



Pensions Committee

Date:	Monday, 23 January 2017
Time:	6.00 pm
Venue:	Committee Room 1 - Wallasey Town Hall

Contact Officer: Pat Phillips
Tel: 0151 691 8488
e-mail: patphillips@wirral.gov.uk
Website: <http://www.wirral.gov.uk>

AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members of the Committee are asked to declare any disclosable pecuniary and non pecuniary interests, in connection with any item(s) on the agenda and state the nature of the interest.

2. MINUTES (Pages 1 - 8)

To approve the accuracy of the minutes of the meeting held on 15 November, 2016.

3. LGPS UPDATE (Pages 9 - 16)

4. POOLING UPDATE (Pages 17 - 20)

5. PENSION FUND BUDGET (Pages 21 - 26)

6. MIFID CONSULTATION (Pages 27 - 34)

**7. PROCUREMENT OF PENSIONS ADMINISTRATION SYSTEM
(Pages 35 - 38)**

8. MEMBER DEVELOPMENT PROGRAMME (Pages 39 - 42)

9. TREASURY MANAGEMENT STRATEGY (Pages 43 - 58)

10. LGC INVESTMENT SEMINAR (Pages 59 - 66)

- 11. IMWP MINUTES 24/11/2016 (Pages 67 - 70)**
- 12. EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

The following items contain exempt information.

RECOMMENDATION: That, under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined by the relevant paragraphs of Part I of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

- 13. IMWP MINUTES 24/11/2016 EXEMPT APPENDIX (Pages 71 - 78)**
- 14. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR**

PENSIONS COMMITTEE

Tuesday, 15 November 2016

Present:

Councillor P Doughty (Chair)

Councillors AR McLachlan G Watt
G Davies C Povall
T Jones P Cleary
B Kenny

Councillors N Crofts, Liverpool City Council
J Fulham, St Helens Council
P Lappin, Sefton Council

Mr P Cleary, Unison (Active Member)

Apologies

Councillors Terry Byron, Knowsley Council

125 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.

Mr P Cleary (Unison) declared a pecuniary interest by virtue of being a member of the Merseyside Pension Fund.

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 John Fulham declared a pecuniary interest by virtue of being a member of the Merseyside Pension Fund.

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

Councillor Paulette Lappin 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.

126 **BRIAN ELLIS**

The Chair informed members that the Director of Pensions had been informed by Mr Brian Ellis (retired Unison representative) that he would be stepping down from the Pensions Committee.

Resolved – That the Committee’s thanks be offered to Mr Ellis for his participation in the Pension Committee.

127 **MINUTES**

Resolved – That the accuracy of the Minutes of the Pensions Committee held on 19 September, 2016 be approved as a correct record.

128 **LGPS UPDATE**

A report of the Managing Director for Delivery informed Members of a number of impending reforms to the exit payments made to public sector employees; that would have a direct impact on the LGPS.

It also raised awareness of a government initiative to boost state pension entitlements for individuals who were “contracted out” of the additional state pension, whilst contributing to workplace pension arrangements; including public sector pension schemes.

Over the last twelve months, Members had been appraised at previous committee meetings of HM Treasury’s intent to introduce reforms to public sector exit payments; specifically an overall £95,000 cap on compensation payments and recovery provisions for exit payments.

It was reported that the statutory instruments introducing the legislation had been delayed and the government had provided the LGA with an update, contained in the report, as to the anticipated actions and timing to issue the legislation:

Yvonne Caddock, Principal Pension Officer, outlined the report and provided details of transitional arrangements, timing and an update on the Government Scheme to boost State Pension.

Resolved – That: -

- 1. the report be noted.**
- 2. Yvonne Caddock, Principal Pension Officer and her team be thanked for all the additional work undertaken on the exit payment reforms.**

129 **POOLING UPDATE**

A report of the Managing Director for Delivery provided Members with an update on pooling arrangements relating to MPF and the Northern Pool.

At Pensions Committee on 22 September 2016, Members had been provided with the Fund's submission to Government in relation to the consultation on pooling within the LGPS. The report had advised that the Department for Communities and Local Government (DCLG) was expected to respond formally to the submission.

It was reported that since September's report, the Government had advised that the new Investment Regulations had been laid before parliament on 23 September and had come into force on 1 November 2016. In parallel, guidance had been issued by DCLG on 'Preparing and Maintaining an Investment Strategy Statement'. The guidance required funds to set out their approach to pooling. Further detail on this guidance was covered in a separate report on the agenda.

On 20 October, DCLG had advised that the Minister wished to meet representatives of each pool separately over the next month or so to respond to their final proposals and to set out his expectations for the rest of the programme. A date for the meeting had not yet been set but was expected to be 23 December, 2016.

Members were informed that the Fund's officers continued to work with pooling partners, particularly in relation to collaboration on Alternative investments.

Resolved – That the report be noted.

130 INVESTMENT STRATEGY STATEMENT GUIDANCE

The Pensions Committee gave consideration to a report of the Managing Director of Delivery that provided members with details of the final version of the new Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the "Regulations") issued by The Department for Local Government and Communities (DCLG), that could be read as an update to the report presented to Pensions Committee on 25 January 2016 under Agenda Item 7.

The new Regulations provided LGPS administering authorities with a greater degree of investment freedom subject to a number of caveats.

In advance of the new Regulations taking effect, the DCLG had issued guidance in order to assist administering authorities in the preparation and maintenance of an Investment Strategy Statement which must be in place no later than 1 April 2017.

Peter Wallach, Director of Pensions, outlined the details and the requirements of the Investment Strategy Statement as contained in the report. It was also noted that the Regulation 8 enabled the Secretary of State to issue a Direction if he was satisfied that an administering authority was failing to act in accordance with the guidance.

Resolved - That the report and the statutory implications for the Fund going forward be noted.

131 DRAFT FUNDING STRATEGY STATEMENT

Members gave consideration to a report of the Managing Director for Delivery that raised awareness that the Local Government Pension Scheme (LGPS) regulations required each administering authority to prepare and publish a Funding Strategy Statement (FSS). The FSS set out the key assumptions which the actuary had used in preparing the actuarial valuation and, in those cases where the Administering Authority had some discretion, the policies adopted by the Administering Authority. It was reported that the FSS must be updated in detail triennially as part of the actuarial valuation. The Administering Authority must also consult with employers on the FSS as part of the valuation process.

Yvonne Caddock, Principal Pension Officer, informed the Committee that some initial discussions on funding and the presentation of preliminary results had already taken place with the major councils.

The draft Funding Strategy Statement was attached as an Appendix to the report and had been produced for consultation with employers. It incorporated the proposals on the funding strategy which had been discussed by the Fund officers with the Actuary.

It was noted that the consultation period would open at the beginning of November and Fund Officers had arranged a number of employer forums to encourage engagement and feedback to the process; before closing the consultation following the annual employers' conference on 29 November 2016.

Yvonne Caddock also outlined the Key Changes to the 2016 Funding Strategy and noted that the final actuarial outcome would be reported to Committee at the March 2017 meeting. Preliminary whole Fund results based on the proposed assumptions to assess solvency and future service plus updated demographic assumptions as documented in the draft FSS were set out in the table contained in the report.

Resolved – That;

- 1. the draft Funding Strategy Statement as set out in Appendix 1 of the report that has been distributed to employers be noted.**

- 2. the refinement and finalisation of the draft FSS before a final review from Committee in March 2017 be delegated to the officers.**
- 3. Yvonne Caddock, Principal Pension Officer and her team be thanked for their work.**

132 **AUTHORISED SIGNATORIES**

Members gave consideration to a report of the Managing Director for Delivery that set out proposed changes to authorised signatories at Merseyside Pension Fund (MPF) following the retirement of the Member Services Manager. It also updated job titles following the introduction of the new operating model.

The report described the different requirements for various institutions and functions, including the banks, custodian, and overseas pensions payment agent, as well as the granting of power of attorney where appropriate.

The report also formed a part of the Fund's scheme of delegation and set out the management and authorisation arrangements, for the avoidance of doubt by organisations undertaking due diligence on MPF as an investee company or as a financial services provider, or for purposes of overseas jurisdiction.

Resolved – That;

- 1. the arrangements set out in section 2 of the report in relation to the internal control arrangements at Merseyside Pension Fund be approved.**
- 2. the officers designated in section 2 of the report as authorised signatories for Merseyside Pensions Fund be approved.**

133 **INFRASTRUCTURE**

A report of the Managing Director for Delivery provided Members with a further update on anticipated changes to investment in infrastructure as a consequence of Merseyside Pension Fund's participation in the Northern Pool.

A report had been brought to Committee in September setting out the background to MPF's intention to become a participant in the infrastructure investment pool (GLIL) which currently consisted of the Greater Manchester Pension Fund, London Pension Fund Authority and Lancashire Pension Fund. West Yorkshire Pension Fund had indicated its intention to join the arrangement.

