Pension Boards in England and Wales”* issued in February 2015. This was presented by representatives from the Local Government Association, AON Hewitt, Eversheds, and Mercer. This event was attended by six of the nine Board Members. The Fund organised a further all day training event (to which both Pension Committee and Pension Board Members were invited) on 29 September 2015. This focussed on an overview of the Merseyside Fund, Investment and Actuarial issues with presentations by the Director of the Fund, Investec Asset Management, Blackrock and Mercer. Seven of the nine Board members attended.

In addition all Members of the Board were invited to attend the Annual Employers Conference held on 26 November 2015 which received detailed presentations on the Governance, Investment and Administration of the Merseyside Fund. Eight members

of the Board attended. The Independent Chair of the Pension Board also made a presentation on the role, membership and activity so far of the Board

During 2015-16 Board Members were afforded and took up opportunities to attend a range of external training and conference events. In addition a programme of attendance, in an observer capacity, at both the Investment Monitoring Working Party and the Governance and Risk Working Party commenced.

## Board Meetings

Three meetings of the Board were held during the period covered by this review. There were on 14 July 2015, 13 October 2015 and 14 April 2016. At each meeting 8 out of the 9 Board members attended representing an 89% attendance at each meeting.

The Agenda Items Considered at each Board meeting are shown in the Table below:

	14/7/15	13/10/15	14/4/16
Minutes of the Previous Meeting		/	/
Members Code of Conduct – Declarations of Interest			/
Appointment of Chair of Pension Board	/		
Review of Pension Board Policies	/		
Business Planning/Work Plan	/	/	
Stronger Futures: Development of the LGPS	/		
Policy on Compliance with the Pension Regulator	/		
Training/Member Development Programme	/	/	/
LGPS Update		/	/
Annual Report and Accounts		/	
Gifts and Hospitality Policy		/	
Investment Monitoring Working Party Minutes		/	/
Governance and Risk Working Party Minutes		/	/
Administration Report			/
Pooling Update			/
LGPS Investment Regulations Consultation			/
The Pensions Regulator Breaches Policy			/
Revised Policies			/
Draft Pension Board Report			/
Report of Breaches of the law			/

The work programme of the Board developed over the year. Given the overall role of the Board is to “assist” the Administering Authority it was appropriate that rather than agree a Business Plan/Work Programme at the commencement of its existence the Board received reports from the Director of the Fund at the 14 July 2015 and 13 October 2015 meetings detailing the key activities and projects of the Merseyside Pension Fund to 2017. Following receipt of these reports informal discussions were held between the Independent Chair and Director of the Fund to determine a formal Work Programme. There was then further informal consultation with all Board Members regarding the future work programme of the Board and further suggestions

were made. Consequently taking account of these discussions and the present national developments in the LGPS a proposed Pension Board Work Plan for 2016-17 is included later in this report for formal approval by the Board. This Work Plan is expected to evolve as new activities and projects arise.

As will be observed during 2015-16 the Board received reports on a wide range of issues covering Governance, Administration and Investment issues. There were active discussions in relation to reports, including those on training, the Minutes of the two Fund Working Parties, the Administration Report and the Investment Poling proposals, with all nine members of the Board contributing regularly to debate during the course of the year.

As the Board's primary role is to assist the Administering Authority and the Board is not in its own right a decision making body it was appropriate that the Board developed a clear focus towards consideration of Governance issues during its first year. This was facilitated by the emphasis on training promoted by the Fund and embraced by the members of the Board (as indicated in the previous section of this report). In particular it was agreed that the Exempt Minutes of both the Investment Monitoring Working Party (the Fund's principal forum for the consideration of Investment related issues) and the Governance & Risk Working Party (the Fund's principal forum for the consideration of risk management/internal control and Pensions Administration) should be standing items on the Board's Agenda. To facilitate further understanding of the working of both of these important bodies within the overall Governance of the Fund it was agreed that members of the Board could attend meetings of these groups as observers to further their knowledge and understanding of the Fund.

Given that the Board is made up of representatives of the Employers and Employees within the Fund it is clearly highly relevant that the Board receives reports on and actively considers Governance and performance issues relating to Pensions Administration. This is the area of the Fund where Employers are primarily involved as the Fund is dependent upon Employers for the provision of timely, accurate and updated member data. For Employees, the primary concern is that records are accurate so that pension entitlements are properly recorded and in due course paid. Furthermore the Pensions Regulator has laid out clear expectations in terms of Pensions Administration including Internal Dispute Resolution in Code of Practice No 14. Therefore during the year the Fund Officers worked to develop a suitably detailed Pension Administration Report. The first such report was presented to the meeting of the Board held on 14 April 2016 and covered a wide range of Pension Administration issues and performance indicators. A Pension Administration report will be presented to each subsequent meeting of the Board.

