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WIRRAL

Local Pensions Board

Date:	**Thursday, 16 March 2017**
Time:	**10.00 am**
Venue:	Merseytravel, Mann Island

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AGENDA

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

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

2. **MINUTES (Pages 1 - 8)**

   To approve the accuracy of the minutes of the meeting held on 11 October, 2016.

3. **LGPS UPDATE (Pages 9 - 26)**

4. **MEMBER DEVELOPMENT PROGRAMME (Pages 27 - 34)**

5. **POOLING UPDATE (Pages 35 - 46)**

6. **TREASURY MANAGEMENT STRATEGY (Pages 47 - 66)**

7. **BUSINESS PLAN (Pages 67 - 70)**

8. **INVESTMENT STRATEGY STATEMENT GUIDANCE (Pages 71 - 80)**

9. **DRAFT FUNDING STRATEGY STATEMENT (Pages 81 - 130)**

10. **MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE (MIFID) CONSULTATION (Pages 131 - 142)**

11. IMWP MINUTES (Pages 143 - 146)

12. EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC

The following item contains exempt information.

RECOMMENDATION: That under section 100 (A) (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined by the relevant paragraphs of Part 1 of Schedule 12A (as amended) to that Act. The Public Interest test has been applied and favours exclusion.

13. ADMINISTRATION KPI EXEMPT REPORT (Pages 147 - 164)

14. IMWP EXEMPT MINUTES (Pages 165 - 186)

15. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR

LOCAL PENSIONS BOARD

Tuesday, 11 October 2016

Present:	J Raisin (Chair)	
	M Hornby	D Ridland
	R Dawson	P Wiggins
	K Beirne	P Moloney
Apologies	G Broadhead	

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

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

Resolved – In respect of Agenda Item 5, LGPS Update, Mr Rob Dawson, Employer Representative, noted that he represented Wirral Metropolitan College, as paragraph 2.12 of the appendix to the report referred to Further Education Insolvency Proposals.

2 **PHILIP GOODWIN**

Members of the Board stood in silence in tribute to the memory of Mr Philips Goodwin, Unison Co-optee and former Co-optee of the Pensions Committee, who had sadly passed away on 26 September, 2016.

3 **MINUTES**

Resolved - That the accuracy of the Minutes of the Local Pension Board held on 28 June, 2016 be approved as a correct record.

4 **AUDIT FINDINGS REPORT & DRAFT ANNUAL REPORT AND ACCOUNTS**

A report of the Head of Pensions presented the Board with the Annual Report of Merseyside Pension Fund for 2015/16, which contained the audited statement of accounts, and the Fund’s response to the Audit Findings Report from Grant Thornton.

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

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

The recommendation contained within the Appendix of the Grant Thornton report had been agreed by Fund Officers; MPF continued to work with the pooling partners and was agreeing enhanced monitoring procedures which included the review of the financial statements and audit reports.

The Section 151 Officer had prepared a Letter of Representation on behalf of the Committee, included as an appendix to the report, which gave assurances to the Auditor on various aspects relating to the Pension Fund.

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

Mr Rob Dawson, Employer Representative requested that the record showing his Attendance and Training on the Pension Board section of the Report and Accounts 2015/16 be amended to reflect training which had been omitted.

The Chair commented that the Pension Board section of the Report and Accounts 2015/16 showed that the Board was now acknowledged as a proper part of governance.

Resolved – That, subject to the amendment, the report be noted.

5 **INVESTMENT PERFORMANCE**

Members of the Board gave consideration to the report to Pensions Committee on the Fund's investment performance for the year to 31 March 2016 which was attached as an appendix to the report.

It was reported that the Fund had returned 1.2 per cent in the financial year to the end of March 2016 compared to its bespoke benchmark return of -0.4 per cent, an outperformance of 1.6 per cent.

The Director of Pensions highlighted that the Fund's investment performance was an important indicator of the extent to which the Fund's investment strategy was implemented successfully but that it should also be considered in the context of the Fund's liabilities over the long-term.

Resolved – That the report be noted.

6 **LGPS UPDATE**

Members gave consideration to the LGPS update that had been taken to the last Pensions Committee, held on 19 September 2016 and was attached as an appendix to the report.

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

It further provided an overview of the development of an insolvency regime for further education colleges and sixth form colleges currently that was being appraised by the Department for Education. The Consultation could be found on the following link: -

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

The report included a table that set out the number of further education and sixth form colleges that participated in MPF detailing the membership profile and the cumulative pension liabilities.

Yvonne Caddock, Principle Pension Officer, presented the report and responded to members questions. Mr P Moloney asked whether there had been any increased concern from other bodies regarding debt falling on to them. Yvonne Caddock responded that the Fund was proactive in ensuring reassurance to other bodies. Other strategies were also been looked at to give greater protection. It was also noted by the Chair that Yvonne Caddock had consulted with him on the policy perspective within the response which was a positive example of the Administering Authority valuing the input of the Local Pension Board

Resolved – That the report be noted.

7 **TREASURY MANAGEMENT ANNUAL REPORT**

Members gave consideration to the Treasury Management Annual Report that had been taken to the Pensions Committee, held on 4 July 2016 and was attached as an appendix to the report.

The report presented a review of treasury management activities within Merseyside Pension Fund (MPF) for the 2015/16 financial year and reported any circumstances of non-compliance with the treasury management strategy and treasury management practices. It had been prepared in accordance with the revised CIPFA Treasury Management Code.

Resolved – That the report be noted.

8 **GAD SECTION 13 DRY RUN**

The Board considered a report that had been noted by Pension Committee on 22 September and was attached as an appendix to the report. This report updated Members on the recent publication of the Government Actuary's Department (GAD) Section 13 'dry run' report, based on the 2013 round of fund valuations.

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

It was noted that the dry run report and appendices could be accessed from the Scheme Advisory Board website at:

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

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

Resolved – That the report be noted.

9 **CIPFA TRAINING EVENT**

A report of the Director of Pensions invited Board members to participate in a Local Pension Board seminar in Liverpool on 26 October 2016 organised by CIPFA in conjunction with Barnett Waddingham.

The CIPFA Local Pension Board seminars were exclusively for Board members and would provide the latest information updates, training on specific topics and opportunities for discussion and networking with members of other Funds' Boards.

The seminars were designed as an opportunity for members of Local Boards to share experiences, to receive updates, to enhance knowledge, and to discuss the key issues facing them and the LGPS in a professional but informal environment. As well as presentations, there would be interactive sessions to facilitate discussion and networking as well as plenty of networking time during the refreshment breaks.

The Liverpool event would be held at Barnett Waddingham's offices, Port of Liverpool Building, Pier Head between 13.30 and 16.30 on 26 October 2016.

Resolved – That the report be noted and Members availability be advised to the Head of Pensions.

10 **ANNUAL EMPLOYERS CONFERENCE**

A report of the Director of Pensions informed Members of the arrangements for the annual Employers' Conference to be held on Tuesday 29 November 2016.

The 2016 conference would be held at Aintree Racecourse on Tuesday 29 November.

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

Members were invited to attend the Conference and further details would be circulated to as soon as arrangements were finalised.

Resolved – That the report be noted and Members availability be advised to the Head of Pensions.

11 **FINAL POOLING SUBMISSION**

Members of the Board gave consideration to a report of the Head of Pensions that provided details of the final submission made to Government in respect of pooling arrangements relating to the Northern Pool.

The appendix to the report, appendix 2, 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).

It was reported that at the Pensions Committee on 4 July 2016, Members had given approval for officers, in consultation with the Chair, to finalise the submission to Government in relation to the Government's consultation on pooling within the LGPS.

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

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

The Chair commented he positively endorsed two clear positives that had emerged from the report both the proposals outlined in the report regarding the mechanism by which the pool would operate and that the transition would be less costly and less onerous than anticipated.

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

12 NON-RECOVERY OF PENSION OVERPAYMENTS

Members considered a report of the Strategic Director Transformation and Resources that had been approved by Pension Committee on 22 September and was attached as an exempt appendix to this report.

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).

Resolved – That the report be noted.

13 ADMINISTRATION KPI REPORT

The report on Administration KPI Report was exempt by virtue of paragraph 3.

14 IMWP MINUTES 09/06/16

The Director of Pensions submitted the IMWP minutes that had been approved by Pension Committee since the last Pension Board meeting and were attached as exempt appendices to the report.

The appendix to the report, the minutes of IMWP on 9 June 2016, contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Resolved – That the report be noted.