Peter Wallach, Director of Pensions reported that due diligence on the Limited Liability Partnership (LLP) and its governance arrangements had been concluded satisfactorily. A report by PWC on specific elements of the LLP's tax arrangements was due shortly but was not a critical factor in the decision. Officers were close to concluding work on the legal agreement and finalising the terms of the LLP.

As a part of the triennial valuation, officers would be reviewing the Fund's strategic asset allocation with its advisors and an increase in the allocation to Infrastructure was anticipated. Taking into account existing infrastructure commitments and investments, an allocation of two percent of MPF's assets to GLIL was recommended. Infrastructure investments would only be made if officers were satisfied that they met the Fund's risk and investment return requirements.

Resolved – That;

1. the report be noted.

2. the allocation recommended to the GLIL LLP be approved.

134 **PENSION BOARD MINUTES 11/10/16**

Members gave consideration to the minutes of the Pension Board which had been held on 11 October, 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 held on 11 October, 2016 be noted.

135 **PROPERTY PORTFOLIO RENT ARREARS AND WRITE OFFS**

Members gave consideration to a report of the Managing Director for Delivery that requested that Members agree to the write off £138,740.76 of unrecoverable rent arrears from the Fund's property portfolio.

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

Members were reminded that CBRE were the managing agents for the Fund's property portfolio. Amongst other functions, they had responsibility for the collection of rent and management of arrears. On an annual basis they produced a report on uncollectable arrears which was attached as an appendix to this report.

Resolved – That the write-off of uncollectable property rental income of £138,740.76 as detailed in the exempt report be approved.

136 **PROPERTY INSURANCE TENDER**

A report of the Managing Director of Delivery informed members of the outcome for the recent tendering exercise in respect of the All Risks Property Insurance Tender for the Merseyside Pension Fund UK direct property portfolio. The mandate was for a term of 3 years.

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).

The previous contract had been due to expire 24 June 2016 and had resulted in a procurement exercise to retender the contract for the next 3 years.

The tender process had been conducted on behalf of MPF by the Property Operational Manager, CB Richard Ellis (CBRE) together with the Insurance and Risk Broker, Marsh. The Corporate Procurement team had provided support in administering the tender exercise using the electronic Chest system.

It was reported that there had been seven responses including the incumbent but Zurich had the highest overall score and had been recommended for appointment.

Resolved – That the appointment of Zurich Insurance for the Merseyside Pension UK property portfolio, as outlined in exempt Appendix 1 to the report, be noted.

137 **IMWP MINUTES 22/09/16 & 18/10/16**

A report of the Managing Director for Delivery provided Members with the minutes of the Investment Monitoring Working Party held on 22 September 2016 and 18 October 2016.

The appendix to this report contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of Local Government Act 1972

i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information).

Resolved – That the report be noted.

138 **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.

139 **PROPERTY PORTFOLIO RENT ARREARS AND WRITE OFFS**

The appendix to the report on Non-recovery of Property Portfolio Rent Arrears and Write Offs was exempt by virtue of paragraph 3.

140 **IMWP MINUTES 22/09/16 & 18/10/16**

The appendices to the report on IMWP Minutes 22/09/16 & 18/10/16 were exempt by virtue of paragraph 3.

141 **PROPERTY INSURANCE TENDER**

The appendix to the report on Non-recovery of Property Portfolio Rent Arrears and Write Offs was exempt by virtue of paragraph 3.

WIRRAL COUNCIL

PENSION COMMITTEE

23 JANUARY 2017

SUBJECT:	LGPS UPDATE
WARD/S AFFECTED:	ALL
REPORT OF:	MANAGING DIRECTOR, DELIVERY
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to update Members on a recent legal view as to the administering authority's regulatory requirements in respect of the LGPS under the Financial Services and Markets Act 2000 ("FSMA").
- 1.2 It also provides an overview of the Chancellor's Autumn Statement in relation to pensions; along with a number of industry wide pension issues affecting the administration and funding of the LGPS.

2.0 BACKGROUND AND KEY ISSUES

Legal Opinion on LGPS and application of FSMA 2000

- 2.1 The LGA has obtained a legal opinion from Nigel Giffin QC on the extent to which a local authority or other body which is the administering authority of an LGPS fund might in that connection be subject to regulation by the Financial Conduct Authority ("FCA") pursuant to the FSMA.
- 2.2 The opinion concluded that, in managing an LGPS fund, the authority is not carrying out a regulated activity, and does not require FSMA authorisation. In addition, the provisions of the Client Assets Sourcebook section (CASS) of the FCA handbook do not apply to the activities as administering authority of the fund, even though that authority may have FSMA authorisation for some other reason.

The full legal opinion can be accessed from the following link:

http://www.lgpsboard.org/images/Guidance/LGA_LGPS_FCA_opinion.pdf

Autumn Statement 2016

- 2.3 On 23 November, the Chancellor of the Exchequer, Philip Hammond MP announced in the Autumn Statement the following actions which apply to pensions:
- The Government issued a consultation on 5 December 2016 outlining proposals to tackle pension scams, including ending 'cold calling'. It includes options giving schemes greater power to block suspicious transfers where there is no evidence of a genuine employment link to the receiving occupational pension scheme.
 - It was also confirmed that the triple-lock guarantee on state pension increases will be in place during the current Parliament, which has led to speculation that it could be removed or modified after 2020. The triple-lock guarantee allows for state pensions to be increased by the highest of 2.5%, inflation, or wage growth.
 - A welcome omission from the statement was any plan to amend tax relief on pension contributions, although a consultation was announced for reducing the money-purchase annual allowance from £10,000 to £4,000 with effect from April 2017. This allowance applies to members of a defined contribution scheme who have flexibility accessed some of their benefits.

Publication of September 2016 CPI rate

- 2.4 On 18 October 2016, the Office for National Statistics (ONS) announced that the Consumer Prices Index (CPI) rate of inflation for September 2016 was 1.0%. Government policy in recent years has been to base both pensions increase under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI for September of the previous year.

We await confirmation from the Government in due course that revaluation and pensions increase for April 2017 will apply in the LGPS at a rate of 1.0%.

- 2.5 In early November, the ONS also announced that it was changing its preferred measure of inflation to the CPIH. This is the normal CPI figure but

with an element of housing cost included. For September 2016, the rate of CPIH was 1.2%.

There is no indication at the moment that the Government plans to use CPIH as its measure for uprating public service pensions.

Consultation on indexation and equalisation of GMP in Public Service pension schemes

- 2.6 On 28 November, HM Treasury commenced a consultation that proposes options for the indexation of GMP elements for members of public service pension schemes who will reach SPA on and after 6 December 2018.
- 2.7 As Members are aware, the government introduced the new State Pension on 6 April 2016, designed to radically simplify pension provision whilst ensuring that pensioners have security in retirement. This simplification removed layers of complexity from the system, harmonised the rate of National Insurance contributions paid by employees and employers and was intended to promote private saving by giving people a better understanding of the amount of support they can expect to receive from the State when they reach State Pension age.
- 2.8 Among the layers of complexity that has been removed is the Additional State Pension (AP), an earnings related element of the old state system.

The removal of AP has led to the need to consider how public service pension payments for a specific group of members should be increased in the future. Those who were in 'contracted-out' employment during the period 6 April 1978 to 5 April 1997 (inclusive) who accrued a guaranteed minimum pension (GMP) from their public service pension scheme and who will reach SPA after 5 December 2018 will be affected.

- 2.9 The consultation aims to consider two issues by putting forward a number of solutions. The two issues that are considered are:
1. How best to avoid the unequal payments to men and women in public service schemes that result from the abolition of AP? and;
 2. Whether, following the introduction of the new State Pension, public service pension schemes should, for someone who reaches SPA after 5 December 2018, provide full indexation on any GMP the public service pension scheme pays?

The consultation document can be accessed from the following link and the consultation period ends on 20 February 2017.

<https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes>

Scheme Advisory Board Valuation Benchmarking

2.10 The Fund's Actuary, Mercer, has calculated the funding position for the Fund as at 31 March 2016, based on the Scheme Advisory Board's (SAB) standardised funding calculation basis; the results are below and have been forwarded to the SAB.

	Fund	SAB
Assets	£6,850m	£6,850m
Liabilities	£8,005m	£7,019m
Surplus / (Deficit)	(£1,155m)	(£169m)
Funding level	86%	98%

2.11 Members were updated at the meeting of 15 November 2016 (minute 131 refers) that the preliminary disclosed funding level is 86%.

2.12 The main driver for the difference between the value of the liabilities, deficit and funding position as reported to the SAB are the different financial assumptions used in the two sets of calculations (although there are also some differences in the demographic assumptions).