The Board did not during its first year make any formal recommendations to the Scheme Manager (the Pensions Committee of Wirral MBC). The Board, however, made an important resolution relating to the future Governance of the Investments of the Fund at its meeting held on 14 April 2016. Board members (the Independent Chair, Employee and Employer representatives) jointly prepared and unanimously agreed a resolution at this meeting strongly supportive of the overall approach of the Northern Pool in their February 2016 submission to the DCLG and the Memorandum of

Understanding between the Administering Authorities of the Merseyside, Greater Manchester and West Yorkshire Funds of 19 February 2016. This resolution also supported the overall proposed approach to the Governance of the Northern Pool including the importance of the genuine involvement of Elected Members and the desirability of the genuine involvement and participation of non-district employer, employee and pensioner representatives. Given the fact that the Government's Pooling proposals will result in the Merseyside Fund delegating responsibility for the selection of investment managers to the Pool, over and above the existing delegation of the day-to-day management of its assets to officers of MPF the Board felt it necessary to clearly express a view in respect of the Governance of any Pooling arrangement the Merseyside Fund enters into.

During 2015-16 the attendance at Board Meetings (89%), active participation at Board meetings by all Board members and the level of participation in training indicate the commitment of the Board membership to the effectiveness of the Board.

### **Reporting Breaches of the Law to the Pensions Regulator**

The Pension Board does not itself have decision making powers. The Administering Authority may however delegate functions or grant powers to the Board. In respect of the Reporting of Breaches of the Law to the Pensions Regulator the Administering Authority has determined (Pensions Committee of 16 November 2015) that the Board should be consulted by Officers when considering whether or not to report a specific breach (or likely breach) to the Regulator. This is an important role granted to the Board in terms of ensuring the good Governance of the Fund and appropriate interpretation of the Pensions Regulators guidance and the Merseyside Fund's policy on reporting breaches of the law. During the period covered by this report the members of the Board were asked to give their view on two occasions as to whether or not a breach of the law should be reported to the Pensions Regulator or alternatively recorded in the Breaches Log. On both occasions the Board unanimously confirmed the Officers view that the breach was not material and therefore did not need to be reported to the Regulator but should be recorded in the Breaches Log.

### **Pension Board Costs of Operation to 31 March 2016**

<b>Training</b>	<b>£10,584</b>
<b>Transport</b>	<b>£2,088</b>
<b>Allowances</b>	<b>£12,772</b>
<b>Other</b>	<b>£1,487</b>
<b>Total</b>	<b>£26,931</b>

## Proposed Pension Board Work Plan 2016-17

Agenda item	28.06.16	11.10.16	2017
LGPS update	√	√	√
Administration KPI report		√	√
Pooling update	√		
Member Development Programme			√
Pension Board Development Programme	√		√
IMWP/GRWP minutes	√	√	√
Pension Board Annual Review	√		
Pension Board Annual Report		√	
Investment Performance		√	
Audit Findings Report		√	
Annual Report & Accounts		√	
Review of Actuarial Valuation			√
Fund discretions			√
AVC arrangements			√
tPR self-assessment			√

## Support for the Board by the Administering Authority during 2015-16

As stated earlier in this report the effectiveness of the Board is dependent not only on the approach and contribution of its members but also that of the Administering Authority. Throughout the year the Board received extremely positive support, advice and guidance from the officers of the Merseyside Pension Fund. Meetings of the Board were supported and attended not only by the Director of the Fund but also the senior members of his team responsible for Pensions Administration and the Finance/Accounting of the Fund. The commitment of Wirral MBC to the Board's role

within the Merseyside Pension Fund was also clearly demonstrated by the attendance of the Council's Strategic Director Transformation and Resources at Board meetings.

Between meetings the Director of the Fund provided me with advice whenever requested as did his senior staff responsible for Pensions Administration and Finance/Accounting. The Director's Personal Assistant also positively provided support throughout the year.

On behalf of the Board I would wish to thank the Officers for their positive approach and their reports, guidance and advice which enabled us to commence our task of seeking to genuinely "*assist*" the Administering Authority in its stewardship of the Merseyside LGPS Fund.

**John Raisin**  
**Independent Chair**  
**Merseyside LGPS Local Pension Board**

### **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 The Director of the Merseyside Pension Fund and the eight voting Members of the Pension Board have been consulted in the preparation of 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 the Board receive and approve the Pension Board Review 2015-16.