15 **GRWP MINUTES 30/06/16**

The Director of Pensions submitted the GRWP minutes which had been approved by Pension Committee since the last Pension Board meeting and were attached as exempt appendices to the report.

The appendix to the report, the minutes of GRWP on 9 June 2016, contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Resolved – That the report be noted.

16 **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.

17 **FINAL POOLING SUBMISSION**

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

18 **NON-RECOVERY OF PENSION OVERPAYMENTS**

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

19 **ADMINISTRATION KPI REPORT**

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

20 **IMWP MINUTES 09/06/16**

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

21 **GRWP MINUTES 30/06/16**

The appendix to the report on GRMP Minutes 30/06/16 was exempt by virtue of paragraph 3.

WIRRAL COUNCIL

PENSIONS BOARD

16 MARCH 2017

SUBJECT:	**LGPS UPDATE**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The LGPS updates taken to Pensions Committee since the previous Board meeting are attached as appendices to this report.

2.0 BACKGROUND AND KEY ISSUES

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

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

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

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APPENDICES

LGPS update(s)

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSION COMMITTEE

15 NOVEMBER 2016

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

1.0 EXECUTIVE SUMMARY

1.1 This report informs Members of a number of impending reforms to the exit payments made to public sector employees; these will have a direct impact on the LGPS.

1.2 It also raises 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.

2.0 BACKGROUND AND KEY ISSUES

2.1 Over the last twelve months, Members have been apprised 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.

2.2 The statutory instruments introducing the legislation have been delayed and the government have provided the LGA with the following update as to the anticipated actions and timing to issue the legislation:

a/ Exit Cap

There will be a further consultation this autumn on regulations for the £95,000 exit payment cap; the regulations will therefore not be in force in October as originally planned. Thereafter, it is hoped that regulations will be published and in force early next year.

b/ Exit Payment Recovery

The recovery regulations for those earning £80,000 or more who leave public sector employment and return within a year are expected to be published and in force this year, subject to being passed by both Houses of Parliament under the affirmative process.

Government response to the further consultation on exit payment reform

2.3 The government has recently responded to the further consultation on exit payments, confirming that it intends to proceed with plans to introduce a framework of upper limits on the main elements of exit compensation provision across the public sector workforce.

The aim of the new upper limits is to cut costs and provide greater consistency between public sector compensation schemes.

2.4.1 The framework for reform includes:

a/ a maximum tariff for calculating exit payments of three weeks' pay per year of service. Employers could apply tariff rates below these limits

b/ a ceiling of 15 months on the maximum number of months' salary that can be paid as a redundancy payment

c/ a maximum salary of £80,000 on which an exit payment can be based

d/ a taper on the amount of lump sum compensation an individual is entitled to receive as they get closer to their normal pension age

e/ action to limit or end employer-funded early access to pension as an exit term. As part of an overall package the government will consider proposals appropriate to each workforce, including action to:

f/ cap the amount of employer funded pension 'tops ups' to no more than the amount of the redundancy lump sum to which that individual would otherwise be entitled

- remove the ability of employers to make such top ups altogether, or offer greater flexibility to employers as to the circumstances in which they are available

- Increase the minimum age at which an employee is able to receive an employer funded pension top up, linking it more closely with the scheme's normal pension age.

Transitional arrangements

2.5 The government will consider the case for protection for those with exits formally agreed on terms that applied before new workforce exit compensation arrangements come into effect.

Timing

2.6 The government expects public sector departments to produce proposals by 26 December within the above framework, consult with Trade Unions, complete negotiations and make the necessary amendments to exit arrangements by 26 June 2017.

The government response can be accessed at the following link;

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/555304/reforms_to_public_sector_exit_payments_consultation_response.pdf

Government Scheme to boost State Pension

2.7 The reform of the state pension scheme for people attaining state retirement age from 6 April 2016 resulted in the introduction of a flat rate pension, with the requirement to having paid full-rate National Insurance Contributions (NICs) for 35 years to receive the full flat rate pension; which currently stands at £155.65 a week.

2.8 It is noteworthy that the vast majority of people, who contributed to a public sector pension prior to 6 April 2016, paid NICs at a lower rate because the Scheme was “contracted out of the state earnings-related pension scheme.

To reflect this, a large number of LGPS members will have a deduction made from their state pension – which means that most won’t receive the full amount in respect of their period of contracted out service.

2.9 For members with gaps in their national insurance records who are not on track to receive the full state pension, there is the ability to pay heavily subsidised voluntary NICs to fill the gaps.

2.10 This is particularly relevant for many local government workers who are in receipt of their occupational pension before receiving their state pension; and who would not normally pay any further NICs before state pension age.

These members will be able to take advantage of the generous financial terms to receive a full flat rate state pension.

2.11 The cost of making these contributions varies depending on which tax year is being purchased and if the pension is calculated under the old or new system.

2.12 Although the terms are generous, as most pensioners receive a fixed income not everyone will welcome the idea of using today’s cash to buy an income for later; particularly when they do not know how long they might live.

3.0 RELEVANT RISKS

3.1 There is a risk that the introduction of the exit cap and measures to limit employer funded pension top-ups, could potentially inhibit local authority workforce planning and an increase, within the sector, of compulsory redundancies as opposed to voluntary redundancy exercises.

3.2 Whilst the provisions to limit employer funded top ups are contained within statutory instruments, the anticipated implementation date of June 2017 will be a significant challenge for the Fund and participating employers.

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report

5.0 CONSULTATION

5.1 Not relevant for this report

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 None associated with the subject matter.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report

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

8.1 The government scheme to boost state pension provides an attractive proposition for many former local government workers who are in receipt of their LGPS Benefits but who have not yet attained state pension age.

For example, a single year of contributions could be bought for a lump sum of around £733. This will boost someone’s state pension entitlement by around £230 a year for the rest of their life. That £733 would generate an income of £4,600 over the course of a 20-year retirement. Someone who bought five “missing” years could receive an extra £23,000 for an outlay of less than £4,000.

8.2 The rules about entitlements to boost the state pension are complex and depend on whether your pension is built up under the old or new system. This will add further complexity in members evaluating their state pension forecast and the government subsidy of voluntary NICs will ultimately give rise to queries for all providers of pension arrangements.

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.

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APPENDIX

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

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

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.

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APPENDIX

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

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

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WIRRAL COUNCIL

PENSIONS BOARD

16 MARCH 2017

SUBJECT:	**MEMBER DEVELOPMENT 2017**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The programme for the training and development of Members of Pensions Committee which was approved at Pensions Committee in January is attached as an appendix to this report.

2.0 BACKGROUND AND KEY ISSUES

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

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

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

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

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APPENDICES

Members' development

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSIONS COMMITTEE
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.

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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

MONTH (2016)	**EVENT**	**REPRESENTATION***
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

PENSION BOARD

16 MARCH 2017

SUBJECT:	**POOLING CONSULTATION UPDATE**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report provides the Board with details of update reports taken to Pensions Committee on 15 November 2016 and 23 January 2017 in respect of pooling arrangements relating to the Northern Pool.

2.0 BACKGROUND AND KEY ISSUES

2.1 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.

3.0 RELEVANT RISKS

3.1 See 2.1 above.

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 Fund's submission sets out the anticipated financial costs of establishing pooling arrangements and the projected savings over the long-term.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That the Board notes report detailing the progress of Pooling arrangements.

14.0 REASON/S FOR RECOMMENDATION/S

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

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APPENDICES

Pension Committee reports of 15.11.16 and 23.1.17

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSIONS COMMITTEE

19 SEPTEMBER 2016

SUBJECT:	**POOLING UPDATE**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**MNANAGING 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 22 September, Members were 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.

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

2.3 On 20 October, DCLG advised that the Minister wishes 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 has not yet been set.

2.4 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.

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APPENDICES

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

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.

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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	

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WIRRAL COUNCIL

PENSIONS BOARD

16 MARCH 2017

SUBJECT:	**TREASURY MANAGEMENT POLICY**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The Treasury Management Policy taken to the last Pensions Committee is attached as an appendix to this report.

2.0 BACKGROUND AND KEY ISSUES

2.1 A report is brought annually to Pensions Committee.

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

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

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APPENDICES

Treasury Management Policy

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSIONS COMMITTEE
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.

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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

Appendix 1

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

PENSION BOARD
16 MARCH 2017

SUBJECT:	**BUSINESS PLANNING**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
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 current and future legislative changes affecting MPF and the Pension Fund's key activities and projects in response to them.