In particular the discount rate over CPI is 3% pa (versus 2% p.a. in the Fund's valuation) although this is offset somewhat as the SAB basis does not include allowances for short term pay constraints.

2.13 Finally, it should be noted that the Section 13 basis, as covered at the meeting dated 19 September 2016, (minute 112 refers) has not yet been finalised by the GAD but could quite possibly be different from the SAB basis.

3.0 RELEVANT RISKS

- 3.1 There is a risk that the Scheme Advisory Board standardised funding measures will be used by employers to exert pressure on administering authorities to adopt more optimistic funding assumptions, which do not reflect the Fund's own circumstances and are not suitable for funding purposes.

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 If it is agreed that public service pension schemes should pay full indexation on GMP's for all members who reach State Pension Age from 6 December 2018, the burden of the additional liabilities for the LGPS is around £775 million. This equates to around 0.3% of the Scheme's total liabilities which corresponds to an increase in contributions of 0.1% of pay per annum if spread over a 20 year recovery period.
- 8.2 The impact will vary for individual employers, depending on their membership profile with regard to the numbers of staff with pre 1988 membership and the level of accrued GMP's.

9.0 LEGAL IMPLICATIONS

- 9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

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

No, because Department of Communities and Local Government undertake equality impact assessments with regard to the statutory reform of the LGPS.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report

13.0 RECOMMENDATION

13.1 That members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 There is a requirement for Members of the Pension Committee to be kept up to date with legislative developments as part of their decision making role.

**REPORT
AUTHOR** Yvonne Caddock
Principal Pension Officer
Telephone (0151) 242 1333
Email yvonnecaddock@wirral.gov.uk

APPENDIX

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

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

This page is intentionally left blank

WIRRAL COUNCIL

PENSIONS COMMITTEE

23 JANUARY 2017

SUBJECT:	POOLING UPDATE
WARD/S AFFECTED:	NONE
REPORT OF:	MANAGING DIRECTOR OF DELIVERY
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides Members with an update on pooling arrangements relating to MPF and the Northern Pool.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 At Pensions Committee on 15 November, Members were advised that the Minister for Local Government wished to meet representatives of each pool separately over the next month or so to respond to their final proposals and to set out his expectations for the rest of the programme. A meeting between the Minister and the Northern Pool took place on 19 December at which the Chair and Director of Pensions were present. A formal response from DCLG, following the meeting, is awaited.
- 2.2 Since November's report, MPF has completed its due diligence and has formally joined the GLIL infrastructure LLP. The Fund's officers continue to work with pooling partners, particularly in relation to collaboration on Alternative investments.

3.0 RELEVANT RISKS

- 3.1 Pooling will result in fundamental changes to oversight and management of LGPS assets. It is essential that appropriate governance arrangements are put in place to ensure that Pensions Committee can exercise its responsibilities in accordance with the Council's constitution.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered.

5.0 CONSULTATION

5.1 The Pooling consultation has been discussed with the Merseyside Directors of Finance and stakeholders have been kept informed of the pooling consultation and its implications.

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. The anticipated financial costs of establishing pooling arrangements and the projected savings over the long-term are set out in the Fund's pooling submission of 15 July 2016.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Pooling will result in fundamental changes to oversight and management of LGPS assets.

REPORT AUTHOR: PETER WALLACH
Director of Pensions
telephone (0151) 2421309
email peterwallach@wirral.gov.uk

APPENDICES

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
An update report is brought to each Pensions Committee	

This page is intentionally left blank

WIRRAL COUNCIL

PENSIONS COMMITTEE 23 JANUARY 2017

SUBJECT:	MERSEYSIDE PENSION FUND BUDGET FINANCIAL YEAR 2017/18
WARD/S AFFECTED:	ALL
REPORT OF:	MANAGING DIRECTOR FOR DELIVERY
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to request that Members approve the budget for the financial year 2017/18.
- 1.2 The headline figures are that during the financial year 2017/18, we are estimating that MPF will pay £283m in pensions and receive £286m in contributions from employers and employees. The Fund has a value of £7.7bn at 30 September 2016. The proposed administration costs of £21.0m including £14.1m of investment management charges to external managers represent a cost of £160.29 per member of the scheme or 0.27% of assets under management. Taken separately the external investment management costs are approximately £107.80 per member or 0.18% of assets under management.
- 1.3 The budget for 2017/18 is higher at £21.0m to £19.2m in 2016/17 primarily due to higher external investment management fees.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The method used to compile estimates of expenditure for 2017/18 is as follows:

Staffing	Current Structure to be fully staffed throughout year.
Investment management Fees	Estimate based on normal market conditions.
Premises	Agreed as a notional charge based on market rates (MPF owns building).
Transport, Conferences and Subsistence	Estimated requirements for current year.
Services and Supplies	Contracts where usage and cost is fixed, plus estimate for variable elements.
Inflation adjustments	CPI 1.0% as at September 2016.
Investment Performance	4% bonds; 8% equities; 50% of performance targets met for active management.

- 2.2 This report includes a predicted out-turn for 2016/17. However, due to the volatility in financial markets and delays in billing from certain third party suppliers it is not possible to predict the outturn with complete accuracy. Therefore some estimates have been used, and it is proposed to report on outturn at the June meeting of Pensions Committee. At present, the outturn is higher than estimated largely due to external management fees.
- 2.3 The Fund's major expenditure is on investment management fees. These are mostly charged on an ad-valorem basis with, on some occasions, a performance fee. This means that when the Fund's investments rise in value and/or outperform benchmarks, the fees can rise substantially. Therefore, when this expenditure rises there is a benefit to the Fund in terms of capital appreciation that far exceeds the increase in fees paid. For 2016/17 the outturn is expected to be higher than the estimate made last year due to changes in valuations and improved performance relative to benchmark. The changes in valuations and the strong performance and improved performance relative to benchmark from active fund managers have been reflected in setting the budget for 2017/18.
- 2.4 The second highest expenditure is on staffing. The outturn for 2016/17 will be underspent due to vacancies and growth in administration and investments yet to be implemented. The budget for 2017/18 is largely unchanged from the previous year, however the Fund is currently reviewing its structure and any changes as a result of this review will be reported in June.
- 2.5 The predicted 2016/17 outturn for supplies is lower than estimated largely due to computer development and hardware and delays in planned IT projects. These budgets have been carried forward to the 2017/18, with updated costs reflected, along with additional IT projects for 2017/18, including system upgrades.
- 2.6 Services and consultant fees rise in 2017/18 due to an increased budget provision for pooling as previously reported to Committee.
- 2.7 For departmental & central support charges, at present the estimates have been left the same as last year, the figure reported to Committee last year was £529,700. Officers at the Fund will continue to negotiate service level agreements with Wirral support service functions.

3.0 RELEVANT RISKS

- 3.1 The Fund has recently reviewed its Risk Register and identified key risks and mitigating controls for these risks. A key feature of the controls is having appropriate resources available to administer the fund adequately and to manage investments. This budget provides adequate resources for these two core functions.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 The majority of the Pension Fund budget is taken up by investment management costs and staffing. The investment management arrangements

have recently been subject to review with further reviews being undertaken on an on-going basis. For all other expenditure there has been a careful review process culminating in a planning meeting at which the Director of Pensions approved the proposals for discretionary expenditure in this report.

5.0 CONSULTATION

5.1 Not relevant for 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 no implications arising directly from this report.

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

8.1 The costs of the Pension Fund are charged directly to the Pension Fund and are then ultimately covered by investment income and employee and employer contributions, the full costs are estimated to be £160.29 per member (including active contributors, deferred and pensioners). The costs per member at Merseyside Pension Fund are competitive with other pension funds of similar size in both the public and private sector particularly when analysed net of investment performance.

9.0 LEGAL IMPLICATIONS

9.1 There are no implications arising directly 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 no planning or community safety implications arising from this report.

13.0 RECOMMENDATION/S

13.1 Members approve the budget for 2017/18. (Subject to review of charges from the administering authority for support services and changes in recharges for pension deficit recovery)

13.2 That a further report on the outturn for 2016/17 with finalised estimates in particular for salary overheads and departmental & central support charges for 2017/18 be presented to Pensions Committee Members in June.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The approval of the budget for Merseyside Pension Fund by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

REPORT AUTHOR: **Donna Smith**
 Group Accountant
 telephone (0151) 2421312
 email donnasmith@wirral.gov.uk

APPENDICES

The budget for 2017/18 is attached as appendix 1 to this report.

BACKGROUND PAPERS/REFERENCE MATERIAL

Internal working papers were used in the production of this report.