13.2 That the Board approves the proposed Work Plan 2016-17

## **14.0 REASON/S FOR RECOMMENDATION/S**

14.1 Section 8 of the Terms of Reference of the Local Pension Board of the Merseyside Fund states that *“The Board will undertake each year a formal review process to assess how well it and its members are performing with a view to seeking continuous improvement in the Board’s performance.”*

**REPORT AUTHOR: JOHN RAISIN**  
**Independent Chair**  
**Merseyside Local Pension Board**

## **APPENDICES**

## **BACKGROUND PAPERS/REFERENCE MATERIAL**

## **BRIEFING NOTES HISTORY**

<b>Briefing Note</b>	<b>Date</b>

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>





## WIRRAL COUNCIL

### PENSIONS BOARD

28 June 2016

<b>SUBJECT:</b>	<b>MERSEYSIDE PENSION FUND – COMPLIANCE STATEMENT – TPR CODE OF PRACTICE NO.14</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>PRINCIPAL PENSIONS OFFICER</b>
<b>KEY DECISION</b>	<b>NO</b>

#### 1.0 EXECUTIVE SUMMARY

- 1.1 This report updates the Pension Board on the intended approach to stress test Merseyside Pension Fund's compliance against the Pension Regulator (TPR) Code of Practice No.14, entitled "Governance and Administration of Public Service Schemes.
- 1.2 The appendix to the report, the Compliance Statement, 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 Local Pension Board's role is to assist in the good governance of the scheme and to highlight to Pensions Committee any areas that require improvement in complying with statutory legislation and standards set by TPR.
- 2.2 The Pension Board discussed the content and impact of TPR Code of Practice, applicable from April 2015, at its inaugural meeting of 14 July 2015. The Code of Practice sets out the legal requirements for public service pension schemes, standards of conduct and practice expected of those who exercise functions in relation to those requirements.
- 2.3 Work is currently in progress to establish a model for officers to undertake a self-assessment against the 90 key definitive elements across the Code - with the statements of compliance substantiated by relevant documentary evidence. Any failings will outline the suggested corrective action within a targeted timeframe and any areas identified for improvement will require a statement of commitment.
- 2.4 Following completion by the officer, the Board may wish to consider commissioning an advisor to provide an independent review of the exercise - to demonstrate objectivity and mitigate any preconceived assumptions as to the level of compliance within the administration and governance function.

- 2.5 The Fund has to date undertaken a high level assessment of its compliance against the Code, using the RAG rating system, attached as Appendix 1.  
There are no areas of significant concern. Areas with an amber rating reflect development work being undertaken to further tighten controls and ensure a robust monitoring framework.
- 2.6 Further granular evaluation is necessary to evidence a comprehensive statement of compliance against the full suite of administration and governance functions covered by the code.
- 2.7 The aim of the structured model is to provide assurance to the Board and TPR of the Fund's commitment to proactively comply with the Code of Practice No.14.
- 2.8 Officers will keep the Pension Board apprised of progress achieved and request feedback on the evaluation of both the Statements of Compliance and Commitment, including the review process which will be embedded within the compliance model.

### **3.0 RELEVANT RISKS**

- 3.1 Failure to comply with the Code of Practice No.14 will result in censure by the Pensions Regulator – these will vary from Improvement Notices to financial penalties.

### **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 The project to complete the review process is a significant undertaking and is documented within the Fund's 2016 Business Plan, with an anticipated task-to-finish date of March 2017.

### **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**

13.1 Pension Board members note the report.

## **14.0 REASON FOR RECOMMENDATION/S**

14.1 There is a requirement for members of the Pension Board to be kept up to date with legislative developments as part of their role.

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## **APPENDICES**

Compliance Statement

## **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

28 JUNE 2016

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

#### 1.0 EXECUTIVE SUMMARY

- 1.1 This report updates the Pension Board with the progress made in developing pooling arrangements in relation to the Northern Pool and Government's requirement for the Local Government Pension Scheme to pool investments to deliver significantly reduced costs while maintaining overall investment performance.
- 1.2 The appendix to the report, appendix 2, 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 Following its initial pooling submission in February, Merseyside Pension Fund has been working towards the final submission due 15 July 2016. On 19 May, the Pool was requested to meet, on 16 June, with a senior evaluation panel convened by HM Treasury, to provide officials with an update on the Pool's current thinking on its July submission. The topics to be addressed by the presentation are set out in appendix 1.
- 2.2 Appendix 2 provides the Board with details of the Northern Pool's presentation to HM Treasury, DCLG and their advisors on 16 June 2016.