2.0 BACKGROUND AND KEY ISSUES

2.1 The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:

a) secure compliance with the Regulations , any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pension Regulator in relation to the Scheme and;

b) ensure the effective and efficient governance and administration of Merseyside Pension Fund.

c) provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Board does not have a conflict of interest.

2.2 To assist the Pension Board in directing its future activities, MPF's key activities and projects are set out in the appendix to this report to enable Board members to identify and develop its work and training programme.

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 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 Board 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 Board members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The purpose of the Board is to assist the Administering Authority in its role as scheme manager

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APPENDICES

Appendix 1 Business plan

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

APPENDIX 1

FUNCTION	ACTIVITY	
Pensions administration	Administration of Fund's statutory LGPS pensions administrative responsibilities	
Management of Investments	Management of Fund's assets and liabilities	
Financial Management & Control	Production of annual report and accounts; budgets; custody and performance data	
IT & Communications	Fund's systems and communications	
LEGISLATIVE CHANGE/PROJECT	**DESCRIPTION**	**COMPLETION DATE**
Pooling consultation	Implement pooling arrangements as agreed with DCLG in accordance with timetable	Apr 18
Triennial valuation	Valuation date 31/3/16. Assessment of funding position will lead to review and update of Funding Strategy Statement and Investment Strategy Statement.	Jul 17
Investment strategy and	Review of investment strategy in	Jul 17

performance	conjunction with triennial valuation exercise.	
Review of employer covenants; bonds/guarantees review	Post triennial valuation an assessment of covenants and financial strength will be undertaken and bond requirements will be reassessed.	Dec 17
Bespoke investment/derisking strategies for employers	Develop and implement lower and medium risk asset allocation strategies for employers	Mar 18
Introduction of regulations capping exit payments	Develop policies and procedures	Dec 17
Trivial Commutation exercise	Communication exercise with eligible members	Mar 18
Reconciliation of GMPs	As a consequence of the ending of contracting out, requirement to reconcile member records with HMRC records by 2019.	Mar 18
Reporting of split pension fund transactions for GAD LGPS cost control calculations.	Develop and implement interfaces between Admin/payroll and accounting system for income/expenditure splits pre/post 14	Apr 17
Review options to mitigate MPF's carbon risk	Produce options paper with costings	Jun 17
Update of Pensions Administration Strategy	Draft document to be consulted with employers	Jun 17

WIRRAL COUNCIL

PENSIONS BOARD

16 MARCH 2017

SUBJECT:	**INVESTMENT STRATEGY STATEMENT GUIDANCE**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The Investment Strategy Statement guidance taken to Pensions Committee is attached as an appendix to this report.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Investment Strategy Statement was introduced in the new Investment Regulations. It replaces the Fund's Statement of Investment Principles and must be in place by 1 April 2017.

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

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

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APPENDICES

Investment Strategy Statement guidance

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSIONS COMMITTEE

15 NOVEMBER 2016

SUBJECT:	**INVESTMENT STRATEGY STATEMENT**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**STRATEGIC DIRECTOR** **TRANSFORMATION & RESOURCES**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report provides members with details of the 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), and may be read as an update to the report presented to Pensions Committee on 25 January 2016 under Agenda Item 7.

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

1.3 In advance of the new Regulations taking effect, the DCLG has 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.

2.0 BACKGROUND AND KEY ISSUES

Statutory Background

2.1 Regulation 7(1) requires an administering authority to formulate an investment strategy which must be in accordance with guidance issued by the Secretary of State. The Investment Strategy Statement replaces the Fund's existing Statement of Investment Principles (SIP).

2.2 The Investment Strategy Statement required by Regulation 7 must include:-

a) A requirement to invest money in a wide variety of investments;

b) The authority's assessment of the suitability of particular investments and types of investments;

c) The authority's approach to risk, including the ways in which risks are to be measured and managed;

d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;

e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

2.3 The Investment Strategy Statement must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment.

The approach to pooling investments

2.4 Under Regulation 7(2)(d) all authorities must commit to a suitable pool to achieve benefits of scale. Administering authorities must confirm their chosen investment pool meets the investment reform and criteria published in November 2015, or to the extent that it does not, that the Government is content for it to continue.

2.5 Administering authorities should set out their approach to pooling and the proportion of assets that will be invested through the pool. This will include the structure and governance arrangements and the mechanisms by which the authority can hold the pool to account.

2.6 Administering authorities must provide a summary of assets to be held outside the pool and the extent to which this demonstrates value for money.

2.7 The progress of asset transfers to the pool must be reported annually against implementation plans and submitted to the Scheme Advisory Board. Where it is possible that an asset could be pooled in the future, authorities must set a date for review and criteria that need to be met before the asset will be pooled.

Social, environmental & corporate governance considerations

2.8 Regulation 7(2)(e) addresses how social, environmental or corporate governance considerations should be taken into account in the selection , non- selection, retention and realisation of investments.

2.9 Schemes should consider any factors that are financially material to the performance of their investments, including social, environmental and corporate governance factors.

2.10 The Government has made it clear however, that using pension policies to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries are inappropriate, other than where formal legal sanctions, embargoes and restrictions have been promulgated by the Government.

2.11 Notwithstanding this, schemes should make the pursuit of financial return their predominant concern although they may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to believe that scheme members would support their decision.

3.0 RELEVANT RISKS

Directions by the Secretary of State

3.1 Regulation 8 enables the Secretary of State to issue a Direction if he is satisfied that an administering authority is failing to act in accordance with the guidance.

3.2 Where there is evidence to suggest that an authority is acting unreasonably, it may be appropriate for the Secretary of State to consider intervention, but only where this is justified and where the relevant parties have been consulted.

3.3 The power of intervention does not interfere with the duly elected members under general public law principles to make investment decisions in the best long-term interest of scheme beneficiaries and taxpayers.

4.0 OTHER OPTIONS CONSIDERED

4.1 The Regulations are a mandatory requirement.

5.0 CONSULTATION

5.1 The consultation was completed by the DCLG.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 None.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 None.

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

8.1 None.

9.0 LEGAL IMPLICATIONS

9.1 The Regulations will apply to Local Government Pension Schemes in England and Wales when they are duly enacted.

10.0 EQUALITIES IMPLICATIONS

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

No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising directly from this report. Please refer to indents 2.8 – 2.11

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members note the report and the statutory implications for the Fund going forward.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 That Members are informed of the salient details of the new Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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APPENDICES None

BACKGROUND PAPERS/REFERENCE MATERIAL

Local Government Pension Scheme Guidance on Preparing and Maintaining an Investment Strategy Statement Department for Communities and Local Government

September 2016

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSIONS BOARD

16 MARCH 2017

SUBJECT:	**DRAFT FUNDING STRATEGY STATEMENT**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The draft Funding Strategy Statement taken to Pensions Committee is attached as an appendix to this report.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Local Government Pension Scheme (LGPS) regulations require each administering authority to prepare and publish a Funding Strategy Statement (FSS). The FSS sets out the key assumptions which the actuary has used in preparing the actuarial valuation and, in those cases where the Administering Authority has some discretion, the policies adopted by the Administering Authority. The FSS must be updated in detail triennially as part of the actuarial valuation. The Administering Authority must consult with employers on the FSS as part of the valuation process.

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

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

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APPENDICES

Draft Funding Strategy Statement and appendix

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSION COMMITTEE

15 NOVEMBER 2016

SUBJECT:	**DRAFT FUNDING STRATEGY STATEMENT**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**STRATEGIC DIRECTOR OF TRANSFORMATION AND RESOURCES**
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report raises awareness that the Local Government Pension Scheme (LGPS) regulations require each administering authority to prepare and publish a Funding Strategy Statement (FSS). The FSS sets out the key assumptions which the actuary has used in preparing the actuarial valuation and, in those cases where the Administering Authority has some discretion, the policies adopted by the Administering Authority. The FSS must be updated in detail triennially as part of the actuarial valuation. The Administering Authority must consult with employers on the FSS as part of the valuation process.

1.2 Some initial discussions on funding and the presentation of preliminary results have already taken place with the major councils.

1.3 The draft Funding Strategy Statement in the Appendix has been produced for consultation with employers. It incorporates the proposals on the funding strategy which have been discussed by the Fund officers with the Actuary.

1.4 The consultation period will open at the beginning of November and Fund Officers have 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.