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee:	
Pension Fund Budget	4 July 2016
Pension Fund Budget	25 January 2016
Pension Fund Budget	22 June 2015
Pension Fund Budget	19 January 2015
Pension Fund Budget	1 July 2014
Pension Fund Budget	20 January 2014

Appendix 1

Value of the Fund	£7.7bn	30/09/2016
Investment income Received	£160m	Projected 2017/18
Pensions Paid	£283m	Projected 2017/18
Contributions Received	£286m	Projected 2017/18
Active Contributing members	46,221	31 March 2016
Deferred members	37,136	31 March 2016
Pensioners	47,724	31 March 2016
Total Members	131,081	31 March 2016

Page 25

	Budget 2016/2017 (£)	Probable Out-Turn 2016/2017	Budget 2017/2018 (£)
Employees			
Pay, NI and Pension	3,007,867	2,559,056	3,043,672
Training	20,000	7,500	20,000
Other Staffing Costs	298,166	329,678	290,396
	3,326,033	2,896,234	3,354,068
Premises			
Rents	284,042	284,042	279,886
	284,042	284,042	279,886
Transport			
Public Transport Expenses	51,614	21,966	49,534
Car Allowances	1,300	1,102	1,360
	52,914	23,068	50,894

Supplies

Furniture and Office Equipment	18,000	5,935	14,000
Printing and Stationery	67,000	20,921	47,000
Computer Development and Hardware	532,500	420,500	507,500
Postages and Telephones	109,250	100,521	106,250
External Audit	41,000	41,000	41,000
Services and Consultants Fees	742,564	716,856	998,767
Conferences and Subsistence	41,165	21,845	36,499
Subscriptions	153,993	127,396	143,139
Other	78,500	24,231	61,000
	1,783,972	1,479,205	1,955,155

Third Party

Medical Fees	5,500	1,540	5,500
Bank Charges	15,000	14,598	20,000
Investment Management Fees	12,611,442	13,862,741	14,130,828
Custodian Fees	250,000	250,000	260,000
Actuarial Fees	260,000	260,000	280,000
Other Hired and Contracted Services	127,755	86,034	144,755
	13,269,697	14,474,913	14,841,083

Departmental & Central Support Charges

	529,700	529,700	529,700
	529,700	529,700	529,700

Total Expenditure

	19,246,358	19,687,162	21,010,786
--	-------------------	-------------------	-------------------

WIRRAL COUNCIL

PENSIONS COMMITTEE

23 JANUARY 2017

SUBJECT:	MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE (MIFID) CONSULTATION
WARD/S AFFECTED:	NONE
REPORT OF:	MANAGING DIRECTOR FOR DELIVERY
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides members with background information on MIFID II, a European Union Directive that regulates firms who provide services to clients such as the LGPS with a range of financial instruments such as shares, bonds, and units in collective investment schemes which is currently the subject of a consultation exercise.
- 1.2 A major and contentious element in the proposals for MIFID II is the reclassification of local authorities as “retail investors” which would fundamentally change the way in which local authority pension funds conduct investment business with their counterparties in relation to all asset classes.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Markets in Financial Instruments Directive (MIFID) is the EU legislation that regulates firms who provide services to clients linked to ‘financial instruments’ (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded.

The Markets in Financial Instruments Directive (MiFID) is the framework of European Union (EU) legislation for:

- investment intermediaries that provide services to clients around shares, bonds, units in collective investment schemes and derivatives (collectively known as ‘financial instruments’) and
- the organised trading of financial instruments

MiFID was applied in the UK from November 2007, but is now being revised to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection.

The changes are currently set to take effect from **3 January 2018**, with the new legislation being known as MiFID II - this includes a revised MiFID and a new Markets in Financial Instruments Regulation (MiFIR).

- 2.2 The implementation allows local authorities to opt up to professional status, and it is likely that the vast majority of local authorities, and certainly all pension funds, will want to do this. However, as outlined in the appendix, the tests proposed by the FCA to enable opt up are so difficult that they will prevent many, if not all, local authorities from opting up.
- 2.3 The FCA are consulting on the implementation of the directive, not on the directive itself. The point at issue is *how* the directive is implemented, not *whether* it is implemented. However, the proposals by the FCA that affect local authorities go beyond what is in the original EU legislation.

3.0 RELEVANT RISKS

- 3.1 As alluded to in 1.2, if the current proposals are implemented and local authorities are reclassified as "retail investors" there are likely to be serious consequences for the effective implementation of pension fund strategies going forward.
- 3.2 In particular, such a reclassification is likely to prevent local authorities accessing the full range of asset classes and vehicles that are currently used to implement their global investment strategies across all mainstream asset classes which would have a detrimental impact on investment performance and returns as pension funds seek to bridge the gap between their asset and liability profiles.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Once MIFID II takes effect from 3 January 2018 it will be a mandatory requirement

5.0 CONSULTATION

- 5.1 The consultation process with regard to this element of MIFID II closed on 4 January 2017 and submissions have been made by organisations such as the Local Government Pension Scheme Advisory Board, the Local Pensions Partnership, and individual LGPS Funds.
- 5.2 Merseyside Pension Fund made a submission to the FCA (Financial Conduct Agency) dated 21 December 2016 which is attached as an appendix to this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 There are no outstanding previously approved actions.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 There are no implications arising directly from this report.

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

- 8.1 Addressed in 3.0.

9.0 LEGAL IMPLICATIONS

9.1 MIFID II is due to take effect on 3 January 2018.

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 no planning or community safety implications arising from this report.

13.0 RECOMMENDATION/S

13.1 That members are informed of the potential implications of MIFID II and the ongoing consultation process.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 That members are informed of the potential implications of MIFID II and the current status of the consultation process.

REPORT AUTHOR: Leyland Otter

telephone (0151) 242 1316

email leylandotter@wirral.gov.uk

APPENDICES

Markets in Financial Instruments Directive (MIFID II) Implementation –Consultation Paper III Director of Pensions 21 December 2016

BACKGROUND PAPERS/REFERENCE MATERIAL

MIFID II FCA www.fca.org.uk

Local Government Pension Scheme Advisory Board - Response to Markets in

Financial Instruments Directive II Implementation Consultation Paper III

Local Pensions Partnership submission to HM Treasury 15 December 2016

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date



Our Ref: MPF/PJW

MIFID Coordination
Markets Policy & International Division
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Your Ref:

Direct Line: 0151 242 1309

Please ask for: Peter Wallach

Date: 21 December 2016

Dear Sirs,

Markets in Financial Instruments Directive (MIFID II Implementation – Consultation Paper III

I refer to the above mentioned consultation and I am responding on behalf of Wirral Council in its capacity as the Administering Authority of the Fund.

Merseyside Pension Fund (MPF) is part of the statutory Local Government Pension Scheme. MPF undertakes the investment management of assets in excess of £7.5bn, and pension administration on behalf of the five Merseyside district authorities, over 170 other employers and more than 125,000 active, deferred and pensioner members.

Classification

Although not the subject of the consultation, we wish to state our disappointment that the reclassification of local government pension funds as retail investors is taking place. MPF has a longstanding, experienced and qualified in-house investment team which has managed the Fund's substantial assets across a wide range of asset classes for a number of years, interacting with counterparties as professional investors. It is a retrograde and bewildering step for us to be classified as retail investors.

LGPS funds are subject to regulations (SI 2016 No 946 – The Local Government Pension Scheme (Management & Investment of Funds) Regulations 2016) which include the requirement to take proper advice when appointing investment managers. The investment regulations also provide for a 'prudent person' regime and this reclassification will result in a lack of consistency both with this and the treatment of private sector defined benefit schemes.

The elective professional status process is not appropriate for local authorities in view of the way in which their decision making is structured. Decisions are often implemented by officers under delegation; the individual is not necessarily the decision-maker.

Not all investment managers have the processes in place to enable investors to 'opt up' to professional status which will limit our ability to implement properly considered and constructed investment strategies. It also calls into question the status of some of the existing investment arrangements into which the Fund has entered.

It is inconsistent with the Government's desire for greater infrastructure investment by local government funds.

Election for professional status

We do not consider that the process as it stands provides local authorities with an effective route to professional status in regard to their pension fund activities. The proposals may not provide elective professional status across all asset classes and an assessment may be required on an individual asset class or transaction basis.

Response to questions in the consultation directly affecting LGPS funds (questions 16 and 17).

Question 16: Do you agree with our approach to revise the quantitative thresholds as part of the opt-up criteria for local authorities by introducing a mandatory portfolio size requirement of £15m? If not, what do you believe is the appropriate minimum portfolio size requirement, and why?

The quantitative test (based on COBS 3.5.3R(2)) requires that the criteria in paragraph (a) and the criteria in either paragraph (b) or (c) must be satisfied:

- (a) the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds £15,000,000
- (b) the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters
- (c) the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged

The size of the portfolio cut off (a) has been set so that all LGPS funds will qualify under (a). However there is less certainty as to how many would qualify under (b) as, even in public markets, we are long-term investors with long holding periods and low turnover. Indeed, private market investments are extremely unlikely to be undertaken at the frequency suggested. A more nuanced assessment of relevant market (e.g. public/private) and frequency of transactions would seem to be appropriate.

