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	
		P Cleary, Unison (Active Member)	
Apologies	Councillors	T 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, Members had been provided with the Fund's submission to Government in relation to the consultation on pooling within the LGPS. The report 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 13 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.