2 BACKGROUND AND KEY ISSUES

Key Changes to the 2016 Funding Strategy

2.1 As part of the review of the funding strategy the key changes to the strategy statement from 2013 are:

a) A change in the discount rate methodology to explicitly link the discount rate to expected real investment returns above inflation as measured by the Consumer Price Index (CPI) ("CPI plus" approach)

b) Update the future service rate to take out the assumption that 10% of future employees will choose the 50/50 benefit scale, this will result in an increase for employers in the cost of future benefits

c) Update the demographic assumptions (such as life expectancy, ill health, proportion of members with a dependant) to allow for updated trends and Fund specific analysis

d) Subject to reasonable affordability an aim to reduce the average recovery periods by 3 years and to also maintain the current level of deficit contributions from the preceding valuation

e) Update of the FSS to allow for the updated regulations and to also incorporate all Fund policies in one place

f) The potential availability of different investment choices or "buckets"

g) Possible flexibilities within the termination basis, subject to review as part of the consultation

2.2 Preliminary Whole Fund Results
The final actuarial outcome will be reported to Committee at the March 2017 meeting however 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 are set out below:

31 March 2016	£Ms
Assets	6,850
Liabilities	8,005
Deficit	1,155
Funding Level	86%
Employer future service contribution rate*	15.1% p.a.

** no allowance for 50/50 take-up.*

2.3 Individual employer results will be disseminated during the employer consultation meetings which will take place in the first week of November to present the whole Fund results and to discuss individual employer results and outcomes.

2.4 In discussions with the major councils it has become apparent of the need to consider budgetary constraints faced by employers as a result of reduced public sector funding and the direct impact of increases to employer contributions on front line services.

2.5 Consequently it is the intent to provide mechanisms to stabilise contributions which balance the administering authority's statutory responsibilities with regard to solvency and long term cost efficiency against employer affordability.

3.0 RELEVANT RISKS

3.1 If stabilising mechanisms are not introduced to acknowledge upward pressures on employer budgets then the Actuary would be required to set unaffordable employer contribution rates resulting in the risk of employers becoming insolvent and exiting the Fund with irrecoverable debt.

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report

5.0 CONSULTATION

5.1 Not relevant for this report

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 None associated with the subject matter.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report

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

8.1 The revised financial and demographic assumptions within the Funding Strategy Statement will have a direct impact on funding levels and the employer contributions certified for the financial period 1 April 2017 to 31 March 2020.

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 policies governing the triennial valuation.

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 The Committee notes the draft Funding Strategy Statement as set out in Appendix 1 that has been distributed to employers.

13.2 The Committee delegates the refinement and finalisation of the draft FSS to the officers before a final review from Committee in March 2017

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 changes to the policies underpinning the governance framework for the triennial valuation process.

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APPENDIX 1

Draft Funding Strategy Statement

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date
Funding Strategy Statement	19 November 2013

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APPENDIX 1

DRAFT V2

FUNDING STRATEGY STATEMENT

MERSEYSIDE PENSION FUND

{MONTH} 2016

Wirral Metropolitan Borough Council

This Funding Strategy Statement has been prepared by Wirral Metropolitan Borough Council (the Administering Authority) to set out the funding strategy for the Merseyside Pension Fund ("the Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

I

EXECUTIVE SUMMARY

It is the fiduciary responsibility of the Administering Authority (Wirral Metropolitan Borough Council) to ensure that the Merseyside Pension Fund (the "Fund") has sufficient assets to meet its pension liabilities in the long term. The Funding Strategy adopted by the Merseyside Pension Fund will therefore be critical in achieving this statutory duty.

The purpose of this Funding Strategy Statement ("FSS") is to set out a clear and transparent funding strategy that will identify how each Fund employer's pension liabilities are to be met going forward.

> The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the Merseyside Pension Fund.
>
> It is imperative therefore that each existing or potential employer is aware of the details contained in this statement.

Given this, and in accordance with governing legislation, all interested parties connected with the Merseyside Pension Fund have been consulted and given opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.

THE FUND'S OBJECTIVE

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. This objective will be considered on an employer specific level where appropriate.

The general principle adopted by the Fund is that the overall assumptions used, will be sufficiently prudent for pensions already in payment to continue to be paid, and to reflect the commitments that will arise from members' accrued pension rights.

The funding strategy set out in this document has been developed alongside the Fund's investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund. The funding strategy includes appropriate margins to allow for the possibility of events turning out worse than expected. Individual employer results will also have regard to their covenant strength and the investment strategy applied to the asset shares of those employers.

SOLVENCY AND LONG TERM COST EFFICIENCY

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time. Equally, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Scheme so far as relating to the Fund.

DEFICIT RECOVERY PLAN AND CONTRIBUTIONS

As the solvency level of the Fund is [tbc%] at the valuation date i.e. the assets of the Fund are less than the liabilities, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts (flat or increasing year on year) and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish. Employers may also elect to make prepayments of contributions which could result in a cash saving over the valuation certificate period.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. A key principle will be to maintain the deficit contributions at the expected monetary levels from the preceding valuation (including any indexation in these monetary payments over the recovery period) and where appropriate consider affordability of contributions. Full details are set out in this FSS.

The average recovery period for the Fund as a whole is 19 years at this valuation which is 3 years shorter than the average recovery period from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce by 3 years at this valuation.

Where there is an increase in contributions required at this valuation the employer may be able to step-up their contributions over a period of 3 years.

ACTUARIAL ASSUMPTIONS

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. the "Secondary" rate) are set out in an Appendix to this FSS.

The discount rate in excess of CPI inflation (the "real discount rate") has been derived based on the expected return on the Fund's assets based on the long term strategy set out in its Investment Strategy Statement (ISS). When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns in excess of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year). It is proposed at this valuation the real return over CPI inflation for determining the past service liabilities is 2.0 per annum and for determining the future service ("Primary") contribution rates is 2.75% per annum.

The Fund is currently considering offering employers a choice of "investment" buckets which exhibit lower investment risk than the whole fund strategy. This would be reflected in each employer's funding basis. If an employer is deemed to have a weaker covenant than others in the Fund, or would like to target a lower risk funding strategy, the Administering Authority has the discretion to move that employer (following discussions with the employer) into a lower risk investment strategy to protect the Fund as a whole.

The demographic assumptions are based on the Fund Actuary's bespoke analysis for the Fund, also taking into account the experience of the wider LGPS where relevant.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving each employer's asset share.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

FUND POLICIES

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund's practice and policies in a number of key areas:

1. Covenant assessment and monitoring

An employer's financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed. These risks include underfunding, longevity, investment and market forces.

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers' covenants will be assessed and monitored objectively in a proportionate manner, and an employer's ability to meet their obligations in the short and long term will be considered when determining its funding strategy.

After the valuation, the Fund will continue to monitor employers' covenants in conjunction with their funding positions over the inter-valuation period. This will enable the Fund to anticipate and pre-empt any material issues arising and thus adopt a proactive approach in partnership with the employer. More details are provided in the relevant appendix to this statement.

2. Admitting employers to the Fund

Various types of employers are permitted to join the LGPS under certain circumstances and the basis of participation reflects the nature and funding of the service provision. The approach taken is set out in in our separate admissions policy document. Examples of new employers include:

- Scheme Employers - for example new academies (see later section)
- Designated bodies - those that are permitted to join if they pass a resolution
- Admission bodies - usually arising as a result of an outsourcing or a transfer to an entity that provides some form of public service and their funding primarily derives from local or central government.

Certain employers may be required to provide a guarantee or alternative security before entry will be allowed, in accordance with the Regulations and Fund policies.

3. Termination policy for employers exiting the Fund

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate.

Where there is no guarantor who would subsume the liabilities of the exiting employer, the Fund's policy is that a discount rate linked to a lower risk investment strategy and a more prudent longevity assumption is used for assessing liabilities on termination. Any exit payments due should be paid immediately although instalment plans will be considered by the Administering Authority on a case by case basis. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it.

4. Insurance arrangements

The Fund is currently considering whether ill health retirement costs can be insured either through a third party insurer or by setting up an internal captive insurance arrangement which pools these risks for eligible employers. If such an arrangement is implemented the operation of this will be documented via a separate policy and the relevant employer contribution rates will be adjusted accordingly.

CONTENTS

APPENDICES

1
INTRODUCTION

The Local Government Pension Scheme Regulations 2013 (as amended) ("the 2013 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") (collectively; "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Merseyside Pension Fund the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:
  - the guidance issued by CIPFA for this purpose; and
  - the Investment Strategy Statement (ISS) for the Scheme published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS.

BENEFITS

The benefits provided by the Merseyside Pension Fund are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the Merseyside Pension Fund are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings ("CARE") benefits earned thereafter. There is also a "50:50 Scheme Option", where members can elect to accrue 50% of the full scheme benefits in relation to the member only and pay 50% of the normal member contribution.