This could mean that only LGPS pension funds able to pass tests (c) and (a) will be able to successfully complete the opt-up process. This means test (c) is particularly important. Whilst MPF has a number of staff who have worked in the financial sector for many years, there is scope for uncertainty in relation to test (c).

The uncertainty lies in who is being assessed. COBS 3.5.4 does not apply therefore it is 'the client' against whom the assessment is made.

COBS 3.2 defines a client as

*A person to whom a firm provides, intends to provide or has provided:
a service in the course of carrying on a regulated activity; or
in the case of MiFID or equivalent third country business, an ancillary service.*

The Handbook Glossary defines a person as:

(in accordance with the Interpretation Act 1978) any person, including a body of persons corporate or unincorporate (that is, a natural person, a legal person and, for example, a partnership).

A local authority is a corporate body therefore the above would lead to the conclusion that the assessment in (c) should be against that body corporate.

However the wording of (c) does not comfortably fit with that conclusion as it reads as if the firm should be assessing an individual. Although a local authority as a body corporate can possess knowledge of the transactions or services envisaged how can it work in the financial sector for at least one year in a professional position?

Question 17: Do you agree with our approach to extend these proposals to Non-MiFID scope business? If not, please give reasons why.

As outlined in the rest of this response, we believe the proposed approach to the implementation needs to be rethought before any consideration can be given to extending proposals to non-MiFID scope business. Since we believe the current proposals to be flawed, we cannot see any advantage in extending them.

Yours faithfully



Peter Wallach
Director of Pensions

This page is intentionally left blank

WIRRAL COUNCIL

PENSION COMMITTEE

23 JANUARY 2017

SUBJECT:	PENSION ADMINISTRATION SYSTEM
WARD/S AFFECTED:	ALL
REPORT OF:	MANAGING DIRECTOR FOR DELIVERY
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to inform Members of the procurement of a pension administration system under delegated authority, by the Director of Pensions.

2.0 BACKGROUND AND KEY ISSUES

2.1 The procurement for a Pension Administration and Pensioner Payroll system was last awarded as a five year contract from 1 January 2010 to 31 December 2014. The contract was awarded to Heywood.

2.2 In September 2012, the Fund exercised the option to extend the contract for a further two years, from December 2014 to 31 December 2016.

2.3 The longitudinal nature of pension provision requires an administration system that can support the legislative changes, protections and historical benefit calculations of the LGPS; an experienced supplier is also essential to support the ongoing operational activities of the Fund.

2.4 In recent years, Heywood has demonstrated their heritage and knowledge by implementing legislative change in a timely and comprehensive way. They continue to take a proactive approach to development, working with funds, the LGA, DCLG and HMRC in meeting legislative requirements.

2.5 Funds are encouraged, where appropriate, to make use of framework agreements in order to obtain value for money.

- 2.6 Northumberland County Council (NCC) established a framework agreement as part of a major procurement exercise that was completed according to EU and other procurement legislation. There was one company that responded to the tender following a successful evaluation and NCC appointed Heywood as the single supplier.
- 2.7 Fund officers worked with legal and corporate procurement colleagues in ensuring the suitability of the NCC framework agreement.
- 2.8 Commercial arrangements were confirmed with Heywood for the period 1 January 2017 to 31 December 2021.
- 2.9 The call-off contract under the framework agreement was mutually agreed and sealed/signed on 19 December 2016.

3.0 RELEVANT RISKS

- 3.1 A reliable and proven Pensions Administration system is essential for the Fund to discharge its statutory duties.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 An options appraisal was carried out by Fund officers and Corporate Procurement to ensure value for money and other considerations in identifying the NCC framework agreement as the most appropriate route to market.

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 Commercial arrangements with Heywood will continue as pertaining to the previously awarded contract.

8.2 In financial terms, the sum for the contract period is not expected to exceed £1,600,000

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?

None required

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 procurement of the Heywood Altair System for a period of five years, via a call-off contract from the Northumberland County Council Framework Agreement, in accordance with EU and other procurement legislation.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Wirral's Contract Procedure Rules require contracts awarded with a total value exceeding £500,000 be reported to elected members.

**REPORT
AUTHOR**

Guy Hayton
Operations Manager
Telephone (0151) 242 1361
Email guyhayton-@wirral.gov.uk

APPENDIX

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

WIRRAL COUNCIL

PENSIONS COMMITTEE 23 JANUARY 2017

SUBJECT:	MEMBERS' DEVELOPMENT 2017
WARD/S AFFECTED:	NONE
REPORT OF:	MANAGING DIRECTOR, DELIVERY
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide Members with an outline of the proposed programme for member development in 2017.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 It is a regulatory requirement for LGPS funds to outline in their Statement of Investment Principles the extent of their compliance with the 2008 Myners Principles and associated guidance. Myners emphasises the importance, for effective governance of pension funds, of adequate training for those acting in a trustee-like role.
- 2.2 The Fund's Statement of Investment Principles states that "an ongoing training programme (updated annually) for Committee Members and Fund officers [is provided] to ensure that decision-making is on an informed basis.
- 2.3 The CIPFA Pensions Panel has developed a technical knowledge and skills framework for the LGPS. This framework has been adopted by Pensions Committee as demonstrating best practice and representing the appropriate mix of knowledge and skills necessary to discharge the governance role. It also assists Members in planning their training and development needs.
- 2.4 When relevant, formal training sessions are included in Investment Monitoring Working Parties. Additionally, presentations by external professional organisations and the deliberative nature of all the working parties mean that attendance is regarded as an important element of Member development.
- 2.5 The outline training programme is attached as an appendix to this report. It is comprised of a series of internal and external training events throughout the year. Individual papers may be brought to consider and approve attendance at each event and, if officers become aware of other appropriate events, Committee will be informed.

- 2.6 The Local Government Pensions Committee-organised 'Fundamentals' course is considered essential for all members to complete. It provides a comprehensive overview of the LGPS and the 'trustee' role carried out by those serving on a pension committee/panel. The course takes place over three days (during October – December), at multiple dates and in multiple locations (Cardiff, Leeds & London). While considered essential for new members, longer serving members of Pensions Committee may also benefit from refresher training.
- 2.7 It is a statutory requirement that the Fund's annual report includes detailed information on training events offered and attended by elected members. A register of Members' attendance at training and development events is kept and reviewed annually by the Governance & Risk Working Party.

3.0 RELEVANT RISKS

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

4.0 OTHER OPTIONS CONSIDERED

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

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 None

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 There are none arising from this report.

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

- 8.1 Provision for Member training and development is included in the Fund's annual operating budget.

9.0 LEGAL IMPLICATIONS

- 9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

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

14.0 REASON/S FOR RECOMMENDATION/S

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

REPORT AUTHOR: Peter Wallach
Director of Pensions
telephone (0151) 242 1309
email peterwallach@wirral.gov.uk

APPENDICES

Appendix 1- Development Programme

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date
Pensions Committee	January 2016
Pensions Committee	January 2015
Pensions Committee	January 2014

APPENDIX 1

<u>MONTH (2016)</u>	<u>EVENT</u>	<u>REPRESENTATION*</u>
2 - 3 March	LGC Investment Summit, Chester	All Members
8 - 10 March	PLSA Investment Conference, Edinburgh	Chair
March	IMWP – Member development session	All Members
15 - 17 May	PLSA Local Authority Conference, Cotswolds	Party Spokespersons
June	LGPC Annual Trustee Conference	All Members
June	PIRC Corporate Governance Conference	Chair
July	CIPFA Conference	Chair
7-8 September	LGC Investment Seminar, Celtic Manor	Party Spokespersons
October	IMWP – Member development session	All Members
November	PLSA Local Authority Forum, London	Chair
November	Annual Employers Conference, Aintree	All Members
October – December	Fundamentals training days; multiple dates & locations	All Members
December	LAPFF Annual Conference, Bournemouth	Party Spokespersons

**Reflects previous attendance*

WIRRAL COUNCIL

PENSIONS COMMITTEE 23 JANUARY 2017

SUBJECT:	TREASURY MANAGEMENT POLICY
WARD/S AFFECTED:	ALL
REPORT OF:	MANAGING DIRECTOR FOR DELIVERY
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to request that Members approve the treasury management policy statement and the treasury management practices and annual plan for Merseyside Pension Fund (MPF) for the year 2017/18.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services requires Pensions Committee to receive an annual report on the strategy and plan to be pursued in the coming year. The plan and strategy were last approved by the Pensions Committee on 25 January 2016.

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

2.3 The policy statement is attached as Appendix 1 to this report. There are no changes to the policy followed for 2016/17.

