

PENSIONS COMMITTEE

Monday, 19 September 2016

<u>Present:</u>	Councillor	P Doughty (Chair)	
	Councillors	AR McLachlan G Davies AER Jones T Jones B Kenny	G Watt C Povall P Cleary T Anderson
	Councillor	T Byron (Knowsley Council)	
<u>Apologies</u>	Councillors	N Crofts (Liverpool City Council) J Fulham (St Helens Council) P Cleary (Unison Active Member)	

105 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked if they had any pecuniary or non-pecuniary interests in connection with any application on the agenda and, if so, to declare them and state the nature of the interest.

Councillor Terry Byron declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund and also a member of Unison.

Councillor George Davies declared a pecuniary interest by virtue of his wife being a member of Merseyside Pension Fund.

Councillor Paul Doughty declared a pecuniary interest by virtue of his wife being a member of Merseyside Pension Fund.

Councillor Tony Jones declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund.

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

106 MINUTES

Resolved – That the accuracy of the Minutes of the Pensions Committee held on 4 July, 2016 be approved as a correct record.

107 AUDIT FINDINGS REPORT

Members gave consideration to the Audit Findings Report 2015 - 2016 prepared by Grant Thornton UK LLP. Heather Green, Senior Manager

attended the meeting and reported upon the key issues contained in the report and responded to Members questions. It was reported that the audit was now substantially complete and it was anticipated that an unqualified audit opinion would be provided in respect of the financial statements as shown in Appendix B: Audit opinion of the report. It was noted that the key message was a positive report with very few amendments and that good progress had been made in preparing the accounts in good time.

Heather Green noted appreciation for the assistance given Donna Smith and other staff during the Audit.

Resolved – That;

- 1. the report be noted.**
- 2. the Audit Findings report be recommended to the Audit and Risk Management Committee.**

108 **PENSION FUND STATEMENT OF ACCOUNTS**

Members gave consideration to a report that presented Members with the audited statement of accounts of Merseyside Pension Fund for 2015/16 and responded to the Audit Findings Report from Grant Thornton.

Subject to outstanding work, Grant Thornton had indicated there would be an unqualified opinion and there were no material adjustments and one recommendation.

Grant Thornton's report expressed a positive outcome from their audit of the accounts and referred to the accounts being prepared to a good standard.

Grant Thornton was close to completion of its audit of the accounts and the Audit Findings Report was on this agenda. They provided a verbal update at the meeting on the report and officers responded.

Officers had agreed to all of the suggested adjustments to the accounts and disclosures.

There had been one mis-classification of £24.8 million, which was categorised as a pooled investment vehicle with the underlying asset class as a corporate bond instead of a pooled investment vehicle with the underlying asset class as equities. This had no effect on the net assets of the Fund as at 31 March 2016.

It was reported that all suggested disclosure changes had been amended.

A Letter of Representation on behalf of the Committee had been prepared which gave assurances to the Auditor on various aspects relating to the Pension Fund.

The Audit Opinion would be issued following final completion of the audit, consideration of the Audit Findings Report and approval of the amended Statement of Accounts at both the Pensions Committee and the Audit and Risk Management Committee. Once approved, Grant Thornton had indicated that they would again issue an unqualified opinion, and stated that the accounts presented fairly the financial position of Merseyside Pension Fund as at 31 March 2016. Subject to this, the accounts as now shown would form the basis of the Annual Report for the year ended 31 March 2016.

Resolved –That;

- 1. the audited Statement of Accounts for 2015/16 be approved.**
- 2. Pensions Committee refers the recommendations to the Audit and Risk Management Committee.**

109 DRAFT ANNUAL PENSION FUND REPORT 2015/16

A report of the Strategic Director Transformation and Resources provided Members with the draft Annual Report of Merseyside Pension Fund for 2015/16 which was attached as an appendix to the report.