EMPLOYER CONTRIBUTIONS

The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations (which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate specifying the "primary" and "secondary" rate of the employer's contribution).

PRIMARY RATE

The "Primary rate" for an employer is the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. It is expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers' Primary rates.

SECONDARY RATE

The "Secondary rate" is an adjustment to the Primary rate to reflect any past service deficit or surplus, to arrive at the rate each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls.

The Secondary rate is specified in the rates and adjustments certificate.

For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary rates.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be calculated as the weighted average based on the whole fund payroll in respect of percentage rates and as a total amount in respect of cash adjustments.

2
PURPOSE OF FSS IN POLICY TERMS

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3
AIMS AND PURPOSE OF THE FUND

THE AIMS OF THE FUND ARE TO:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, designating and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

THE PURPOSE OF THE FUND IS TO:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

4

RESPONSIBILITIES OF THE KEY PARTIES

The efficient and effective management of the pension fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority (in particular the Pensions Committee), the individual employers and the Fund Actuary and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

KEY PARTIES TO THE FSS

The **Administering Authority** should:

- operate the pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations
- pay from the pension fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the fund against the consequences of employer default
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain a FSS and an ISS, both after proper consultation with interested parties, and
- monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a scheme employer, and
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

The **Individual Employer** should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- Undertake administration duties in accordance with the Pension Administration Strategy.
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, additional pension contracts, early retirement strain, and
- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and
- notify the Administering Authority promptly of any changes to membership which may affect future funding.

The **Fund Actuary** should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long term cost efficiency after agreeing assumptions with the Administering Authority and having regard to their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc
- provide advice and valuations on the termination of admission agreements
- provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations
- advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and
- ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.

5

SOLVENCY FUNDING TARGET

Securing the "solvency" and "long term cost efficiency" is a regulatory requirement. To meet these requirements the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer's total contribution rate would ultimately revert to its Primary rate of contribution.

SOLVENCY AND LONG TERM EFFICIENCY

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

When formulating the funding strategy the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Scheme so far as relating to the Fund.

DETERMINATION OF THE SOLVENCY FUNDING TARGET AND DEFICIT RECOVERY PLAN

The principal method and assumptions to be used in the calculation of the funding target are set out in **Appendix A**. The Employer Deficit Recovery Plans are set out in **Appendix B**.

Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2017 at the latest.

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers and employer groups in the Fund.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2016 actuarial valuation:

- The Fund does not believe it appropriate for deficit contribution reductions to apply compared to the existing funding plan (allowing for indexation where applicable) where deficits remain unless there is compelling reason to do so.

- LEA schools and certain other employers within the Fund have been grouped with the respective Council.

- Academies are treated as separate employers but consistently with the relevant LEA schools

- Certain employers will follow a bespoke investment and funding strategy pertaining to their own circumstances determined by their risk and maturity characteristics. This will be documented separately.

- Unless agreed otherwise by the relevant Scheme Employer any admission bodies participating on a contractual basis will be treated in the same way as the original Scheme Employer.

- Subject to consideration of affordability, as a general rule the deficit recovery period will reduce by at least 3 years for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan in **Appendix B**). These principles have resulted in an average recovery period of 19 years being adopted across all Fund employers.

- Individual employer contributions will be expressed and certified as two separate elements:
    - the **Primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits and ancillary death in service and ill health benefits
    - the **Secondary rate**: a schedule of lump sum monetary amounts over 2017/20 in respect of an employer's surplus or deficit

    For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from April 2020 based on the results of the 2019 actuarial valuation.

    Where an employer is in a surplus position, the Secondary rate deduction from the Primary rate will be subject to a minimum threshold of £1,000, below which no deduction will be made.

- Where increases in employer contributions are required from 1 April 2017, following completion of the 2016 actuarial valuation, the increase from the rates of contribution payable in the year 2017/18 may be implemented in steps, over a maximum period of 3 years. Any step up in Primary rates will be implemented in steps of at least [0.5]% of pensionable pay per annum.

- On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer will be due to the Scheme as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer. The termination policy is summarised set out in Appendix C

- For admission bodies participating who do not have a guarantor of sufficient financial standing based on the assessment of the Administering Authority, the basis of assessment for both the contributions and termination and bond requirements will be on a lower risk investment strategy linked to gilt and bond yields. The employer's assets will then be deemed to be invested in bonds of the appropriate duration to the liabilities and be credited with the returns derived from such assets based on the advice of the Actuary. Where a guarantor is available the assessment will be on the normal valuation basis if the guarantor agrees to underwrite the obligations of the employer in the long term.

- In all cases the Administering Authority reserves the right to apply a different approach at its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole. Any employer affected will be notified separately.

EMPLOYERS WITH NO GUARANTOR OR BOND IN PLACE

For those employers (who are not Scheduled bodies) and who have no guarantor or bond arrangements in place, a higher funding target will be adopted. The contribution rate for these employers will be determined to target a funding position of 120% for the liabilities of the current active membership. The funding target for the non-active liabilities will be as defined earlier. The principles around the recovery period will be as noted earlier after the change in funding target has been applied.

FUNDING FOR NON-ILL HEALTH EARLY RETIREMENT COSTS

Employers are required to meet all costs of early retirement strain by immediate capital payments into the Fund, or in certain circumstances by agreement with the Fund, through instalments over a period not exceeding 5 years or if less the remaining period of the body's membership of the Fund.

FUNDING FOR ILL HEALTH RETIREMENT COSTS

Should a member retire on ill health grounds, this will normally result in a funding strain for that employer (i.e. increased liability). The size of any funding strain will depend on how the cost of that ill health retirement compares with the expected cost built in the actuarial assumptions for that employer. The actual cost will also depend on the level of any benefit enhancements awarded (which depend on the circumstances of the ill health retirement) and also how early the benefits are brought into payment. To the extent that a strain does occur, this will serve to increase the deficit at the next actuarial valuation. However, where an employer exits the Fund in the inter-valuation period the outstanding ill health retirement strain costs will be included when the Actuary determines the termination debt.

FUNDING FOR DEATHS IN SERVICE

The financial impact of the benefits that become payable on the death of a member differ depending on whether the member dies before or after retirement.

The extent of any funding strain/profit which emerges on the death of a pensioner member (typically a profit) will be determined by the age of the pensioner at death and whether or not any dependants' benefits become payable.

In the event of a member dying whilst in active service, it is not certain that a funding profit would emerge. Whilst the Fund would no longer have to pay the accrued benefits at retirement for the deceased member, a lump sum death grant and also dependants' benefits would become payable instead. The dependants' benefits would also be based on the pensionable service that the member could have accrued had they remained in service until retirement.

Typically, the death of a young member with low pensionable service and dependants is likely to result in a large funding strain for the employer. However, the death of an older/long serving member with no dependants could actually result in a funding profit. As for ill health cases, any funding strain or profit will emerge at the next actuarial valuation through increased/reduced deficit, except where the employer is termination when it will be taken into account when the Actuary determines the termination debt.

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LINK TO INVESTMENT POLICY AND THE INVESTMENT STRATEGY STATEMENT (ISS)

The results of the 2016 valuation show the liabilities to be [x]% covered by the current assets, with the funding deficit of [x]% being covered by future deficit contributions.

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

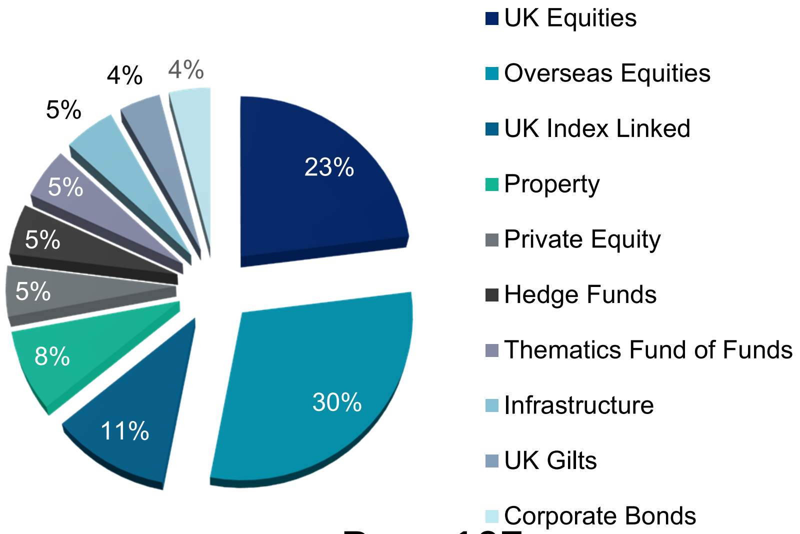
It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which represents the "minimum risk" investment position which would deliver a very high certainty of real returns above assumed CPI inflation. Such a portfolio would consist of a mixture of long-term index-linked gilts, fixed interest gilts and possible investment derivative contracts known as "swaps".