2.4 Plan and Strategy

- MPF will comply with the twelve treasury management practices set out in the treasury management policy statement.
- The Fund will run minimal cash balances to pay pensions and meet other obligations. The core position is 0% of Fund assets following the change to the strategic asset allocation approved on 19 November 2013.
- The main aims when managing liquid resources are: the security of capital; the liquidity of investments; matching inflows from lending to predicted outflows; an optimal return on investments commensurate with proper levels of security and liquidity.

- The UK Bank Rate has been cut to 0.25% from 0.50%, and is anticipated to remain at low levels throughout 2017/18. Short-term money market rates are likely to remain at low levels for an extended period which will have an impact on investment income.
- For MPF the achievement of high returns from treasury activity is of secondary importance compared with the need to limit exposure of funds to the risk of loss.
- The maximum maturity for any single treasury management investment is 1 year.
- Counterparties are reviewed on a regular basis using a range of information sources, including credit rating agencies, internal research (both from the treasury team and internal investment managers), information from brokers, advice given by the treasury management consultants, information on Government support for banks and the credit ratings of that Government support. The Fund is in a position to use a wide range of research from its investment activities to support this and achieve the aim set on the CIPFA guidance to place a greater emphasis on acceptable credit quality rather than purely credit ratings for counterparts.

3.0 RELEVANT RISKS

- 3.1 The treasury management policy statement is concerned mainly with the mitigation of risks.

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 There are no outstanding previously approved actions.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 There are no implications arising directly from this report.

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

- 8.1 There are no implications arising directly from this report.

9.0 LEGAL IMPLICATIONS

- 9.1 There are no implications arising directly 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 no planning or community safety implications arising from this report.

13.0 RECOMMENDATION/S

- 13.1 That Members approve the treasury management policy statement and the treasury management annual plan and strategy for Merseyside Pension Fund for the financial year 2017/18.

14.0 REASON/S FOR RECOMMENDATION/S

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

REPORT AUTHOR: Donna Smith
Group Accountant
telephone (0151) 2421312
email donnasmith@wirral.gov.uk

APPENDICES

The Treasury Management Policy Statement 2017/18 is attached as appendix 1 to this report.

BACKGROUND PAPERS/REFERENCE MATERIAL

CIPFA Treasury Management Code of Practice and Guidance Notes.

SUBJECT HISTORY

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
------------------------	-------------

Pensions Committee – Treasury Management Annual Report	4 July 2016
Pensions Committee – Treasury Management Policy and Strategy	25 January 2016
Pensions Committee – Treasury Management Annual Report	22 June 2015
Pensions Committee – Treasury Management Policy and Strategy	19 January 2015
Pensions Committee – Treasury Management Annual Report	1 July 2014
Pensions Committee – Treasury Management Policy and Strategy	20 January 2014

**MERSEYSIDE PENSION FUND
TREASURY MANAGEMENT POLICY STATEMENT**

1 INTRODUCTION

- 1.1 Merseyside Pension Fund adopts the key principles of 'CIPFA's Treasury Management in the Public Services: Code of Practice' (the Code), as described in Section 4 of that Code.
- 1.2 Accordingly the Fund will create and maintain, as the cornerstones for effective treasury management:
- This treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities
 - Suitable treasury management practices (TMPs), setting out the manner in which this organisation will seek to achieve these policies and objectives, and prescribing how it will manage and control these activities.

2 DELEGATION

- 2.1 Pensions Committee will receive reports on its treasury management policies, practices and activities including an annual strategy and plan in advance of each financial year and an annual report after its close. The Investment Monitoring Working Party (IMWP) will receive interim reports on treasury management.
- 2.2 Pensions Committee is responsible for the implementation and regular monitoring of its treasury management policies and practices and will delegate execution and administration of treasury management decisions to the Director of Pensions who will act in accordance with this policy statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
- 2.3 The IMWP is responsible for ensuring effective scrutiny of the treasury management strategy, policies and performance.

3 DEFINITION

- 3.1 Treasury management activities are defined as: the management of the Fund's cash flows, its banking, money market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 3.2 The Fund regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on the risk implications for the Fund.

- 3.3 The Fund acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management and to employing suitable performance measurement techniques within the context of effective risk management.

TREASURY MANAGEMENT PRACTICES (TMPs)

4 TMP 1 RISK MANAGEMENT

- 4.1 The Director of Pensions will design, implement and monitor all arrangements for the identification, management and control of treasury management risk and will report annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Fund's objectives.
- 4.2 The Fund regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP 4 and listed in the schedule (4.1, 4.2) to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations with whom it may enter into financing arrangements.
- 4.3 The Fund will ensure that it has adequate though not excessive cash resources to enable it at all times to have the level of funds available to it, which are necessary for the achievement of its business objectives.
- 4.4 The Fund will manage its exposure to interest rates with a view to securing its interest revenue as far as is possible within cash flow constraints and by the prudent use of permissible instruments.
- 4.5 The Fund will achieve these objectives by the prudent use of its approved investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level and structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.
- 4.6 It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact.
- 4.7 The Fund will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its counterparty list it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

- 4.8 The Fund recognises that future legislative or regulatory changes may impact on its treasury management activities and so far as it is reasonably able to do so will seek to minimise the risk of these impacting adversely on the organisation.
- 4.9 The Fund will ensure that it has identified the circumstances, which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.
- 4.10 The Fund will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

5 TMP 2 Performance Measurement

- 5.1 The Fund is committed to the pursuit of value for money in its treasury management activities. Accordingly the treasury management will be the subject of ongoing analysis of the value it adds. It will be the subject of regular examinations of alternative methods of service delivery and the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule (2.1) to this document.

6 TMP 3 Decision Making and analysis

- 6.1 The Fund will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching these decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule (3.1, 3.2, 3.3, 3.4) to this document.

7 TMP 4 Approved Instruments, methods and techniques

- 7.1 The Fund will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule (4.1, 4.2) to this document.

8 TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

- 8.1 The Fund considers it essential for the purposes of effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner and that there is at all times clarity of treasury management responsibilities.

- 8.2 The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.
- 8.3 If and when the Fund intends, as a result of a lack of resources or other circumstances to depart from these principles, the “responsible officer” will ensure that the reasons are properly reported and the implications properly considered and evaluated.
- 8.4 The Director of Pensions is the responsible officer. The responsible officer shall ensure that there are clear written statements of the responsibilities for each post engaged in treasury management and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule 5 to this document.
- 8.5 The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.
- 8.6 The delegations to the responsible officer in respect of treasury management are set out in the schedule (5) to this document. The responsible officer will fulfil all such responsibilities in accordance with this policy statement and TMPs and the CIPFA Standard of Professional Practice on Treasury Management.

9 TMP 6 Reporting Requirements and Management Information Requirements

- 9.1 The Fund will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of these policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.
- 9.2 Pensions Committee will receive an annual report on the strategy and plan to be pursued in the coming year.
- 9.3 An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Fund’s treasury management policy statement and TMPs, will be received by the Pensions Committee.
- 9.4 The IMWP will receive interim reports on treasury management.

10 TMP 7 Budgeting, accounting and audit arrangements

- 10.1 The budget for the treasury management function will be included as part of the budget for the Fund which is submitted to Pensions Committee on an annual basis.
- 10.2 The Fund will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

11 TMP 8 Cash and cash flow management

- 11.1 All monies in the hands of the Fund will be under the control of the Director of Pensions and will be aggregated for cash flow and investment purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with liquidity risk management. The present arrangements for preparing cash flow projections are set out in the schedule (8.1, 8.2) to this document.

12 TMP 9 Money Laundering

- 12.1 The Fund is alert to the possibility that it may become subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly it will maintain procedures for verifying and recording the identity of Counterparties and will ensure that staff involved in this are properly trained.

13 TMP 10 Training and Qualifications

- 13.1 The Fund recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer shall recommend and implement the necessary arrangements. The present arrangements are set out in the schedule (5.6) to this document.
- 13.2 The responsible officer shall ensure that Pension Committee Members tasked with Pension Fund responsibilities have access to training relevant to their needs and responsibilities.

14 TMP 11 Use of external service providers

- 14.1 The Fund recognises that responsibility for treasury management decisions remains with the Fund at all times. The Fund recognises there may be potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons, which will have been subjected to a full evaluation of the costs and benefits. It will

also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

- 14.2 The Fund will ensure, where feasible and necessary that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Director of Pensions. Details of the current arrangements are set out in the schedule (9.1, 9.2) to this document.

15 TMP 12 Corporate Governance

- 15.1 The Fund is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.
- 15.2 The Fund has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management and the responsible officer shall monitor and, if and when necessary, report upon the effectiveness of these arrangements.