The LGPS regulations required the Pension Fund Annual Report to contain the Fund Accounts and Net Asset Statement with supporting notes and disclosures, prepared in accordance with proper practices.

International Standards on Auditing (UK&I) 720 required that auditors read any information published with the accounts. It also stated that the auditor should not issue an opinion until that other information is published.

It was noted that the Fund's Statement of Accounts and the auditor's Audit Findings Report were separate items on the agenda and provided additional assurance that the annual report had been subject to independent scrutiny.

Resolved – That the draft Annual Report of Merseyside Pension Fund be approved for publication.

110 PENSION BOARD REVIEW

Members gave consideration to a report of the Independent Chair of the Pension Board. The Wirral Pension Board had been established in 2015 and the report provided Members with a review of the progress of the Board during its first year.

The Board's terms of reference stated that "The Board shall on an annual basis produce a report on both the nature and effect of its activities for consideration by the Scheme Manager". The report, attached as an appendix,

had been prepared by the Independent Chair of the Pension Board and had been approved by the Pension Board at its June meeting.

Mr J Raisin, Independent Chair of the Pension Board, attended the Committee and presented the report to Members. He outlined the work and training undertaken by members since the establishment of the Board and indicated that the work programme had been agreed by the Chair, the Director of Pensions and Board members. Mr Raisin also thanked the officers of MPF for their positive support to the Board.

Councillor Tony Jones requested a copy of the Pension Board's terms of reference and officers advised that the document was available on MPF's website and a link to the document would be forwarded to him.

Resolved – That the report be noted.

111 **LGPS UPDATE**

A report of the Strategic Director of Transformation and Resources updated Members on the Fund's response to the statutory consultation on the LGPS amendment regulations. Fund Officers had sought comments and approval from the Chairs of both the Pension Committee and Pension Board on the policy perspective within the response, before submission to the Department of Communities and Local Government on 19 August 2016. The submitted response was provided as an Appendix to the report.

The report also provided an overview of the development of an insolvency regime for further education colleges and sixth form colleges currently being appraised by the Department for Education.

Members had previously noted the publication of the above consultation issued on 27 May 2016 at the last committee meeting on 4 July 2016 (minute 90 refers). The consultation could be found at the following link:

<https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations>

Resolved – That the report be noted.

112 **GAD - SECTION 13 DRY RUN**

Members considered a report that updated Members on the recent publication of the Government Actuary's Department (GAD) Section 13 'dry run' report, based on the 2013 round of fund valuations.

The purpose of the 'dry run' was to inform the approach and analysis for the first statutory report, concomitant with the 2016 round of ninety-one separate fund valuations.

The dry run report and appendices could be accessed from the Scheme Advisory Board website at:

<http://lgpsboard.org/images/Reports/Section13DryRun20160711.pdf>

<http://lgpsboard.org/images/Reports/Section13DryRunAppendices20160711.pdf>

Resolved – That;

- 1. the Pension Committee note the requirement to consider the Section 13 measures as an integral part of the valuation, but any decisions on funding should be based on the Fund's own circumstances, risk profile and long term objectives.**
- 2. Yvonne Caddock, Principal Pension Officer, be thanked for the report.**

113 POOLING CONSULTATION

Members considered a report that provided Members with the final submission made to Government in respect of pooling arrangements relating to the Northern Pool.

Appendix 2 to the report contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

At the Pensions Committee on 4 July, Members had given approval for officers, in consultation with the Chair, to finalise the submission to Government in relation to the Government's consultation on pooling within the LGPS.

Appendices 1 and 2 to the report provided full details of the Northern Pool's submission to Government on 15 July 2016.

Following receipt of the submission, the Department for Communities and Local Government (DCLG) had held a conference call with officers of the Northern Pool on 31 August 2016. In addition to providing clarification to DCLG, officers had been advised that all Pool submissions to the pooling consultation were to be considered at a Government panel which would be convened during the week commencing 5 September after which DCLG would respond formally to the Northern Pool in writing.