Investment of the Fund's assets in line with this portfolio would minimise fluctuations in the Fund's funding position between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in real return versus CPI inflation of nil per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of [xx]%.

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The current investment strategy is:



As documented in the ISS, the investment strategy and return expectations set out above equate to an overall best estimate average expected return of [x]% per annum in excess of CPI inflation. For the purposes of setting funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations and this is expected under the Regulations and guidance.

RISK MANAGEMENT STRATEGY

In the context of managing various aspects of the Fund's financial risks, the Administering Authority is currently considering implementing a risk management framework, using liability driven investment techniques. The principal aim of this risk management strategy is to effectively look to provide more certainty of real investment returns vs CPI inflation. It is designed to reduce risk and provide more stability/certainty of outcome for funding and ultimately employer contribution rates. This will be done on an opportunistic basis to ensure the most efficient and cost effective approach is taken. This could have implications on future actuarial valuations and the assumptions adopted but does not impact on the 2016 valuation approach. Full details of the framework are shown in the separate ISS.

In addition, the Fund is currently considering offering employers a choice of "investment" buckets which exhibit lower investment risk than the whole fund strategy. This would be reflected in their funding basis and contribution requirements. If, based on the assessments carried out by the Administering Authority, the employer is deemed to have a weaker covenant than other employers in the Fund, the Administering Authority reserves the right to move the employer (following discussions with the employer) into a lower risk investment strategy to protect the Fund as a whole.

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IDENTIFICATION OF RISKS AND COUNTER-MEASURES

The funding of defined benefits is by its nature uncertain. Funding of the Scheme is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term.

The information below illustrates the range and uncertainty in the future progression of the funding level, relative to the funding target adopted at the valuation.

[TBC]

FINANCIAL

The financial risks are as follows:-

- Investment markets fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle.

Any increase in employer contribution rates (as a result of these risks), may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under constant review and the performance of the investment managers is regularly monitored.

DEMOGRAPHIC

The demographic risks are as follows:-

- Future improvements in life expectancy (longevity) cannot be predicted with any certainty
- Potential strains from ill health retirements, over and above what is allowed for in the valuation assumptions
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Ill health retirements can be costly for employers, particularly small employers where a one or two costly ill health retirements can take them well above the “average” implied by the valuation assumptions. Increasingly we are seeing employers mitigate the number of ill health retirements by employing HR / occupational health preventative measures. These in conjunction with ensuring the regulatory procedures in place to ensure that ill-health retirements are properly controlled, can help control exposure to this demographic risk.. Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge.

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy.

INSURANCE OF CERTAIN BENEFITS

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund. More detail on how the Fund is considering insurance of ill health costs is set out in **Appendix F.**

REGULATORY

The key regulatory risks are as follows:-

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to scheme,
- Changes to national pension requirements and/or HMRC Rules

Membership of the Local Government Pension Scheme is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

GOVERNANCE

The Fund has done as much as it believes it reasonably can to enable employing bodies and scheme members (via their trades unions) to make their views known to the Fund and to participate in the decision-making process. So far as the revised Funding Strategy Statement is concerned, it circulated copies of the first draft to all employing bodies for their comments and placed a copy on the Fund’s website. The first draft was approved at the Committee’s meeting on [tbc] and finalised on [tbc] after the Fund received feedback from the employing bodies.

Governance risks are as follows:-

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer’s membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond.

- Political risk that the academies guarantee from the Department for Education is removed, especially given the large increase in the number of academies in the Fund.

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored (e.g. with regular data reconciliations with employers), but in most cases the employer, rather than the Fund as a whole, bears the risk.

PENSIONS COMMITTEE

Wirral Metropolitan Borough Council, as the Administering Authority for Merseyside Pension Fund, has delegated responsibility and accountability for overseeing the Fund to the Pensions Committee.

The Pensions Committee is made up of ten Members nominated by Wirral, one nominated from each of the other four metropolitan authorities and a representative of the other admitted and scheduled bodies elected by ballot. There are three members drawn from trade unions representing all actives, deferred members and pensioners. Aside from the representative Member, changes to Committee membership are subject to the political leadership of the Councils, although efforts are made to limit rotation where possible.

The Committee meets 4 to 5 times a year and has set up an Investment Monitoring Working Party which meets at least 6 times a year to monitor investment performance and developments A Governance and Risk Working Party has also been established which meets twice a year to discuss current and emerging risks and measures to mitigate and control risk The Committee has delegated powers to the Director of Pensions for the day to day running of the Fund.

There is a clear decision making process for the operations of the Fund, major decisions are taken and minuted at monthly Fund Operating Group meetings attended by the Managing Director for Delivery the Director of Pensions and senior MPF managers.

There is a significant resource dedicated on an annual basis for Member training which is provided both internally and externally.

The Pensions Administration Strategy (PAS) sets out clear standards of service to members by defining employer and Fund responsibilities in administering the Scheme and sets out the requirements for the two way flow of information. The employer should notify the administering authority of the following events.

- Structural change in employer's membership e.g. large fall in employee numbers or large number of retirements.
- A closure in accessibility of the scheme to new entrants.
- An employer ceasing to exist.

LOCAL PENSION BOARD

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

Membership

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

The employer representatives are office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity.
Member representatives are scheme members of Merseyside Pension Fund and have the capacity to represent scheme members of the Fund

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

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

- comply with the scheme regulations and other legislation relating to the governance and administration of the scheme; and

- any requirements imposed by the regulator.

A member of the Pension Board must be conversant with:

- the rules of the scheme and the law relating to pensions, and

- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

The Council considers that the Pension Board is providing oversight of the administration and governance of the Pension Fund and does not have a decision making role in the management of the Fund but makes recommendations to assist in ensuring compliance with its statutory responsibilities.

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

http://mpfund.uk/pensionboard

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MONITORING AND REVIEW

The Administering Authority has taken advice from the actuary in preparing this Statement, and has consulted with the employers participating in the Fund.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Scheme membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund.

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employing authorities will be contacted. In the case of admitted bodies, there is statutory provision for rates to be amended between valuations but it is unlikely that this power will be invoked other than in exceptional circumstances.

APPENDIX A - ACTUARIAL METHOD AND ASSUMPTIONS

METHOD

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the scheme on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted, which makes advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

FINANCIAL ASSUMPTIONS – SOLVENCY FUNDING TARGET

Investment return (discount rate)

The discount rate has been derived based on the expected return on the Fund assets based on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 2.0% per annum above CPI inflation i.e. a real return of 2.0% per annum i.e. a total discount rate of 4.2% per annum. This real return will be reviewed from time, to time, typically at the time of a formal valuation or bond review based on the investment strategy, market outlook and the Fund's overall risk metrics

For those employers who are funding on a corporate bond based the discount rate used will be linked directly to the yields available of corporate bond assets of an appropriate duration. An example discount rate used at the valuation date is 3.6% per annum.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Scheme's accrued liabilities, but subject to the following two adjustments:

- an allowance for supply/demand distortions in the bond market is incorporated, and
- an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index

The overall reduction to RPI inflation at the valuation date is 1.0% per annum.

Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.5% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. In addition to the long term salary increase assumption allowance has been made for expected short term pay restraint for some employers as budgeted in their financial plan. For example for public sector employers this results in a total salary increase of 1% per annum to 2019/20 in line with Government policy.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions where the LGPS is not required to provide full indexation).

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the scheme. The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. Current members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 4 years older whereas for existing ill health retirees we assume this is at an age 3 years older. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections subject to a minimum rate of improvement of 1.75% per annum for males and 1.5% per annum for females.

The mortality before retirement has also been adjusted based on LGPS wide experience.