MERSEYSIDE PENSION FUND:

SCHEDULE TO TREASURY MANAGEMENT POLICY

SCHEDULE 1: RISK MANAGEMENT

- 1.1 The Fund has the following range of approved maximum limits for counterparties subject to meeting the high credit criteria determined by the Fund

CATEGORY	LIMIT Per Institution/Group
Fund's Bank	£50m
Approved Bank	£20m
Approved Building Societies	£15m
All Local Authorities	No limit
Money Market Funds with a Constant Net Asset value	£30m
Fund's Custodian (Money Market Fund) (Internal and External Managers guideline)	£100m*
Fund's Custodian (Money Market Fund)	£50m

**Funds deposited with the Custodian do not form part of the Treasury Management team's decision-making, but represent cash with fund managers awaiting investment or cash collateral. Cash left by internal and external managers is subject to their market calls. Subject to the restrictions within their individual Investment Management Agreements, the aggregate of their deposits could potentially exceed the £100m guideline in certain situations. The cash with the custodian is held within a money market fund and the risk of default is diversified across a wide number of names.*

At the time of placing a deposit, a maximum country limit of 10% of the cash portfolio in any single jurisdiction outside the UK will be maintained.

- 1.2 Under exceptional circumstances e.g. transitional arrangements on appointment of new Investment Managers, these limits may be exceeded for a limited period with the prior written approval of the Director of Pensions and Fund Operating Group (FOG). Such instances will be reported to the following meeting of the IMWP.
- 1.3 The Fund and the administering Authority (Wirral Council) and its advisors, Arlingclose Ltd, select financial institutions after analysis and ongoing monitoring of:

- Published credit ratings for financial institutions (minimum long term rating of A- or equivalent for counterparties; AA+ or equivalent for non-UK sovereigns)
 - Credit Default Swaps (where quoted)
 - Economic fundamentals (for example Net Debt as a percentage of GDP)
 - Sovereign support mechanisms
 - Share Prices
 - Corporate developments, news, articles, markets sentiment and momentum
 - Subjective overlay – or, put more simply, common sense.
 - Any institution can be suspended or removed should any of the factors identified above give rise to concern.
- 1.4 It remains the Fund's policy to make exceptions to counterparty policy established around credit ratings, but this is conditional and directional. What this means is that an institution that meets criteria may be suspended, but institutions not meeting criteria will not be added.
- 1.5 The Fund is in a position to use a wide range of research from its investment activities to support this and achieve the aim set on the CIPFA guidance to place a greater emphasis on acceptable credit quality rather than purely credit ratings for counterparts
- 1.6 The Fund requires liquid resources to meet pension payments, investment commitments and administrative expenses. The cash flows from realisation and purchase of investments can be large and concentrated and the Fund needs to maintain facilities and resources to meet these. On days when there is a significant transition of assets between asset managers, appropriate arrangements are made with the Fund's bankers regarding the timings of the receipt and payments of cash flows (day light exposure).
- 1.7 The Fund's cash flows for dealing with members is negative with outflows to pensioners more than income from contributions. In an environment where a significant proportion of investment income is directly re-invested, the levels of liquid resources held need to be adequate and daily cashflows and regular reporting is essential.
- 1.8 It will manage its exposure to fluctuations in exchange rates. In general, the Fund will only hold foreign currencies to fund pending investment transactions thus limiting the exposure of treasury management activities to fluctuations in exchange rates so as to minimise any detrimental impact.

SCHEDULE 2:

PERFORMANCE MEASUREMENT

- 2.1 The performance of the Fund's investments is independently measured by Northern Trust. The performance of cash is included as part of this process and is benchmarked against an appropriate inter-bank rate. This performance measurement is subject to scrutiny by Pensions Committee and IMWP.
- 2.2 The costs of investment management generally including treasury management expenses are separately accounted for in the Annual Statement of Accounts. Comparisons are made between internal and external fund management costs.

SCHEDULE 3: DECISION MAKING AND ANALYSIS

- 3.1 Decision-making is delegated as indicated in the management arrangements set out in schedule 5. Day to day decisions are constrained by the risk controls set out in the other schedules such as approved instruments and counterparties etc.
- 3.2 Tactical decision making by officers will seek to use information from brokers to meet cash flows whilst gaining maximum return within risk constraints. Officers will have access to up to date market information.
- 3.3 Strategic decision making by officers and members will seek to set in place a plan that meets the needs of the Pension Fund in relation to its overall investment plan. The external advisers to the Fund (actuary and independent advisers) will help to ensure that decisions are well informed.
- 3.4 A risk assessment form will be completed for each treasury management transaction (excluding cash at bank), detailing the circumstances at the time the decision is made and providing evidence of the issues considered.

SCHEDULE 4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

- 4.1 The Fund will use the following instruments for its internally managed treasury management activities. The Fund does not use derivatives for risk control associated with the treasury management function but may hold derivatives for risk control within the overall portfolio and as investments (these may be held by internal and external managers)
 - AAA rated money market funds with a constant Net Asset Value
 - Call funds
 - Fixed term deposits with counterparties
 - Forward Fixed term deposits with counterparties
 - Structured Fixed term deposits with counterparties (See Note 1)
 - Cash at bank (Lloyds)

Note 1: these are effectively deposits which give MPF or deposit taker the option to cancel agreement or renegotiate duration/interest rate of the deposit at fixed periods agreed at commencement of the deposit. These products allow the internal team the opportunity to gain additional yield if their view on interest rates is correct, as the counterparty will have a contrarian view on either the direction or speed of interest rate changes.

- 4.2 The Fund will permit external fund managers to use all instruments permitted under the Investment Manager Agreement.

**SCHEDULE 5:
ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND
DEALING ARRANGEMENTS**

5.1 The structure for the treasury management functions is as follows:

Pensions Committee

Oversees all aspects of Merseyside Pension Fund on behalf of Wirral Council and the other admitted bodies. Reviews investment strategy and overall administration of the Fund.

Investment Monitoring Working Party (IMWP)

Makes recommendations to Pensions Committee following consultation with in-house managers and external advisers.

Director of Pensions

Responsibilities as set out in twelve Treasury Management Practices.

Fund Operating Group (FOG)

Includes reviewing the day to day operation of the investments and accountancy function.

Group Accountant

Responsible for team that undertakes treasury management activities.

- 5.2 The day to day transactions for treasury management are executed by the treasury management team overseen by the Fund Accountant (Compliance).
- 5.3 The transmission of funds is carried out by the settlements team through electronic banking system and the recording of transactions is monitored by the Fund Accountant (Operations) ensuring an adequate separation of duties in the system.
- 5.4 The physical authorisation of the release of payments from the bank account is made by the Fund's authorised signatories as approved by Pensions Committee.
- 5.5 There are sufficient staff employed in the process to cover absences and maintain a separation of duties; the duties of staff are outlined in their job descriptions.

- 5.6 Staff currently involved in the system have an adequate level of relevant qualifications. Further training, as required, is made available as part of ongoing staff development:
- Director of Pensions FCSI, ACIB
Group Accountant CPFA
Fund Accountant (Compliance) AAT
Fund Accountant (Operations) CIMA
Settlements Officer AAT
Valuations Officer AAT
Investment Assistant Chartered MCSI
- 5.7 Dealing arrangements will be detailed within application forms (where applicable) and approved by an authorised signatory.
- 5.8 The Fund's policy is not to tape treasury management conversations, although faxed or emailed confirmation is required of the deal from the broker or directly from the counterparty (excluding deposits into call accounts) before the payment is released.
- 5.9 Treasury management facilities are set up with the approval of at least one of the Fund's authorised signatories.
- 5.10 Treasury management facilities provided on the internet will be agreed with the Director of Pensions and will be scrutinised by the Compliance Section to ensure all necessary controls are in place.

SCHEDULE 6:

REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

- 6.1 The Fund will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of these policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.
- 6.2 Pensions Committee will receive an annual report on the strategy and plan to be pursued in the coming year.
- 6.3 An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Fund's treasury management policy statement and TMPs, will be received by the Pensions Committee.
- 6.4 The IMWP will receive interim reports on treasury management.

SCHEDULE 7:

BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

- 7.1 The Fund will ensure that its auditors and those charged with regulatory review have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfillment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed in the schedule (10.1) to this document.

**SCHEDULE 8:
CASH FLOW**

- 8.1 Given the unpredictable nature of cash flows in investment management and in the payment of lump sum benefits, the Fund is not able to forecast cash flows precisely. The Fund has designed its cash portfolio to meet the principal material predictable cash flows i.e. pension pay days, and retains a sufficient level of liquidity to cover other calls on cash.
- 8.2 The investments office maintains cash flow statements on a monthly basis updated daily for predictable cash flows and uses this as a tool to assist the treasury management function.

**SCHEDULE 9:
USE OF EXTERNAL PROVIDERS**

- 9.1 The main providers of services to the Fund are money market brokers. As the Fund does not borrow funds it does not pay commission to the brokers. The performance of brokers is under regular review by staff.
- 9.2 The Fund's main clearing bank contract is the subject of regular tendering exercises.