Resolved – That the final submission to Government which had been prepared in consultation with the Chair be noted.

114 **LGE FUNDAMENTALS TRAINING**

A report of the Strategic Director Transformation and Resources recommended the Committee to approve participation by Members in the LGPS Trustee Training 'Fundamentals XIV' organised by the Local Government Pensions Committee.

The fundamentals course was run on an annual basis and provided an insight to LGPS 'trusteeship' for newly elected Committee members whilst also serving as an update/refresher course for longer-serving members. It was a bespoke LGPS training course predominately aimed at elected members serving on pension committees/panel.

It was highlighted that the course was likely to be of most benefit to newer members of the Committee and would provide a useful grounding in all aspects of local government pensions.

Resolved – That;

- 1. attendance by Members on the 'Fundamentals training' be approved.**
- 2 Members wishing to take advantage of this opportunity notify the Head of Pension Fund to enable the necessary registration and administration to be undertaken.**

115 **ANNUAL EMPLOYERS CONFERENCE**

A report of the Strategic Director Transformation and Resources informed Members of the arrangements for the annual Employers' Conference to be held on Tuesday 29 November 2016 at Aintree Racecourse.

Members were informed that in addition to the annual reports on investment performance and the administration of the Pension Fund over the previous year; a presentation would be given by Mercer, the Fund Actuary summarising the triennial valuation; and there would be a review of the Pension Board's activities.

Resolved – That the report be noted.

116 **PENSION BOARD MINUTES 28/06/2016**

Members gave consideration to the minutes of the Pension Board which had been held on 28 June 2016.

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

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

Resolved – That the minutes of the Pension Board be noted.

117 INFRASTRUCTURE

Members gave consideration to a report that provided Members with an update on anticipated changes to investment in infrastructure as a consequence of Merseyside Pension Fund's participation in the Northern Pool.

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

Peter Wallach, Director of Pensions, highlighted that as set out in the response to the Government's consultation on pooling (a separate item on the agenda), the Fund had indicated its expectation of increasing its allocation to infrastructure over time, subject to there being suitable investments that fulfilled the Fund's investment criteria.

Members were also informed that additionally, the Fund was supportive of The Northern Pool's ambition of creating a significant investment pool which would enable the Pool, and MPF, to increase the proportion of direct infrastructure and co-investments relative to indirect infrastructure. With such a large investment pool comprised of partners from across the North, the infrastructure investment pool was intended to deliver both the commercial returns required and social value to the regions that each of the funds represent. This should also prove to be a more cost effective way of accessing infrastructure investments. Appendix 1 to the report provided further information on the likely structure and governance arrangements of the infrastructure investment pool which was modelled on the existing Greater Manchester/LPFA infrastructure (GLIL) vehicle.

It was reported that due diligence was ongoing and a further report would be brought to the Pension Committee once arrangements had been finalised.

Resolved – That;

- 1. the report be noted.**
- 2. a further report be brought to the Pensions Committee once arrangements have been finalised.**

118 **NON-RECOVERY OF PENSION OVERPAYMENTS**

A report of the Strategic Director of Transformation and Resources requested approval to write off a sum of £7,255.60 outstanding in respect of overpayments of pensions that had arisen and which were now considered irrecoverable.

An exempt report on the agenda, the non-recovery of pension overpayments 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 sum as detailed in the report be approved for write off.

119 **GRWP MINUTES 30/06/2016**

A report of the Strategic Director Transformation and Resources provided members with the minutes of the Governance & Risk Working Party (GRWP) held on 30 June 2016.

An exempt report on the agenda, the minutes of the GRWP, 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.

120 **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.

121 **POOLING CONSULTATION**

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

122 **INFRASTRUCTURE**

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

123 **NON-RECOVERY OF PENSION OVERPAYMENTS**

The appendix to the report on Non-recovery of Pension Overpayments was exempt by virtue of paragraph 3.

124 **GRWP MINUTES 30/06/2016**

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