#### 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**

Appendix 1. LGPS Pooling Presentation requirements  
Appendix 2. Exempt – Presentation to HM Treasury

## **BACKGROUND PAPERS/REFERENCE MATERIAL**

### **BRIEFING NOTES HISTORY**

<b>Briefing Note</b>	<b>Date</b>

### **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>

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## **LGPS Pool presentations**

### **SCALE**

1. Please state the total value of assets (£b) to be invested via the pool once transition is complete (based on asset values as at 31.3.2015).

### **COMMITMENT**

2. Please confirm that the pool structure has been formally signed off by all participating funds, (or if necessary when formal sign off is expected) and include:
  - a. details of the FCA authorised structure that will be put in place, and has been signed off by the participating funds;
  - b. outline of tax treatment and legal position, including legal and beneficial ownership of assets;
  - c. the work that will be carried out internally and services to be hired from outside; and
  - d. a brief overview explaining how the cost benefits of pooling will be measured, evaluated and reported.

### **TRANSITION**

3. The timeline for establishing the pool up to 1<sup>st</sup> April 2018 and the plan for transparently reporting progress.
4. Please provide a summary of the estimated value of assets (in £b based on asset values at 31.3.15 and assuming no change in asset mix) to be held inside and outside the pool at the end of each 3 year period starting from 1st April 2018.
5. An outline rationale for holdings outside the pool and plans for transition.

### **GOVERNANCE AND DECISION MAKING**

6. Please describe briefly how the governance structure will ensure that the operator of the pool can be held to account and in particular the provisions for reporting back to funds, at both a local and a pool level, on the implementation and performance of their investment strategy. Please set out the composition of the supervisory body.
7. Outline the decision-making procedures within the governance structure, in particular confirm that manager selection and implementation of investment strategy will be carried out at the pool level - please provide assurance that this structure will be in place by 1st April 2018 and any assumptions on which this is based.
8. Please explain how the pool will operate, the work to be carried out internally and services to be hired from outside.
9. Set out how net performance of each asset class will be reported publicly by the pool and the extent to which benchmarking will be used by authorities to assess their own

governance and performance and that of the pool, including how fees and net performance in each listed asset class will be compared to a relevant passive index.

### **COSTS AND SAVINGS**

10. Please provide an assessment of investment costs and fees as at 31 March 2013 and also current investment costs prepared on the same basis for comparison.
11. Please provide an estimate of the governance and regulatory cost (including regulatory capital and breakdown of costs by source) of the pool split between implementation and ongoing. Please list any assumptions made to arrive at that estimate. Please include details of where new costs are set off by reduced existing costs.
12. Please provide an estimate of the staffing cost of the pool split between implementation and ongoing. Please state any assumptions made to arrive at that estimate. Please include details of where new costs are set off by reduced existing costs.
13. Please provide a summary of the estimated savings (per annum) over the next 15 years to be achieved by the pool at the end of each 3 year period starting from 1st April 2018. Please explain how you've arrived at these figures.
14. Please explain how authorities and/or the pool (as appropriate) will transparently report:
  - a. actual transition costs compared to forecasts;
  - b. actual savings compared to forecasts; and
  - c. fees and other ongoing costs (including costs not previously reported).

### **INFRASTRUCTURE**

15. Please confirm that the pool is committed to working with other pools to develop the capability and capacity to access infrastructure opportunities appropriate to the risk appetite and return requirements of its participating funds. The definition of infrastructure should be that set by participating funds and is not restricted to the UK.
16. Please explain the proportion of funds in the pool currently allocated to infrastructure and state the pool's ambition for infrastructure investment, i.e. the estimated total allocation to infrastructure, subject to suitable opportunities, and once the capacity and capability referred to above is in full operation.

## WIRRAL COUNCIL

### PENSIONS BOARD

**28 JUNE 2016**

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

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 The IMWP minutes approved by Pension Committee since the last Pension Board meeting are attached as exempt appendices to this report.
- 1.2 The appendix to the report, the minutes of IMWP on 19 April 2016, contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

#### **2.0 BACKGROUND AND KEY ISSUES**

- 2.1 The 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 The approval of IMWP minutes by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund. These arrangements were approved by Pensions Committee as part of the Fund's Governance Statement at its meeting on 27<sup>th</sup> June 2011.

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## **APPENDICES**

Exempt appendix 1

## **BACKGROUND PAPERS/REFERENCE MATERIAL**

## **BRIEFING NOTES HISTORY**

Briefing Note	Date
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**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>

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