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of [ill health retirements, withdrawal rates and the proportions married/civil partnership assumption] have been modified from the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option (an allowance of 10% of current and future members (by payroll) for certain employers was made at the last valuation). Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.5% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation

METHOD AND ASSUMPTIONS USED IN CALCULATING THE COST OF FUTURE ACCRUAL (OR PRIMARY RATE)

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the “Primary Rate” (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the FSR should take account of the market conditions applying at future dates, not just the date of the valuation, thus it is justifiable to use a slightly higher expected return from the investment strategy. In addition the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real discount rate of 2.75% per annum above the long term average assumption for consumer price inflation of 2.2% per annum.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

SUMMARY OF KEY WHOLE FUND ASSUMPTIONS USED FOR CALCULATING FUNDING TARGET AND COST OF FUTURE ACCRUAL (THE "PRIMARY RATE") FOR THE 2016 ACTUARIAL VALUATION

Long-term yields	
Market implied RPI inflation	3.2% p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate	4.2% p.a.
CPI price inflation	2.2% p.a.
Long Term Salary increases	3.7% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	4.95% p.a.
CPI price inflation	2.2% p.a.
Long Term Salary increases	3.7% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation, along with sample life expectancies, are set out below:

-Post retirement mortality tables

Current Status	Retirement Type	2013 study	2016 study
Annuitant	Normal Health	106% S1PMA_CMI_2012[1.5%] / 100% S1PFA_CMI_2012[1.5%]	112% S2PMA_CMI_2015[1.75%] / 99% S2PFA_CMI_2015[1.5%]
	Dependant	173% S1PMA_CMI_2012[1.5%] / 120% S1DFA_CMI_2012[1.5%]	126% S2PMA_CMI_2015[1.75%] / 118% S2DFA_CMI_2015[1.5%]
	Ill Health	106% S1PMA_CMI_2012[1.5%] + 3 yrs / 100% S1PFA_CMI_2012[1.5%] + 3 yrs	112% S2PMA_CMI_2015[1.75%] + 3 yrs / 99% S2PFA_CMI_2015[1.5%] + 3 yrs
Active	Normal Health	104% S1PMA_CMI_2012[1.5%] / 94% S1PFA_CMI_2012[1.5%]	107% S2PMA_CMI_2015[1.75%] / 92% S2PFA_CMI_2015[1.5%]
	Ill Health	104% S1PMA_CMI_2012[1.5%] + 4 yrs / 94% S1PFA_CMI_2012[1.5%] + 4 yrs	107% S2PMA_CMI_2015[1.75%] + 4 yrs / 92% S2PFA_CMI_2015[1.5%] + 4 yrs
Deferred	All	130% S1PMA_CMI_2012[1.5%] / 110% S1PFA_CMI_2012[1.5%]	137% S2PMA_CMI_2015[1.75%] / 105% S2PFA_CMI_2015[1.5%]
Future Dependant	Dependant	111% S1PMA_CMI_2012[1.5%] / 106% S1DFA_CMI_2012[1.5%]	115% S2PMA_CMI_2015[1.75%] / 107% S2DFA_CMI_2015[1.5%]

-Life expectancies at age 65

	Male Life Expectancy at 65	Female Life Expectancy at 65
Membership Category	**Proposed Assumption**	**Proposed Assumption**
Pensioners	21.8	24.6
Actives aged 45 now	24.8	27.5
Deferreds aged 45 now	22.0	26.4

Other demographic assumptions are set out in the Actuary's formal report.

APPENDIX B – EMPLOYER DEFICIT RECOVERY PLANS

As the assets of the Fund are less than the liabilities at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including the option of prepaying the deficit contributions in one lump sum either on annual basis or a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall £ deficit contributions payable.

The determination of the recovery periods is summarised in the table below:

Category	Deficit Recovery Period	Derivation
Fund Employers	19 years	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure deficit contributions do not reduce versus those expected from the existing recovery plan.
Open Admitted Bodies	9 years	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure deficit contributions do not reduce versus those expected from the existing recovery plan.
Closed Employers	Minimum of 9 years and the future working lifetime of the membership	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure deficit contributions do not reduce versus those expected from the existing recovery plan.
Employers with a limited participation in the Fund	Determined on a case by case basis	Length of expected period of participation in the Fund

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;
- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the deficit contributions at the expected monetary levels from the preceding valuation (allowing for any indexation in these monetary payments over the recovery period).

Other factors affecting the Employer Deficit Recovery Plans

As part of the process of agreeing funding plans with individual employers, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things equal this could result in a longer recovery period being acceptable to the Administering Authority, normally restricted to a maximum period of 19 years, although employers will still be expected to at least cover expected interest costs on the deficit.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidenced based affordable level of contributions for the organisation for the three years 2017/2020. Any application of this option is at the ultimate discretion of the Fund officers in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases.

APPENDIX C - ADMISSIONS POLICY

Please see our separate Admissions Policy document for full details of our admissions policy.

APPENDIX D - TERMINATION POLICY

EXITING THE FUND

TERMINATION ASSESSMENT OF AN EMPLOYER'S RESIDUAL PENSION OBLIGATIONS AND METHOD TO CALCULATE BOND/ FINANCIAL GUARANTEES

On the cessation of an employer's participation in the Scheme, the Actuary will be asked to make a termination assessment and that depending on the circumstances of the termination this assessment may incorporate a more cautious basis of assessment of the final liabilities for the employer.

Where it may be appropriate to use a more cautious basis the discount rate assumption used will be derived to be consistent with a lower risk investment strategy linked to low risk income generating assets such as bonds. This is subject to the financial assumptions used being no less cautious than the equivalent valuation assumptions updated appropriately based on the advice of the actuary.

In addition to using a more cautious discount rate, the Actuary will also use a more cautious mortality assumption when assessing the size of the liabilities for termination purposes. In particular, the Actuary will assume a higher improvement rate for future improvements to life expectancy than is used for ongoing funding purposes. Where it is appropriate to apply a more cautious assumption the Actuary will assume that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumption will build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections subject to a minimum rate of improvement of 2% per annum for males and females.

The appropriate method which is adopted depends on the characteristics of the admitted body (and in particular whether there is another employer in the MPF who is prepared to act as sponsor for any residual liabilities) and the risk in the context of the potential impact on other employers' rates. This is because where liabilities are "orphaned" all employers have to cover any deficits (or surpluses) that arise in relation to these liabilities via their contribution rates at each valuation.

Depending on the employer type, participation basis and covenant there are three alternative approaches to value liabilities on termination and to assess bond requirements for certain admitted bodies or designating bodies:-

I. Assessing the final termination liabilities using assumptions consistent with the most recent valuation basis adjusted as necessary to reflect expected return outlook

II. Assessing the final liabilities using a discount rate which is linked to a low risk income generating investment strategy such as corporate bonds (adjusted as necessary to cover any default risks) and applying a more cautious mortality assumption as described above.

III. Assessing the final liabilities using a discount rate which is based on a "minimum risk" approach where the discount rate will be based on a government gilt yield of appropriate duration to the liabilities and a more cautious mortality assumption as above. Typically this will be applied to an employer who would have a material effect on the Fund on exit by leaving significant residual orphan liabilities.

The approach to be adopted would be varied dependent on whether there is a guarantor who participates in MPF who would be prepared to stand behind the liabilities and the type of admission as follows:-

(I) ADMISSION BODIES PARTICIPATING BY VIRTUE OF A CONTRACTUAL ARRANGEMENT

Under the Regulations any payment requested from the outgoing admission body is ultimately guaranteed by the parent authority if it cannot be reclaimed by MPF from the body or bond provider. In addition there are usually contractual arrangements between the parent authority and the body which means the parent bears the cost of some, if not all, of the termination payment.

Given this, if the parent authority confirms that it is prepared to absorb any residual assets and liabilities going forward (i.e. the deferred pensioner and pensioner members left behind along with the corresponding assets) and those assets and liabilities return to the authority then in the view of the Actuary the valuation basis should be adopted for the termination calculations. Indeed it may be that MPF is prepared to accept that all assets/liabilities can simply be absorbed by the guarantor. This is the way the initial admission agreement would typically be structured i.e. the admission would be fully funded based on liabilities assessed on the valuation basis. If the parent authority refuses to take responsibility then the residual deferred pensioner and pensioner liabilities should be assessed on the more cautious basis. In this situation the size of the termination payment would also depend on what happened to the active members and if they all transferred back to the original Scheme Employer (or elsewhere) and aggregated their previous membership with the admission body. As the transfer would normally be affected on a "fully funded" valuation basis the termination payment required would vary depending on the circumstances of the case.

(II) NON CONTRACT BASED ADMISSION BODIES WITH A GUARANTOR IN MPF

The approach for these will be the same as (i) above and will depend on whether the guarantor is prepared to accept responsibility for residual liabilities. Indeed it may be that MPF is prepared to accept that no actual termination payment is needed (even if one is calculated) and that all assets/liabilities can simply be absorbed by the guarantor.

(III) ADMISSION BODIES WITH NO GUARANTOR IN MPF

These are the cases where the residual liabilities would be orphaned within MPF. It is possible that a bond would be in place. The termination calculation would be on the more cautious basis.

The actuarial valuation and the revision of any Rates and Adjustments Certificate in respect of the outgoing admission body must be produced by the Actuary at the time when the admission agreement ends; the policy will always be subject to change in the light of changing economic circumstances and legislation.

The above funding principles will also impact on the **bond requirements** for certain admitted bodies. The purpose of the bond is that it should cover any unfunded liabilities arising on termination that cannot be reclaimed from the outgoing body.

RELEVANT REGULATIONS IN ACCORDANCE WITH THE LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013

Regulation 64 set out special circumstances where revised actuarial valuations and certificates must be obtained including Regulation 64 (2) where an admission agreement ceases to have effect, the Administering Authority who made it must obtain –

- an actuarial valuation as at the date it ceases of the liabilities in respect of current and former employees of the admission body which is a party to that admission agreement ("the outgoing admission body "),

- a revision of any rates and adjustments certificate for any Pension Fund which is affected, showing the revised contributions due from the outgoing admission body. Where it is not possible for any reason to obtain revised contributions from the outgoing admission body, or from an insurer or any person providing an indemnity or bond on behalf of that admission body, the Administering Authority may obtain a further revision of any rates and adjustment certificate for the Pension Fund, showing –
    a) in the case where the outgoing admission body falls within paragraph 1(d) of Part 3 of Schedule 2 , the revised contributions due from the body which is the related employer in relation to that admission body, and
    b) in any other case, the revised contributions due from each employing authority who contributes to the fund.

Regulation 64 (4) provides that an Administering Authority may obtain from an actuary a certificate specifying, in the case of an admission body, the percentage or amount by which, in the actuary's opinion,-

- the contribution at the primary rate should be adjusted, or
- any prior secondary rate adjusted should be increased or reduced, with a view to providing that assets equivalent to the exit payment that will fall due from the Scheme employer are provided to the fund by the likely exit date or, where the Scheme employer is unable to meet the liability by that date, over such period of time thereafter as the administering authority considers reasonable.

APPENDIX E – COVENANT ASSESSMENT AND MONITORING POLICY

An employer's covenant underpins its legal obligation and ability to meet its financial responsibilities now and in the future. The strength of covenant depends upon the robustness of the legal agreements in place and the likelihood that the employer can meet them. The covenant effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.

An assessment of employer covenant focuses on determining the following:

> Type of body and its origins
> Nature and enforceability of legal agreements
> Whether there is a bond in place and the level of the bond
> Whether a more accelerated recovery plan should be enforced
> Whether there is an option to call in contingent assets
> Is there a need for monitoring of ongoing and termination funding ahead of the next actuarial valuation?

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital.

RISK CRITERIA

The assessment criteria upon which an employer should be reviewed could include:

- Nature and prospects of the employer's industry
- Employer's competitive position and relative size
- Management ability and track record
- Financial policy of the employer
- Profitability, cashflow and financial flexibility
- Employer's credit rating
- Position of the economy as a whole

Not all of the above would be applicable to assessing employer risk within the Fund; rather a proportionate approach to consideration of the above criteria would be made, with further consideration given to the following:

- The scale of obligations to the pension scheme relative to the size of the employer's operating cashflow
- The relative priority placed on the pension scheme compared to corporate finances
- An estimate of the amount which might be available to the scheme on insolvency of the employer as well as the likelihood of that eventuality.

ASSESSING EMPLOYER COVENANT

The employer covenant will be assessed objectively and its ability to meet their obligations will be viewed in the context of the Fund's exposure to risk and volatility based on publically available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the termination basis) enables the Fund to anticipate and pre-empt employer funding issues and thus adopt a proactive approach. In order to objectively monitor the strength of an employer's covenant, adjacent to the risk posed to the Fund, a number of fundamental financial metrics will be reviewed to develop an overview of the employer's stability and a rating score will be applied using a Red/Amber/Greed (RAG) rating structure.

In order to accurately monitor employer covenant, it will be necessary for research to be carried out into employers' backgrounds and, in addition, for those employers to be contacted to gather as much information as possible. Focus will be placed on the regular monitoring of employers with a proactive rather than reactive view to mitigating risk.

The covenant assessment will be combined with the funding position to derive an overall risk score. Action will be taken if these metrics meet certain triggers based on funding level, covenant rating and the overall risk score

FREQUENCY OF MONITORING

The funding position and contribution rate for each employer participating in the Fund will be reviewed as a matter of course with each triennial actuarial valuation. However, it is important that the relative financial strength of employers is reviewed regularly to allow for a thorough assessment of the financial metrics. The funding position will be monitored (including on the termination basis) using an online system provided to officers by the Fund Actuary.

Employers subject to a more detailed review, where a risk criterion is triggered, will be reviewed at least every six months, but more realistically with a quarterly focus.

COVENANT RISK MANAGEMENT

The focus of the Fund's risk management is the identification and treatment of the risks and it will be a continuous and evolving process which runs throughout the Fund's strategy. Mechanisms that will be explored with certain employers, as necessary, will include but are not limited to the following:

1. Parental Guarantee and/or Indemnifying Bond
2. Transfer to a more prudent actuarial basis (e.g. the termination basis)
3. Shortened recovery periods and increased cash contributions
4. Managed exit strategies
5. Contingent assets and/or other security such as escrow accounts.

APPENDIX F – INSURANCE ARRANGEMENTS

[TO FOLLOW AFTER CONSULTATION]

APPENDIX G - GLOSSARY

Actuarial Valuation: an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement.

Benchmark: a measure against which fund performance is to be judged.

Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

Bonds: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

Corporate Bond Basis: an approach where the discount rate used to assess the liabilities is determined based on the market yields of high quality corporate bond investments (usually at least AA rated) based on the appropriate duration of the liabilities being assessed. This is usually adopted when an employer is exiting the Fund.

CPI: acronym standing for "Consumer Prices Index". CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differs from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

Deficit: the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets.

Discount Rate: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Employer Covenant: the degree to which an employer participating in an occupational pension scheme is willing and able to meet the funding requirements of the scheme.

Employer's Future Service Contribution Rate: the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

Equities: shares in a company which are bought and sold on a stock exchange.

Solvency/Funding Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement: This is a key governance document that outlines how the administering authority will manage employer's contributions to the Fund.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the past service liabilities assessed on the ongoing concern basis.

Government Actuary's Department (GAD): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Past Service Liabilities: this is the present value of the benefits accrued by members up to the valuation date. It is assessed based on a set of assumptions agreed between the Administering Authority and the Actuary.

Percentiles: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Prepayment: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced compared to the certified amount to reflect the early payment.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation requires the assumptions adopted for an actuarial valuation to be prudent.

Real Return or Real Discount Rate: a rate of return or discount rate net of CPI inflation.

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period", as set out in the Funding Strategy Statement.

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

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WIRRAL COUNCIL

PENSIONS BOARD

16 MARCH 2017

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

1.0 EXECUTIVE SUMMARY

1.1 The report of the implications of MIFID ll taken to Pensions Committee is attached as an appendix to this report.

2.0 BACKGROUND AND KEY ISSUES

2.1 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.

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

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

REPORT AUTHOR: **PETER WALLACH**
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APPENDICES

MIFID consultation & appendix

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSIONS COMMITTEE

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.

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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

Merseyside
PENSION FUND

Our Ref: MPF/PJW

Your Ref:

Direct Line: 0151 242 1309

Please ask for: Peter Wallach

Date: 21 December 2016

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

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.

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Administering Authority
Wirral Metropolitan Borough Council
Director of Finance Ian Coleman, BSc CPFA

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.

Merseyside
PENSION FUND

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

P Wallach

Peter Wallach

Director of Pensions

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WIRRAL COUNCIL

PENSIONS BOARD

11 OCTOBER 2016

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

1.0 EXECUTIVE SUMMARY

1.1 The IMWP minutes approved by Pension Committee since the last Pension Board meeting are attached as exempt appendices to this report.

1.2 The appendix to the report, the minutes of IMWP on 9 June 2016, contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.0 BACKGROUND AND KEY ISSUES

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

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Board Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

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

REPORT AUTHOR: **PETER WALLACH**
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APPENDICES

Exempt appendix 1 & 2

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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

Agenda Item 14

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of the Local Government Act 1972.

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