**SCHEDULE 10:
CORPORATE GOVERNANCE AUDIT AND COMPLIANCE**

- 10.1 The Fund is administered by Wirral Council and is subject to its corporate governance arrangements including regular internal audit and annual external audit. The treasury management function is examined by both of these audits regularly as a high priority area. Officers shall ensure that all documentation listed below is made available to auditors:
- Internal policies
 - Internal records of deals
 - Counterparty confirmations

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 JANUARY 2016

SUBJECT:	LGC INVESTMENT CONFERENCE
WARD/S AFFECTED:	NONE
REPORT OF:	MANAGING DIRECTOR DELIVERY
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1 This report requests nominations for members to attend the Local Government Chronicle (LGC) Investment Conference, to be held in Chester from 2 to 3 March 2017.

2.0 BACKGROUND AND KEY ISSUES

2.1 The conference is themed “2017: Implementing the changes”.

2017 will be a year of fundamental change for all the LGPS funds. During the year all funds will decide how much of their funds will be pooled and most, if not all, will have begun to pool. Alongside this funds will be deciding how the pools should be organised and governed.

At the same time, funds will also have looked at the results of their 2016 Valuation and these results, together with an updated view about the prospective returns on investments in light of economic forecasts and political change, are likely to dictate changes in strategic asset allocations.

The 2017 LGC Investment Seminar will bring together a line-up of expert speakers to provide the latest thinking and information on how these changes can best be implemented.

The draft agenda is attached at appendix 1.

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 N/A

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 A free place is available as MPF was represented at the LGC Investment Summit. Additional places plus a night's accommodation will be £545 per delegate (excluding travel), which can be met from the existing Pension Fund budget.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That attendance at the conference by Members be approved.

13.2 That Members wishing to attend the conference notify the Director of Pensions to enable the necessary registration and administration to be undertaken.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Attendance at this conference is a part of the development programme approved by Members in January 2017 and will assist Members in fulfilling the Committee's Knowledge and Skills objectives as set out by CIPFA.

REPORT AUTHOR: ***PETER WALLACH***
DIRECTOR OF PENSION FUND
telephone: (0151) 242 1309
email: peterwallach@wirral.gov.uk

APPENDICES

Appendix 1 Draft agenda

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	January 2016
Pensions Committee	November 2014
Pensions Committee	November 2013

Carden Park Hotel, near Chester: 2-3 March 2017

2017: Implementing the changes

Draft programme

2017 will be a year of fundamental change for all the LGPS funds. During the year all funds will decide how much of their funds will be pooled and most, if not all, will have begun to pool. Alongside this funds will be deciding how the pools should be organised and governed.

At the same time, funds will also have looked at the results of their 2016 Valuation and these results, together with an updated view about the prospective returns on investments in light of economic forecasts and political change, are likely to dictate changes in strategic asset allocations.

At the 2017 LGC Investment Seminar we will bring together a line-up of expert speakers to provide the latest thinking and information on how these changes can best be implemented.

Thursday 2 March

Session	Title	Presenters
09:15 – 09:45	Coffee and registration	
09:45 – 09:55	Chairman's welcome	Chris Bilsland, Non-Executive Director, London CIV
09.55 – 10:45 Plenary 1	<p>Essential update from the Advisory Board on the progress towards reshaping the LGPS</p> <p>Leading members of the LGPS Advisory Board update on the progress on implementation of the Government's and Funds' plans which are reshaping the LGPS.</p> <ul style="list-style-type: none"> • Commentary on impact of new Government policies and other important emerging issues • Commentary on the progress towards pooling • Latest update on emerging issues 	<p>Jeff Houston, Head of Pensions, Local Government Association</p> <p>Duncan Whitfield – treasurer member, the Scheme Advisory Board – Advisors' perspective</p>

<p>10:45 – 11:35</p> <p>Plenary 2</p>	<p>Outcome of the 2016 valuation and what it will mean for the affordability of the scheme</p> <p>We hear what progress has been made on deficit reduction (if any) and how this impacts on the affordability of the scheme. Insight on the impact this valuation will have on asset allocation decisions going forward.</p> <ul style="list-style-type: none"> • Overview of the investment performance • Impact of changes in the world and UK economy on the assumptions • Alternatives which should be considered by the funds 	<p>Jo Ray, Pension Fund Manager, Lincolnshire County Council</p>
-----------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------

<p>11:35 – 12:05</p>	<p>Refreshments</p>		
-----------------------------	----------------------------	--	--

<p>12:05 – 13:00</p> <p>Educational workshops</p>	<p>A</p>	<p>B</p>	<p>C</p>
-----------------------------------------------------------------	-----------------	-----------------	-----------------

<p>13:00 – 14:15</p>	<p>Lunch</p>		
-----------------------------	---------------------	--	--

<p>14:15 – 15:15</p> <p>Plenary 3</p>	<p>Critical factors from 3 different perspectives to ensure there is good governance of the pools</p> <p>In this session we hear about arrangements being put in place for good Governance of the pools from three perspectives:</p> <ol style="list-style-type: none"> 1. From CIPFA who have issued guidance on pooling 2. From the Chair of a local authority pension fund about what they consider to be the critical factors in their arrangements; and 3. From a NED of a regulated company about what is different about complying with the regulations set by the Financial Conduct Authority and what Funds should expect to see. 	<p>Mike Ellsmore, Chair CIPFA Pensions Panel</p> <p>Denise Le Gal, Chairman, Surrey Pension Fund</p>
-----------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------

<p>15:15 – 15:45</p>	<p>Refreshments</p>		
-----------------------------	----------------------------	--	--

<p>15:45 – 16:30</p>	<p>What is keeping the investment managers awake at night?</p>	<p>Speakers to be confirmed</p>
-----------------------------	----------------------------------------------------------------	----------------------------------------

Plenary 4	<ul style="list-style-type: none"> • Latest developments by the UK Government on Brexit • Impact of the new US President • Insight on the economies of Russia, Middle East and China • Central bank policies • Scheme and pooling • Pension fund liabilities 	
------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

16:35 – 17:30 Educational workshops	D	E	F
------------------------------------------------------	----------	----------	----------

19:00	Networking reception
19:30	Networking dinner

Friday 3 March

08:40 - 09:10	Refreshments
----------------------	---------------------

09:10	Chairman's welcome	Chris Bilsland
09:15 – 10:15 Plenary 5	Question time to representatives of the pools – a chance to hear the latest progress and challenges faced by each of the pools.	Representative from each of the pools including: Fiona Miller, Border to Coast Kevin McDonald, ACCESS Peter Wallach, Northern
10:15 – 10.40 Plenary 6	<p>Overview of the approaches your fund should take when investing in infrastructure and property</p> <p>In this session we will look at the different ways in which funds can invest in infrastructure and property and the pros and cons of those approaches</p>	Speaker to be confirmed

10:45 – 11:40 Educational workshops	G	H	I
------------------------------------------------------	----------	----------	----------

11:40 – 12:10	Refreshments	
12:10 – 13:00 Plenary 7	<p>What a pool will actually look like in the next 3/4 years according to experts outside the LGPS</p> <p>In this final session we look beyond the urgent and immediate issues and look at what a successful pool should look like; and what are likely to be the critical issues to look out for on the journey.</p>	<p>Antony Barker Director of Pensions, Santander UK</p>
13:00	Closing remarks	Chris Bilsland
	Lunch	

©  2016. This programme may change due to unforeseen circumstances. EMAP reserves the right to alter the venue and/or speakers.

This page is intentionally left blank

**WIRRAL COUNCIL
PENSIONS COMMITTEE
23 JANUARY 2017**

SUBJECT:	MINUTES OF INVESTMENT MONITORING WORKING PARTY MEETING
WARD/S AFFECTED:	NONE
REPORT OF:	MANAGING DIRECTOR FOR DELIVERY
KEY DECISION?	No

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide Members with the minutes of the Investment Monitoring Working Party held on 24 November 2016.
- 1.2 The appendix to this report contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of Local Government Act 1972 i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information).

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

- 6.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising from this report.

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

7.1 There are none arising from this report.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

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

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

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATIONS

12.1 That Members approve the Minutes of the IMWP meeting which are attached as an appendix to this report.

13.0 REASONS FOR RECOMMENDATIONS

13.1 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 27th June 2011.

REPORT AUTHOR: *Peter Wallach*
DIRECTOR OF PENSION FUND
telephone: (0151) 242 1309
email: peterwallach@wirral.gov.uk

APPENDICES

Exempt appendix

REFERENCE MATERIAL

None.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
-----------------	------

Minutes of all IMWP meetings are brought to the subsequent Pensions Committee meeting.	
-----------------------------------------------------------------------------------------------	--

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank