



## Local Pensions Board

<b>Date:</b>	<b>Tuesday, 27 June 2017</b>
<b>Time:</b>	<b>12.00 pm</b>
<b>Venue:</b>	<b>Merseytravel, Mann Island</b>

<b>Contact Officer:</b>	Pat Phillips
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## AGENDA

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

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

### 2. MINUTES (Pages 1 - 6)

To approve the accuracy of the minutes of the meeting held on 16 March, 2017.

### 3. LGPS UPDATE (Pages 7 - 24)

### 4. REVIEW OF ACTUARIAL VALUATION (Pages 25 - 28)

### 5. DRAFT PENSIONS ADMINISTRATION STRATEGY (Pages 29 - 56)

### 6. INVESTMENT STRATEGY STATEMENT (Pages 57 - 74)

### 7. TRANSPARENCY CODE (Pages 75 - 78)

### 8. POOLING UPDATE (Pages 79 - 86)

### 9. DRAFT ANNUAL BOARD REPORT (Pages 87 - 94)

### 10. TPR ASSESSMENT (Pages 95 - 98)

### 11. COMPLIANCE MANUAL (Pages 99 - 102)

- 12. WORKING PARTY MINUTES (Pages 103 - 106)**
- 13. EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

The following items contain exempt information.

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

- 14. TPR ASSESSMENT EXEMPT REPORT (Pages 107 - 194)**
- 15. COMPLIANCE MANUAL EXEMPT REPORT (Pages 195 - 280)**
- 16. ADMINISTRATION KPI EXEMPT REPORT (Pages 281 - 298)**
- 17. WORKING PARTY EXEMPT MINUTES (Pages 299 - 310)**
- 18. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR**

## LOCAL PENSIONS BOARD

Thursday, 16 March 2017

Present: J Raisin (Chair)

G Broadhead  
M Hornby  
R Dawson  
K Beirne

D Ridland  
P Wiggins  
P Maloney

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

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

No such declarations were made.

### **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.

No such declarations were made.

### **2 MINUTES**

**Resolved - That the accuracy of the Minutes of the Local Pension Board held on 11 October, 2016 be approved as a correct record.**

### **3 LGPS UPDATE**

Members were provided with the LGPS updates that had been taken to Pensions Committee since the previous Board meeting and were attached as appendices to the report.

Yvonne Caddock, Principal Pension Officer outlined to the Board that the reports informed of a number of impending reforms to the exit payments made to public sector employees; that would have a direct impact on the LGPS.

The reports also raised awareness of a government initiative to boost state pension entitlements for individuals who were "contracted out" of the

additional state pension, whilst contributing to workplace pension arrangements; including public sector pension schemes.

With regard to the Government Scheme to boost State Pension Yvonne Caddock highlighted that the reform of the state pension scheme for people attaining state retirement age from 6 April 2016 had resulted in the introduction of a flat rate pension, with the requirement to have paid full-rate National Insurance Contributions (NICs) for 35 years to receive the full flat rate pension; which currently stood at £155.65 a week.

It was noted that the vast majority of people, who had 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 would have a deduction made from their state pension – which meant that most would not receive the full amount in respect of their period of contracted out service.

For members with gaps in their national insurance records who were not on track to receive the full state pension, there would be the ability to pay heavily subsidised voluntary NICs to fill the gaps. This was particularly relevant for many local government workers who were 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 would be able to take advantage of the generous financial terms to receive a full flat rate state pension.

Yvonne Caddock also reported that on 28 November, HM Treasury had commenced a consultation that proposed options for the indexation of GMP elements for members of public service pension schemes who would reach SPA on and after 6 December 2018. The consultation period had ended on 20 February, 2017. MPF had responded and included the comments provided by the Chair of the Local Pensions Board.

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

#### **4 MEMBER DEVELOPMENT PROGRAMME**

A report of the Director of Pensions provided members of the Board with the programme for the training and development of Members of Pensions Committee in 2017 which had been approved at Pensions Committee in January and was attached as an appendix to the report. The Director of Pensions noted that a number of these development opportunities would also be made available to the Pension Board and details would be circulated to members. The provision of in-house events was also being looked at.

**Resolved – That the proposed training and development plan for 2017 be noted.**

## **5 POOLING UPDATE**

A report of the Director of Pensions provided 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. It was reported that the Minister was happy with the progress being made with the Northern Pool. A formal response had been received on 19 January, 2017 and would be published shortly.

It was reported that MPF was continuing to work with its pooling partners and a workshop was planned at the end of March to consider the implications of the Minister's letter. Collaboration on Alternative investments was making good progress.

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

## **6 TREASURY MANAGEMENT STRATEGY**

A report of the Director of Pensions provided the Board with the Treasury Management Policy, attached as an appendix to the report, that was brought annually to the Pensions Committee and had been approved on 23 January, 2017. The Director of Pensions outlined the Strategy and responded to Members' questions.

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

## **7 BUSINESS PLANNING**

Members gave consideration to a report of the Director of Pensions, attached as an appendix to the report, that provided 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.

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

The Chair of the Board noted that members would like assurance as to the process followed in relation to the formulation of Fund's Investment Strategy and requested that a report be brought to the autumn meeting of the Board to show how this had been carried out. The Director of Pensions confirmed that this would be included in the work plan for the Pension Board.

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

## **8 INVESTMENT STRATEGY STATEMENT GUIDANCE**

The Director of Pensions submitted the Investment Strategy Statement guidance that had been taken to Pensions Committee and was attached as an appendix to the report.

The Director of Pensions informed the Board that the Investment Strategy Statement had been introduced in the new Investment Regulations. It replaced the Fund's Statement of Investment Principles and must be in place by 1 April 2017. A formal document would be brought to the next Pensions Committee on 21 March, 2017. The Director provided the Statutory Background to the Investment Strategy Statement and made members aware of the new directions including Regulation 8 that enabled the Secretary of State to issue a Direction if he was satisfied that an administering authority was failing to act in accordance with the guidance.

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

## **9 DRAFT FUNDING STRATEGY STATEMENT**

Members gave consideration to the draft Funding Strategy Statement that had been taken to Pensions Committee and was attached as an appendix to the report.

The Local Government Pension Scheme (LGPS) regulations required each administering authority to prepare and publish a Funding Strategy Statement (FSS). The FSS set out the key assumptions which the actuary had used in preparing the actuarial valuation and, in those cases where the Administering Authority had some discretion, the policies adopted by the Administering Authority. Members were informed that the FSS must be updated in detail triennially as part of the actuarial valuation. The Administering Authority must also consult with employers on the FSS as part of the valuation process. The report provided the key changes to the 2016 Funding Strategy and noted that the final actuarial outcome would be reported to the Pensions Committee on 21 March, 2017.

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

## **10 MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE (MIFID) CONSULTATION**

Members of the Board gave consideration to a report on the implications of MIFID II that had been taken to Pensions Committee and was attached as an appendix to the report.

The report provided members with background information on MIFID II, a European Union Directive that regulated firms who provided services to clients such as the LGPS with a range of financial instruments such as

shares, bonds, and units in collective investment schemes which was currently the subject of a consultation exercise.

It was reported that a major and contentious element in the proposals for MIFID II was the reclassification of local authorities as “retail investors” which would fundamentally change the way in which local authority pension funds conducted investment business with their counterparties in relation to all asset classes.

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

**11 IMWP MINUTES**

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.

**12 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.**

**13 ADMINISTRATION KPI EXEMPT REPORT**

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

**14 IMWP EXEMPT MINUTES**

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

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## WIRRAL COUNCIL

### PENSION BOARD

27 JUNE 2017

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

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 The LGPS update report along with the Fund responses to the government consultations detailed within the report and discussed at the last Pension Committee are attached as appendices to the 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 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 There are none arising directly from this report

## **9.0 LEGAL IMPLICATIONS**

9.1 There are none arising from this report

## **10 EQUALITIES IMPLICATIONS**

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

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

## **11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS**

11.1 There are none arising from this report

## **12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

12.1 There are none arising from this report

## **13.0 RECOMMENDATION**

13.1 That 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 up to date with legislative developments as part of their role in supporting the administering authority.

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

## **BRIEFING NOTES HISTORY**

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

# **WIRRAL COUNCIL**

## **PENSION COMMITTEE**

**21 MARCH 2017**

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

### **1.0 EXECUTIVE SUMMARY**

- 1.1 This report informs Members of the Fund's response to the recent separate consultations on Pension Scams and the Indexation/Equalisation of Guaranteed Minimum Pensions (GMPs) in Public Service pension schemes.
- 1.2 Fund Officers sought comments and approval from the Chairs of both the Pension Committee and Pension Board on the policy perspective within each response, before submission to HM Treasury on the appointed deadline dates for each consultation. The responses are attached as Appendices to the report.
- 1.3 The report also provides an update on the draft LGPS (Amendment) Regulations and the Enterprise Act 2016 Commencement Order

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

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

- 2.1 The publication of the consultation and an outline of the fundamental aspects were detailed within the LGPS Update report presented at the last committee meeting on 23 January 2017 (minute 144 refers).

- 2.2 The Fund response focuses on the necessity for a simple administration approach and postulates that full indexation of the GMP, or the Fund 's prepared approach of converting the GMP into scheme benefits, is the simpler longer term solution as opposed to the case-by-case option.
- 2.3 The Fund accepts that the viable, simpler administration options are likely to involve the LGPS paying the value of the increase to the members. However, as the loss of GMP indexation appears to be an unintended consequence of State Pension reform, additional funding should be made available to public sector schemes to offset the extra liability.
- 2.4 The Fund believes that a necessary outcome of the consultation is a policy that maintains the level of promissory retirement income. Required to retain employee confidence in pension saving and provisions which are understandable and can inform members financial planning.

### **Pension Scams: Consultation**

- 2.5 The Department for Work and Pensions (DWP) and HM Treasury published a joint consultation seeking views on a package of measures to tackle three different areas of pension scams, namely; a ban on cold calling, limiting the statutory right to transfer and making it harder to open fraudulent schemes.

The Fund is supportive of the suggested actions within the consultation.

- 2.6 As many pension scams are initiated through cold calls the degree of success the ban achieves will be largely dependent on public awareness of the illegality of cold calling and the requirement to report targeted fraud to 'Project Bloom'; a multi-agency taskforce of government, regulators, financial service bodies and criminal justice agencies which work to disrupt and prevent pension liberation scams.
- 2.7 The focus of the Fund response highlights the need for robust HMRC and statutory controls to provide ceding schemes with the required assurance that demonstrable appropriate due diligence checks will prevent the payment of unauthorised transfers; protecting members and pension funds from penal tax charges.
- 2.8 In addition, the Fund is mindful that primary legislation will be needed to introduce the controls and has raised the question as to the possibility of interim measures to prevent an upsurge of activity whilst the current law remains in force.

## **Consultation: Draft Local Government Pension Scheme (Amendment) Regulations**

- 2.9 Members have previously been apprised of the above regulations and noted the Funds technical response on the provisions at the committee meeting on 19 September 2016 (minute 111 refers).
- 2.10 DCLG is working on a formal response to the consultation which will be published in due course, but a number of points remain which require further clarification, relating to:
- Fair Deal- there are a number of gaps in the draft regulations and a further consultation may be needed on an amended set of provisions;
  - Freedom and Choice for AVCs – the advantages and disadvantages of offering uncrystallised fund pension lump sum (UFPLS) from LGPS AVCs are being considered along with identified administrative complexities.

### **Enterprise Act 2016 – Commencement Order**

- 2.11 The above statutory order SI2017/70 has been issued by HM Treasury with an effective date of 1 February 2017 and is available from the following link
- <http://www.legislation.gov.uk/ukxi/2017/11/contents/made>
- 2.12 These regulations enable the proposed £95k Exit Payment Cap to be introduced, although the commencement order does not bring the exit cap into effect but allows the Government to make further regulations implementing the cap.
- 2.13 A further consultation on draft regulations will be required but there is no hard deadline for the introduction of the cap, as the secondary legislation is still being finalised.

### **3.0 RELEVANT RISKS**

- 3.1 The policy proposal to transfer the Government's obligation to fully index GMPs could alienate private companies who may consider bidding to provide public sector services; acting as a barrier to the greater plurality of public service provision by the private sector, stifling 'best value' delivery.

There is a risk that contractors may be less willing to bid for public service contracts if the government is seen to be arbitrary changing the legislation governing the schemes, in order to pass on costs which were not factored into the commercial agreements.

#### **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 The extension of the Fair Deal pension protection to community admission bodies presents a significant restriction to their flexibility to outsource contracts.

#### **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 £1 billion.

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 in regard to the numbers of staff with pre-1988 membership and the level of accrued GMPs.

#### **9.0 LEGAL IMPLICATIONS**

9.1 There are none arising from this report

#### **10 EQUALITIES IMPLICATIONS**

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

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

#### **11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS**

11.1 There are none arising from this report

#### **12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

12.1 There are none arising from this report

#### **13.0 RECOMMENDATION**

13.1 That members note the report.

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

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

**REPORT  
AUTHOR**

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

#### **BRIEFING NOTES HISTORY**

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

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Department for Work & Pensions  
and HM Treasury

Direct Line: 0151 242 1390

c/o [PensionScamsConsultation@HMTreasury.gsi.gov.uk](mailto:PensionScamsConsultation@HMTreasury.gsi.gov.uk)

Please ask for: Yvonne Caddock

Date: 13 February 2017

Dear Sirs

## **Pension Scams: Consultation Response**

I refer to the above mentioned consultation document and I am responding to the invitation for comments on behalf of Wirral Council in its capacity as the Administering Authority for Merseyside Pension Fund (MPF).

The Fund is part of the Local Government Pension Scheme (LGPS) and the 4th largest of the 89 funds in England and Wales, with assets of £7bn. MPF undertakes the LGPS pension administration and investments on behalf of the five Merseyside district authorities, over 170 other employers on Merseyside and elsewhere throughout the UK. The Fund has over 130,000 active, deferred and pensioner members.

### **1/ What is a pension scam?**

MPF supports further actions proposed to prevent pension scams and currently utilises measures such as the Pension Regulator's (TPR) scorpion leaflets, appropriate warnings within correspondence and dealing exclusively with members rather than external bodies. In our experience the majority of funding enquiries do not result in the transfer of pension rights, however, MPF would welcome clearer and more transparent guidance to ensure payments are being made to legitimate companies.

It has proved near impossible to obtain any guarantee that a suspect company is valid both here and overseas. For example, on the Recognised Overseas Pension Schemes notification list, HMRC states that it cannot guarantee the list as ROPs or that any transfers to them will be free of UK tax. It's the ceding scheme's responsibility to find out if you have to pay tax on any transfer of pension savings. Due diligence checks of PSTN numbers, ROPs listed, an active status on Companies House and FCA checks for financial advisors do not adequately provide confidence when a Fund is concerned with the validity of a company.

### **2/ Banning cold calling in relation to pensions**

MPF has been sending out liberation questionnaire forms since 2013, to ascertain if members have been receiving cold calls – the feedback from the forms appears to show that this is not the case, although members may prefer to deny this was the incentive for the transfer. Many members of the public may be tempted to accept free advice given the complex nature of pensions

In respect of consumers benefitting from cold calling about pensions, it is possible that there are a number of deferred members who have overlooked pensions accrued historically and have lost contact with their provider following house moves – this could highlight a need to review their pension arrangements.

In addition, the advice being offered may be in-line with the members own appetite for risk taking and current situation. A member who has no dependants may prefer to take the whole of the fund value without making such provisions which are automatically factored into many public sector pensions.

We agree that existing client relationships and express requests should be excluded from the proposed ban, allowing providers and advisers to continue to offer much needed support. However, companies may comply with Privacy and Electronic Communications Regulations (PECR) which would establish a “relationship” and permit them to call consumers in connection with pensions – effectively allowing a loophole in banned pension cold calls.

Using preventive measures such as banning cold calls would be more effective and cost efficient than pursuing fraudulent companies after the loss of pension. It is a serious concern, however, that the proposals are less definitive on measures for dealing with other types of electronic communication, including e-mails and text messages. Attempted fraud through these methods will certainly increase under any tightening of the restrictions on cold calling. E-mails and text messages from scammers may appear perfectly genuine and therefore controls need to be strengthened to prevent the fraudsters employing other means of ensnaring their victims and a more comprehensive solution must be found to block as many opportunities as possible.

Legitimate firms should remain largely unaffected as a result of banning cold calling if they are using normal marketing methods to advertise their services.

### **3/ Limiting the statutory right to transfer**

By adopting a non-statutory transfers approach, Funds would be under less pressure to pay transfers where they were dissatisfied with the receiving scheme; although if the member was determined to transfer their pension rights this would be difficult to enforce. Additionally, sufficient measures to justify refusal would be necessary and relevant due diligence checks would be required regardless.

Alternatively adopting additional statutory measures to limit the right and ultimately protect individual savings would be welcomed. In circumstances where a member has transferred pension rights to an unauthorised pension arrangement resulting in scheme sanction charges, the member has subsequently questioned the robustness of the due diligence checks made by the ceding scheme. The proposals to provide statutory provisions to limit unauthorised transfers and to introduce additional checks to ensure the receiving scheme is authorised with the FCA, together with the requirement to demonstrate a genuine employment and earnings link would be helpful.

In addition, a 14 day ‘cooling off’ period followed by a signed disclaimer by the individual declaring the intention to proceed with a transfer (despite risks) would be useful, in addition to all the other due diligence checks in place to avoid comeback from consumers.

### **4/ Making it harder to open fraudulent schemes**

Furthermore, as it is permissible for cold-calling companies to wind up and establish another company for the purpose of targeting unethical/unauthorised transfers, a stronger enforcement framework is clearly necessary. This should incorporate provisions to ensure that directors are personally liable if the company breaches the law, including the introduction of straightforward and effective measures permitting personal assets to be targeted for enforcement purposes.

MPF supports the enforcement of measures to not allow dormant companies to register for occupational pension schemes.

## 5/ Conclusion

As industry evidence indicates that pension scams have multiplied in number since the introduction of pension freedoms, a robust approach is vital to counteract the threat pension scams pose to the credibility and integrity of the pension system as a whole.

MPF is mindful that primary legislation will be needed for much of these measures and will therefore take some time to come into law, thus presenting a window of opportunity for scammers before any change to the law is brought into effect. It would be sagacious for the government to introduce interim measures to prevent an upsurge of activity whilst the current law remains extant.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Y Caddock'. The 'Y' is large and stylized, with a long vertical stroke and a curved bottom. The name 'Caddock' is written in a cursive script to the right of the 'Y'.

Yvonne Caddock

Principal Pensions Officer

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Consultation on Indexation and Equalisation of  
GMP in Public Service Pension Schemes,  
Workforce, Pay and Pensions Team,  
HM Treasury,  
1 Horse Guards Road,  
London  
SW1A 2HQ

Direct Line: 0151 242 1390

Please ask for: Yvonne Caddock

Date: 20 February 2017

c/o [gmpconsultationresponse@hmtreasury.gsi.gov.uk](mailto:gmpconsultationresponse@hmtreasury.gsi.gov.uk)

Dear Sirs

## **Consultation on Indexation and Equalisation of GMP in Public Service Schemes**

I refer to the above mentioned consultation document and I am responding to the invitation for comments on behalf of Wirral Council in its capacity as the Administering Authority for Merseyside Pension Fund (MPF).

The Fund is part of the Local Government Pension Scheme (LGPS) and the 4th largest of the 88 funds in England and Wales, with assets of £7bn. MPF undertakes the LGPS pension administration and investments on behalf of the five Merseyside district authorities, over 170 other employers on Merseyside and elsewhere throughout the UK. The Fund has over 130,000 active, deferred and pensioner members.

### **1/ Objectives of the Consultation**

The consultation takes a joint approach in addressing the issue of equalisation and indexation of GMPs culminating in a number of inter-linked factors which have cost implications for funds and employers as follows:

- Operational cost and complexity – the immediate and ongoing costs associated with the additional administration burden of the proposals.
- Immediate financial/funding cost – the impact on current funding levels of the proposals
- Future financial exposure – the additional exposure to inflation linked to the removal of the 3% cap on post 1988 GMPs

### **2/ Correlation of Public Service Pension's and State Pension Scheme**

The correlation between the public sector and state pensions is a complex issue and there is no obvious solution to unwind the historic synergies and any proposal will ultimately result in a trade-off between the above factors.

The consultation description explains that *“the new State Pension (nSP) was designed to simplify pension provision, while ensuring that pensioners have security in retirement”*.

To ensure members' continued security in retirement and retain the confidence of employees and pensioners within the public sector, it is essential a method is agreed that maintains the level of promissory provision through a combination of the occupational and state pension scheme.

However, the method also needs to address fairness between the loss of member payments, the increase in employer costs, simplicity of administration and ease of member understanding.

### **3/ Impact of Proposed Options on Funding & Administration Costs**

In order to honour historic government commitments to fully index the GMPs of public sector employees, it appears that HM Treasury is passing on the payment obligations to public service schemes and the associated employers (including private sector companies) without any additional funding to cover the cost. It is also ambiguous as to whether all participating employers in the LGPS are obliged to fulfil the government's previous promises e.g. universities, housing associations and community admission bodies.

As such the proposals generate material funding implications, administrative complexity and increased operational costs to varying degrees.

#### **a/ Proposal One – A Case by Case Approach**

This proposal would limit payment top-ups to circumstances where there has been a monetary loss from the introduction of the nSP; and any consequential adverse impact due to the loss of indexation on pension entitlement as related to a member's gender.

##### **Operational Impact [ SEVERE ]**

The multiple assessments required to calculate any loss of indexation under the old/new state pension system, together with the gender comparison will involve a huge administration burden, to establish entitlement to top ups, which will continue for decades. The complexity inherent within this approach will require significant investment in administration systems. GMP data for all members would first have to be reconciled under HMRC's Scheme Reconciliation Service and then subsequently tested each year under the two stage process.

This proposal is also contrary to the principle of simplicity as it will be difficult for members to forecast pension entitlement and administrators would also need to retain a detailed knowledge of GMPs long after the abolition of contracting out.

##### **Estimated Operational Cost**

Actuarial advice indicates that costs could be in excess of £75 per member in respect of full member GMP reconciliation and rectification, plus additional costs in relation to the 'no-worse-off test'; this will result in the largest operational impact of the three proposals.

##### **Funding Impact [ MATERIAL ]**

There will be an additional funding cost incurred by employers, associated with uprating the benefits of those members who lose out under the new state pension scheme along with any gender equalisation. The cost of the additional liability cannot be specified without full details of the two stage process, but will be less than the other proposals.

##### **Impact on Members**

It is noteworthy that a significant proportion of LGPS retired members receive a relatively small pension, less than £100 per week, and they would be disproportionately affected if the GMP element of their pension is not subject to indexation.

As the GMP forms a significant part of their income, any failure to ensure this sum is indexed in pace with inflation will have a detrimental impact on their living standards. This would be particularly unfortunate as they have taken the opportunity to contribute to an occupational pension in order to secure their financial future in retirement.

## **b/ Proposal Two – Full Indexation for all Members**

Under this proposal, all members who reach State Pension Age (SPA) after 5 April 2016 would receive the promised full indexation on GMPs upholding the commitments made by successive governments. Therefore, as the full pension would be increased in line with CPI inflation (including GMPs), the benefits for males and females would be effectively equalised for all members.

For members who reached SPA before 6 April 2016, the state will continue to pay the difference on GMP increases above 0% (pre 1988 GMP) and 3% (post 1988 GMP) up to CPI (if CPI is higher) effectively equalising pension provision within the public sector pension schemes.

### **Operational Impact [ MATERIAL ]**

A potentially reduced GMP reconciliation exercise would need to be done for those members who reached SPA after 6 April 2016. GMP data for only those members who reached SPA prior to 6 April 2016 would have to be reconciled by way of HMRC's Scheme Reconciliation Service, materially reducing the amount of administration required.

Our understanding of the way that this proposal has been drafted is that all members would receive full GMP indexation (whether from the Fund alone or from the Fund and state combined) and therefore a 'no-worse-off test' is not required.

A major disadvantage of this approach is that it requires the continued administration of GMPs, requiring processes and systems that can cope with GMP for many decades; long after the original concept of GMP has ceased to have any real relevance.

### **Estimated Operational Cost**

It is difficult to quantify at this stage but the costs will be significantly lower than under proposal one. Ultimately, as an extension to the interim solution for public service pensioners who attain GMP age between 6 April 2016 and 5 December 2018, it requires no additional IT or systems development.

### **Funding Impact [ SEVERE ]**

There will be a funding cost associated with the impact of providing full CPI indexation on GMPs for all members who reach state pension age after 5 December 2018.

In addition, there will be a future risk of inflation increasing above the 3% cap that would mean additional funding strain compared to current financial commitments. Actuarial analysis has indicated that the combined valuation deficit at 31 March 2016 across all LGPS funds could increase by c.£1billion under this proposal.

## **c/ Proposal Three – GMP Conversion**

This proposal would mean converting the GMP on a simplified basis into scheme benefits. MPF is mindful that conversion on a 1:1 basis shares many of the advantages of the full GMP indexation approach. In addition, this approach would remove the burden of GMP legislation from public service schemes.

It appears that this approach would likely be less onerous than full GMP indexation. Scheme GMP records would only need to be reconciled to the extent that the population and contacted out periods matched that of HMRC's records. Discrepancies between scheme and HMRC GMP values would not need to be addressed as schemes would take the HMRC GMP value and convert to main scheme pension at 1:1 ratio with no impact on pension entitlements.

Where an individual is in receipt of a public service pension, has a GMP entitlement, but has not yet reached SPA, the conversion of the member's GMP to main scheme pension should be carried out as part of the same exercise in respect of active and deferred members.

This proposal fully addresses issues of indexation and any inequality, and fully upholds the commitments on GMP indexation made by successive governments.

The approach has the further advantage of being a one off exercise. Once the conversion has been carried out, neither the schemes nor Department of Work & Pensions (DWP) will need to calculate or track GMP amounts going forward. This finality brings a stability and permanence to the solution.

The disadvantage of this approach is the full cost of GMP indexation passes to the schemes resulting in the same additional cost as the full-indexation method.

#### **4/ Conclusion**

The consultation highlights the obstacles in achieving the core objectives to equalise benefits and honour former commitments to fully index the GMP element of public sector pensions.

MPF is of the view that the full indexation or conversion of GMPs into main scheme benefits would deliver former government commitments and fully address the issue of gender inequality resulting from the abolition of the additional state pension scheme.

In terms of simplicity of administration and ease of member understanding, full indexation of GMPs by either route (Proposal Two or Three) is clearly preferable to an annual case by case approach.

Extending the current interim solution (Proposal Two) is clearly the least onerous in the short term, as it would not require any changes to systems or procedures - although it would require the ongoing maintenance of GMP records for the duration of the members and dependants time on pension. It is also recognised that GMP legislation for members who reach SPA post 5 December 2018 would also be required in order to extend the interim arrangements.

MPF's preferred approach is to convert the GMP into a scheme benefit (Proposal Three). Despite the initial administration and resource requirements to change the structure of the pension element, the conversion will result in fewer GMP records and shorten the period where Funds would be required to administer GMP related legislation.

However, this creates additional liabilities for the schemes and will be less of an immediate issue for the unfunded public service schemes, but would be reflected instantaneously in funding deficits for the LGPS.

Local Government is struggling to provide statutory services as local authority budgets are overstretched and the LGPS is grappling with resources as it addresses CARE changes, Auto Enrolment and an expanding employer base as a result of alternative delivery models and academy conversions.

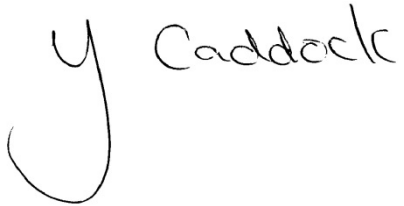
The affordability and sustainability of the LGPS is paramount and costs inherent within the additional state pension provision should not be passed on to pension funds and its constituent employers. This is on the basis that the funding obligations and government commitment to pay



full indexation on the GMP element of public sector pensions should have been identified when the nSP was being considered and therefore additional funding should be made available to LGPS funds to offset the extra liability.

The outcome of the consultation will have an effect on the approach that funds take to GMP reconciliation and given the deadlines to complete the project by December 2018 an early government response to the consultation is essential.

Yours faithfully

A handwritten signature in black ink, consisting of a large, stylized 'Y' followed by the name 'Caddock' in a cursive script.

Yvonne Caddock  
Principal Pensions Officer

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## WIRRAL COUNCIL

### PENSIONS BOARD

**27 JUNE 2017**

<b>SUBJECT:</b>	<b>REVIEW OF ACTUARIAL VALUATION PROCESS</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF PENSIONS</b>
<b>KEY DECISION?</b>	<b>NO</b>

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 This report provides members with a summary of the Actuarial Valuation process which culminated in the Funding Strategy Statement approved at Pensions Committee on 21 March 2017.

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

- 2.1 The purpose of the actuarial valuation is for the Administering Authority to determine:
- The expected cost of providing the benefits built up by members at the valuation date ('the liabilities') and compare this against the funds held by the Fund ('the assets').
  - The contributions needed to cover the cost of the benefits that active members will build up in the future and other costs incurred in running the Fund (the 'Primary Contribution Rate').
  - An appropriate plan for making up the shortfall if the Fund has less assets than liabilities. This plan will cover the amounts which will need to be paid (the Secondary Contribution Rate') and the timeframe over which they will be paid ('the Recovery Period').
- 2.2 Fundamental to the valuation results is the funding strategy adopted by the fund. This is set out in the Funding Strategy Statement (FSS). The FSS provides an overview of the approach to be used for the actuarial valuation including economic and demographic assumptions and how any shortfall is expected to be financed. There is an important inter-relationship between the FSS and the Investment Strategy Statement. The ISS is a separate report on this agenda.
- 2.3 The Fund's investment strategy is kept under regular review by officers and elected members. The strategic investment consultant attends the Fund's Investment Monitoring Working Party meetings along with the independent advisors where investment strategy is considered. However, a fundamental

review is undertaken at the time of the triennial valuation to ensure that the strategy remains appropriate for the Fund.

- 2.4 The most significant consideration at this valuation was the move to a CPI linked valuation basis. The persistence of low interest rates, buoyancy of asset markets and increasing maturity of the Fund were also important.
- 2.5 Based on the actuary's assumptions, the investment consultant undertook a review of the investment strategy, modelling cash flows, investment returns/correlations and asset allocation to provide a stochastic projection of the Funded Status on the 'Ongoing Basis'. Following detailed discussions with officers on these and other investment matters, which explored various permutations, a revised asset allocation was formulated with officers and approved by elected members.
- 2.6 The revised asset allocation became effective from 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 supporting the administering authority.

**REPORT AUTHOR: PETER WALLACH**  
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## **APPENDICES**

ISS

## **BACKGROUND PAPERS/REFERENCE MATERIAL**

## **BRIEFING NOTES HISTORY**

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

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

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

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## WIRRAL COUNCIL

### PENSION BOARD

27 JUNE 2017

<b>SUBJECT:</b>	<b>PENSION ADMINISTRATION STRATEGY</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF PENSIONS</b>
<b>KEY DECISION?</b>	<b>NO</b>

#### 1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to inform Board Members of the revised Pension Administration Strategy (PAS) and the intent to consult with employers as required by the Regulations upon Pension Committee approval of the proposed changes to the policy and operational practice.

#### 2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Fund has undertaken a review of the PAS which was last updated in 2013 to accommodate procedural changes resulting from the introduction of both the LGPS Miscellaneous Regulations 2012 and Automatic Enrolment legislation.
- 2.2 The introduction of the new CARE benefit design in April 2014 and associated final salary benefit protections compounded the increasing complexity of administering the LGPS. Consequently, the importance of data quality and the necessity for equitable allocation of Fund resources across employers is greater than ever and has informed the review of the PAS.
- 2.3 The primary purpose of the review is to continue progress towards a seamless pension service, employing appropriate technology and best practice to both significantly improve the quality of information and the speed with which it is processed providing a more efficient service to Fund members.

- 2.4 The PAS covers primary matters as outlined in the Regulations such as administration standards, performance measures and communication with employers. It also sets out the key undertakings and responsibilities of both the Fund and participating employers.
- 2.5 The PAS recognises that significant work will need to be undertaken in achieving the Pension Regulator's compliance requirements and both the Fund and its Employers will need to work in partnership to meet this challenge.
- 2.6 The Fund, like all public sector organisations, is under pressure to manage its costs, and evaluate current operational functions. Therefore, we must utilise resources to ensure compliance with statutory duties and responsibilities as defined within the LGPS regulations and overriding Pension legislation.
- 2.7 The LGPS regulatory framework allows an Administering Authority to recover costs from an employing authority where costs have been incurred because of unsatisfactory performance and also to remove cross-subsidy of costs resulting from any inequitable allocation of resources.

The PAS has been revised to clearly document an extended charging policy in circumstances of persistent failure by an employer to meet administration requirements and for the provision of additional pension entitlement calculations or bespoke administration tasks.

### **TIMETABLE FOR IMPLEMENTATION**

- 2.8 The revised PAS will be applicable from April 2018.

A draft version is attached as an appendix to the report for consideration.

Following overview of the Board and formal approval by Pension Committee, the Fund will shortly issue this document to employers for comment and feedback as part of the statutory consultation process

- 2.9 The consultation period is scheduled to commence from the end of July until the end of September. Work will then be undertaken to review the feedback and revise the strategy as required.
- 2.10 The final version of the strategy will then be published in November 2017 for Committee approval, in preparation for its implementation in April 2018.

### **3.0 RELEVANT RISKS**

- 3.1 There are none arising from this report



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

4.1 Not relevant for this report.

#### **5.0 CONSULTATION**

5.1 The PAS will be subject to a two month consultation period with the Fund's constituent employers as detailed within the 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 There are financial implications associated with this report in that the PAS includes the Fund's approach to the application of charges in the event of non-compliance with key performance standards set out for participating employers.

#### **9.0 LEGAL IMPLICATIONS**

9.1 The Fund has a legal duty to comply with legislation and statutory best practice, failure to do so may result in challenge from the Pensions Regulator or the Scheme Advisory Board.

9.2 The Council's Section 151 Officer has had the opportunity to comment on the report and has authorised it for publication.

#### **10.0 EQUALITIES IMPLICATIONS**

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

No equality impact assessment is required

## **11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS**

11.1 There are none arising from this report

## **12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

12.1 There are none arising from this report

## **13.0 RECOMMENDATION**

13.1 That Board Members consider the PAS and the proposed charging schedule.

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

14.1 There is a requirement for Members of the Pension Board to be kept up to date with legislative developments as part of their role in supporting the administering authority.

### **REPORT AUTHOR**

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# Pensions

## Administration Strategy

April 2018

Yvonne Caddock

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# 1. Introduction

This is the Pension Administration Strategy of Merseyside Pension Fund (the Fund) in relation to the Local Government Pension Scheme (LGPS), which is administered by Wirral Borough Council (the administering authority)

The LGPS Regulations 2013 allow Administering Authorities to prepare a Pension Administration Strategy (“the Strategy”) for the purpose of improving administrative processes in compliance with regulatory provisions and the Code of Practice No.14 as issued by the Pension Regulator (tPR).

The legislative framework outlines the statutory pension benefit information and services which the Fund must provide free of charge and allows funds to recover costs incurred as a result of unsatisfactory employer performance along with the provision of additional information not covered by the general maintenance allowance factored into the employer contribution rate.

The Fund has revised the Strategy to ensure adoption of best practice and compliance with standards set by the Pension Regulator in regard to data quality, completeness and timeliness. Changes since 2013 in regard to the benefit structure, statutory time limits and the requirement for public service pension schemes to deliver efficiencies, necessitates the introduction of a schedule of charges for non-statutory administrative services and to recover costs incurred by the Fund as a consequence of an employer’s unsatisfactory performance .

This document has been developed in consultation with employers and sets out a framework outlining the policies and performance standards to be achieved to enable provision of a cost-effective and high quality pension administration service.

A copy of this strategy is issued to each of the relevant employers as well as to the Secretary of State.

# 2. Review

The Fund will review this policy document as required to reflect changes in regulations and Fund working practices. Employers will be consulted and informed of the changes and a revised statement will be supplied to the Secretary of State.

# 3. Aims

The aim of this Strategy is to continue progress towards an automated pension service, employing appropriate technology to improve the quality of information, the speed of operational processing for employers and a more efficient service to members. The Strategy recognises that significant work will need to be undertaken in achieving the Pension Regulator’s compliance requirements and both the Fund and its Employers will need to work in partnership to meet this challenge.

## 4. Legislative Framework

### LGPS Regulations 2013

The Fund and its Employers must have regard to this Strategy when carrying out their Scheme functions and Regulation 59 sets out a number of requirements to facilitate best practices and efficient customer service in respect of the following;

- The establishment of levels of performance which the administering authority and its Employers are expected to achieve in carrying out their Scheme functions
- Ensuring the Fund and its Employers comply with statutory requirements in respect of those functions
- Improving the communication between the administering authority and its employers of information relating to those functions

The Strategy also sets out a schedule of additional administration charges by virtue of Regulation 4(5) of the **LGPS (Management and Investment of Funds) 2016** which provides scope for Funds to levy charges in circumstances where disproportionate costs are being incurred for additional administration tasks relating to individual members or specific employers.

In addition, the circumstances are outlined where financial penalties will be incurred with written notice provided to employers in accordance with Regulation 70 for recovery of fund costs as a result of unsatisfactory performance in carrying out its function as a scheme employer.

Levels of performance achieved will be reported as part of the Pension Administration Monitoring Report at each Local Pension Board meeting and documented in the Fund's Annual Report & Accounts.

## 5. Key Objectives

The key objectives of this Strategy are to ensure that:

- the fund and employers are aware of and understand their respective roles and responsibilities under the LGPS Regulations and in the delivery of administrative functions;
- the fund operates in accordance with LGPS regulations and the Pension Regulator Code of Practice in demonstrating compliance and scheme governance;
- communication processes are in place to enable both the Fund and Employers to proactively and responsively engage with each other and partners;
- accurate records are maintained for the purpose of calculating pension entitlements and employer liabilities; ensuring all information and data is communicated accurately, on a timely basis and is secure and compliant;

- the fund and employers have appropriate skills and that training is in place to deliver a high quality service;
- standards are set and monitored for the delivery of specified activities in accordance with the relevant regulations;
- administrative services are developed and delivered digitally in order to streamline processes and minimise service costs.

## 6. Achieving the Objectives

As the LGPS has evolved to meet the localism agenda to devolve power from central government control to boroughs the Fund has experienced an increase to its employer base, as service delivery transformations and outsourced local government contracts are becoming more prevalent for local authorities, along with the number of schools choosing to convert to Academy status.

The differing characteristics, size and required support of individual employers presents a significant logistical challenge to the management of information, processes and services within the Fund. It is clear that because of these differences a “one size fits all approach” would be unlikely to deliver a workable solution; however standard ways of operating applicable to different employer groups would realise benefits and cost efficiencies.

As the number of disparate employers continues to grow there is the need for more accurate and timely information to improve liability management at both the local and national level. In addition the Pension Regulator has introduced higher levels of compliance and the Fund will be required to demonstrate heightened governance and administrative efficiency.

There are four key elements necessary to achieving the Fund’s administrative objectives:

### a) Communications Policy

- ensures members have accessible and timely information on all aspects of their pension benefits and informs decisions in respect of entitlements
- enables employers to make effective decisions in the management of risks and liabilities as well as encouraging engagement in the wider pension debate

### b) A training plan that will offer support to employers and continue to enhance staff knowledge and skills to ensure efficient administration compliant with the Pension Regulator requirements

### c) An ICT development programme which will deliver high quality, efficient and integrated digital services to employers and members in an increasingly regulated and financially complex environment

### d) A performance framework which will support the effective working of the Fund and enable both the Fund and Employers to deliver continuous improvement and move towards a higher standard of service

## 7. Use of ICT

As part of its ICT development programme, the Fund has procured a comprehensive benefit and electronic document management system; this investment will enable the Fund to achieve a fully integrated self-service application for both employers and members. The new system creates the foundation to further digitalise the administration activities in the coming years.

At the time of writing, approximately 80% of active scheme membership is covered by electronic data submissions from employers. The Fund plans to achieve a digital step change in service delivery of full electronic data submissions from all employers over the next four year period. This will be delivered by a number of key work streams alongside the system supplier.

### Online access to Fund IT systems

The Fund can provide secure online access for suitably large employers, in order for employing authority staff to produce retirement estimates and enquire on their employee's record of membership. The system is available during normal office hours with the exception of any necessary scheduled maintenance of the system.

As there are system and resource costs associated with granting online access, the Fund reserves the right to only agree where there is a mutual benefit in managing data quality and overall administration costs.

### 'MyPension' Member Self Service

All active, deferred and pensioner members of the Fund are able to view their membership records online via a self-service website called 'MyPension' <http://mpfund.uk/mypension>

Annual Benefit Statements and Pensioner Payslips are viewable online and the Fund has made significant savings in paper and postage costs. As part of the ICT development programme, the Fund will be working with its supplier to extend the self-service system to cover more administrative tasks, improving service efficiency and reducing administration costs.

Employers are asked to support the Fund in encouraging member registration with the 'MyPension' self-service system, by providing information on intranets and within appropriate communications to the workforce.

## 8. Performance Standards

A key purpose of the Administration Strategy is to set performance standards and publish both the targets and achievements against those targets to evaluate continuous improvement of the administration function. The performance measures which will be monitored are outlined below, with the outcomes subject to scrutiny by the Pension Regulator, the Local Pension Board and Pensions Committee; with summary information published in the Fund's Annual Report & Accounts.



## Performance Standards - Scheme Employer

### Duties and Responsibilities

Function/Task	Performance Target
<b>Governance</b>	
Designate a named individual to act as a Pensions Liaison Officer who is the main contact with regard to any aspect of administering the LGPS via submission of Fund documents "Your LGPS Contacts" and Authorised Signatories	Within 30 days of becoming a scheme employer or within one month of the change in officer role.
Confirm designated contact information for officers authorised to perform key policy decisions and administrative roles within the organisation	Within 30 days of becoming a scheme employer or within one month of the change in officer role.
Appoint person for stage 1 of the pension dispute process (IDRP) and provide full up to date contact details to the Fund	Within 30 days of becoming a scheme employer or following the resignation of the current adjudicator
Notify the Fund of the receipt of a complaint under the IDRP process	Within 7 working days of receiving the complaint
Notify the Fund that the stage 1 decision has been issued	Within 7 working days of making the determination.
Appoint an independent registered medical practitioner qualified in occupational health medicine or arrange contract with third party, in order to consider all ill health retirements applications and agree appointment with Administering Authority	Within 30 days of commencing participation in the scheme or date of resignation of existing medical officer
Formulate, publish and keep under review policies in relation to all areas where the employer may exercise discretion within the LGPS	A copy of the policy document is to be submitted to the Fund within one month of a change in policy
Distribute any information provided by the Fund to scheme members/potential scheme members (e,g financial information or generic news alerts)	In a timely manner as required

Function/Task	Performance Target
<b>Financial Administration</b>	
Ensure correct employee contribution rate is to be determined each scheme year in line with the appropriate contribution banding table	Immediately upon commencing scheme membership, reviewed as per policy on adjusting employee contribution rates.
Remit employer and employee contributions and Remittance Advice Slip (LGP41) to the Fund.	By 22nd of the month following deduction of payroll if made electronically or 19th if paid by cheque.  Under the Pensions Act 2004 and the Public Service Pensions(Record Keeping and Miscellaneous Amendments) Regulations 2014, the Pensions Regulator may be notified if the above measurement is not met
Implement changes to employer contribution rates as instructed by the Fund at the date specified by the Fund Actuary.	In line with the Rates Adjustment Certificate as per the valuation
Ensure and arrange for the correct deduction of employee contributions from a member's pensionable pay including any period of child related leave, trade dispute or other forms of leave of absence from duty	As required by payroll cycle, monthly or weekly
Manage the deduction of all additional contributions or amend such deductions, as appropriate	As required
Arrange for the deduction of AVCs and payment over of contributions to the AVC provider( s) and inform the Fund as required	As required by payroll cycle, typically monthly
Refund any employee contributions when employees opt out of the pension scheme within 3 months and submit LGP9A	Within 45 days of the opt-out date
Remit additional fund payments in relation to early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent and a funding strain cost arises	Within 30 days of receipt of invoice from the Fund

Function/Task	Performance Target
Remit Recharge payments in respect of pension members – e.g Compensatory Added Years	To be paid within 30 days of the invoice from the Fund
Payments in respect of FRS102 and IAS19 work carried out on behalf of Employers by the Fund Actuary and Accounts Team	To be paid within 30 days of the invoice from the Fund
Payments in respect of all other work carried out on behalf of the Employer by the Fund's Actuary and connected data quality assurance undertaken by the Fund's Administration Team	To be paid within 30 days of the invoice from the Fund

Function/Task	Performance Target
<b>Alternative Service Delivery Models / TUPE Transfer - New Employers</b>	
Notify the Fund of contracting out services which will involve a TUPE transfer of staff to another organisation so that information can be provided to assist in the decision	At the point of deciding to tender
Notify Fund of lead decision making and operational officers in circumstances where a prospective new employer or admitted body may request to join the Fund as a result of re-organisation or TUPE transfer	At commencement of business review project
Work with Fund Officers to arrange for an admission agreement to be established	A minimum of 90 days in advance of the date of contract
Notify the Fund if the employer ceases to admit new scheme members or is considering terminating membership of the Fund	As soon as decision is agreed

Function/Task	Performance Target
<b>Member Information/Data Quality and general administration</b>	
Provide the Financial Statement (LGP40) as specified by the Fund including granular breakdown per employee of contribution, CARE/FTE pay and service related data (annual year-end return) to feed into valuation/GAD cost sharing exercise and annual benefit/annual allowance statements for members	Completed and validated return to be submitted no later than 30 April following year end
To ensure optimum accuracy of year-end information, in line with specified extract	Less than 5% of entries to be queried following digital alignment of members and memberships
To resolve digital alignment and financial discrepancies ( sanity queries) resulting from the annual return process	To fully answer all queries from the Fund within 15 working days of receipt of the query or where timeframe is less than 15 working days by 15 July
To action requests for data reconciliations of member records	To fully answer data reconciliations/member queries from the Fund within three weeks of receipt of data
Notify the Fund of new joiners/additional employment electronically in agreed format and secure data transfer or manual LGP1 form	Within 45 days of member's contractual auto-enrolment or re-enrolment date
Provide new joiner with Membership Form LGP2 -To assist Fund to establish previous pension entitlements	Within 30 days of the member's first day of entry to the scheme
Direct all eligible new employees to the member guide to the pension scheme on the Fund website	At date of employee appointment
Change in employees' circumstances which may impact on pension benefits, (movement in and out 50/50 scheme, marital or civil partnership status, maternity, paternity, absence, name etc)  electronically in agreed format and secure data transfer or manual LGP4 Form	Within 45 days of the event or receipt of information

Function/Task	Performance Target
Notify the Fund of early leaver/opt over three months for member's entitled to a refund or deferred benefit and submit both LGP9 / Termination Form LGP1A in electronic or manual format	Within 45 days of date of leaving/opt out date
On leaving employment, an LGP1C is required for the opted out former member	No later than 30 days of termination of employment
Notify the Fund when a member leaves with immediate entitlement to benefits submit Termination Form LGP1A and issue Retirement Option Form LGP1B in electronic or manual format to the employee.	No later than 30 days of retirement.
Notify the Fund of the death of an employee and provide next of kin details and submit Termination Form LGP1A. In addition raise awareness of Fund's Welfare Officer when a member is suffering from a terminal illness	Within 3 working days of knowledge of the death of the employee
To determine based on medical opinion and advice whether an ill health award is to be made and determine where relevant which tier 1,2 or 3.  Arrange for the completion of the appropriate LGP12 form and submit along with LGP1A/LGP1B to the Fund.	No later than 30 days of date of retirement.
To submit request form LGP88 estimates for forthcoming retirement.	No later than four months before retirement

## Performance Standards - Administering Authority

### Duties and Responsibilities

Function/Task	Performance Target
<b>Governance</b>	
Regularly review the Fund's pension administration strategy and consult with all scheme employers	To review at least triennially and revise following any material change in policies that relate to the PAS
Review the Fund's Funding Strategy Statement at each triennial valuation, following consultation with scheme employers and the Fund's actuary.	Publish by 31 March following the valuation date or as required
Review the Fund's Communication policy statement	Annual review and publish within 30 days of any revision to the policy being agreed by Pension Committee
Review the Fund's Governance and compliance statement	Annual review and publish within 30 days of any revision being agreed by Pension Committee
Formulate and publish policies in relation to all areas where the administering authority may exercise a discretion within the scheme	Annual review and publish within 30 days of any revision being agreed by Pension Committee
Publish the Fund's Annual report and Financial Statement	By 30 September following the year-end or following the issue of the auditors opinion
Notify scheme employer of issues relating to scheme employer's unsatisfactory performance	Within 10 working days of discernible performance issue

Function/Task	Performance Target
<b>Financial Administration</b>	
Consult with employers on the outcomes of the triennial valuation	At least 90 days in advance of the signing of the final Rates and Adjustment Certificate
Notify employers of contribution requirements for 3 years effective from April following the actuarial valuation date	At least 30 days before signing off the Rates and Adjustment Certificate
Notify new scheme employers of their contribution requirements	Within 60 days of receipt of the data profile for onward submission to the Fund Actuary
Carry out termination valuations on admitted bodies or scheme employers ceasing participation in the Fund	Within 60 days of receipt of termination forms from exiting employer
Notify scheme employer of decision to recover additional costs associated with the scheme employer's unsatisfactory performance	Within 10 working days of scheme employer failure to improve performance as agreed

Function/Task	Performance Target
<b>Alternative Service Delivery Models / TUPE Transfer - New Employers</b>	
Arrange for the setting up of separate admission agreement/new scheme employers including the allocation of assets and notification to the Secretary of State	Within 90 days of all necessary information
Arrange for all new prospective admitted bodies/new scheme employers to undertake, to the satisfaction of the Fund, a risk assessment of the level of bond or guarantee required in order to protect other scheme employers participating in the Fund	To be completed prior to the body being admitted timings predicated on timely submission of staff profile for submission to the Fund Actuary
Undertake a review of the level of bond/guarantee to protect other constituent employers	Annual review or upon material change in an employer's structure

Function/Task	Performance Target
<b>Member Information/Data Quality and general administration</b>	
Provide support for employers through a dedicated employer website, technical notes, forums, employer bulletins/alerts and day to day contact	Quarterly forums and ongoing support as required
Organise and provide coaching sessions on an employer's roles and responsibilities	Upon request of scheme employers or as Fund Officers deem necessary
Notify scheme employers and scheme members of changes to the scheme rules	Within 60 days of regulatory change
Produce annual benefit statements to active and deferred members as at 31 March each year	By 31 August following the year-end
Produce and issue pension saving statements each year to members who have exceeded their annual allowance	By 6 October following the end of tax year (subject to receipt of all relevant information from the scheme employer)
Publish and keep up to date all forms required for completion by scheme members or employer	30 days from any revision
Issue and keep up to date web based employer guides	Within 30 days from date of change/amendment
Issue and keep up to date scheme guide and all other literature for issue to scheme members	Within 30 days from date of change/amendment
Set up new joiner and provide statutory notification to member	Within 30 days of receipt of correct notification from a scheme employer
Process changes in employees' circumstances which may impact on pension benefits	Within 30 days of receipt of correct notification from a scheme employer
Process transfer in quotations	Within 10 working days of receipt of all required information
Transfer notification of credited membership/accrued pension account to be notified to the scheme member	Within 10 working days of receipt of payment



Function/Task	Performance Target
Transfer out quotations processed	Within 10 working days of receipt of all necessary information
Transfer out payments processed	Within 7 working days of receipt of all necessary information*
Determine necessary category in relation Aggregation/Interfund cases and issue notification to member of service credit and accrued pension account	Within 10 working days of receipt of all necessary information
Process Divorce Valuation	Within 10 working days of receipt of all necessary information
Notify the scheme employer of any scheme member's election to pay additional pension contributions ,including all required information to enable deductions to commence	Within 10 working days of receipt of election from a scheme member
Process scheme member requests to pay/amend/cease additional voluntary contributions	Within 7 working days of receipt of request from scheme member
Deferred benefits calculated	Within 20 working days of receipt of all necessary information
Deferred benefits processed for payment	Within 7 working days of receipt of election and all necessary information*
Refund payments	Within 10 working days of receipt of all necessary information*
Provision of retirement options to members	Within 10 working days of receipt of all necessary information
New retirement benefits processed for payment following receipt of options	Lump sum payment plus first payment of pension within 7 working days of receipt of all necessary documentation*  Thereafter pension payment on monthly payroll run

Function/Task	Performance Target
Acknowledgement of a death	Within 5 days of receiving the notification
Payment of death lump sum	Within 7 working days of receipt of all necessary information*
Notification of benefits payable to dependents	Within 7 working days of receiving the required information*
Provide an answer or acknowledgement to scheme members/scheme employers/personal representatives/dependents and other authorised persons	Within 10 days from receipt of enquiry
Undertake data reconciliation exercises against Fund and employer payroll system	Periodically throughout year
To produce year end year digital alignment queries and financial discrepancies for employers	Within 30 days of receipt of complete and correct return with less than 5% of entries to be queried after digital alignment of members and memberships

**\*All performance targets relating to payments exclude BACS processing period.**

## 9. Monitoring Performance

It is the responsibility of the Fund and scheme employers to ensure compliance with the LGPS regulations and this associated Pensions Administration Strategy; with all parties required to undertake functions and tasks to the agreed quality standards.

The Fund will measure and report the Funds and scheme employer's compliance with the agreed service standards on a regular basis.

The Fund monitors its own performance against internal key performance indicators on a monthly basis; performance against the PAS by both the Fund and employers is reported to the Pension Board three times a year. The Fund will also report back to employers about their individual performance identifying any areas for improvement including outstanding data items

### Audit

The Fund is subject to an annual audit of its processes and internal controls and the administering authority's auditors may request member data or may ask to attend at employer offices to carry out audits regarding the calculation of final salary pays, career average pays and assumed pays. Employers are requested to co-operate with these activities.

### Escalation policy on charging employers for unsatisfactory performance

Where persistent and on-going failure occurs in relation to administration requirements and no improvement is demonstrated by an employer or willingness to resolve the matter the following actions will be taken:

- Write to the scheme employer, setting out area(s) of non – compliance with performance standards offering support and where appropriate request attendance at a training session
- When no improvement has been demonstrated or where there has been a failure to take agreed action by the scheme employer they will be requested to attend a meeting with representatives of the Fund to agree an action plan.
- If no improvement is evident within one month or the employer is unwilling to attend a meeting to resolve the issue a formal notice will be issued setting out;
  - The area(s) of non-compliance with performance standards that have been identified
  - The steps taken to resolve those area(s) and;
  - issue notice that the additional costs will now be reclaimed providing the basis on how the additional cost was calculated .

An invoice will then be issued to the employer clearly setting out the calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of unsatisfactory performance in accordance with the charging schedule outlined in section

A report will be presented to the Local Pension Board detailing charges levied against scheme employers and outstanding payments.

If unsatisfactory performance impacts the Fund's ability to perform statutory functions and measures are not being taken by the employer to address this the Fund will consider reporting the employer to the Pension Regulator.

## Schedule of charges for additional administration tasks and financial penalties

<b>Charges</b>	
Implementation of Pension Sharing Order	<b>£500 + VAT</b>
An additional CETV request made within 12 months of an earlier CETV being provided including circumstances for divorce valuations	<b>£150 + VAT</b>
A replacement guaranteed CETV where the transfer option forms are not returned within three months of the guarantee date	<b>£150 + VAT</b>
A request for an estimate of retirement benefits within 12 months of provision of an earlier statement of benefits	<b>£100 + VAT</b>
A multiple request for estimated benefit statements for different retirement reasons	<b>£100 + VAT for each individual item requested</b>
Request for copies of correspondence, documents or duplicate statement	<b>£10 + VAT</b>
Correspondence provided to third parties in relation to member pension entitlements and benefit structure	<b>£100 + VAT *</b>
Individual Protection 2016 (IP2016) Valuation to calculate an Individual's protected LTA	<b>£ 150 + VAT</b>
Production of non-statutory Pension Saving Statements and forecasts of annual allowance usage	<b>£150 + VAT *</b>
Administration of information in relation to Accounting Standards Exercises  (Recharge of actuary fee in accordance with contractual arrangement)	<b>£100 + VAT *</b>
Bespoke Pension Administration Work	<b>At the appropriate hourly officer rate on a cost recovery basis</b>

## Charges continued

Data quality and en-masse calculation/operational processing in connection with on-boarding of new employers including academies  ( Recharge of actuary fee in accordance with contractual arrangement )	<b>£2,000 + VAT *</b>
Data quality and en-masse calculation/operational processing in connection with employer de-participation  (Recharge of actuary fee in accordance with contractual arrangement )	<b>£2,000 + VAT *</b>
Provision of an indicative funding/termination valuation based on membership and cashflow data assessed to determine the previous triennial results	<b>£500 + VAT per Valuation</b>
Setup de-risking framework to monitor an employer funding position to lock down pension liabilities and switch to an alternative investment strategy to reduce volatility of pension costs  Annual monitoring of the funding level and engagement with employer on proposed funding trigger	<b>Actuarial recharge of £3,500 + VAT</b>  <b>£3,000 + VAT, per annum</b>

\*These are standard charges which may be subject to adjustment based on resource required

## Financial Penalties

Failure to remit payment of monthly employee and employer contributions in full by the 22nd of the following month	Interest at base rate plus 1% as per the 2013 regulations
Failure to submit monthly contributions LGP41 forms with or before remittance of payment, except where payment is made early and LGP41 is received on/before the payment method submission date.  Note: In order to streamline accountancy procedures the recommended best practice is to submit the LGP41 prior to or with payment of contributions.	£100 per occasion
Failure to comply with one or both of the following requirements:  <ul style="list-style-type: none"> <li>Submission of completed and validated year-end return in accordance with the prescribed specification by 30th April</li> </ul>	A fixed penalty of £250  plus a further fixed penalty of £100 for every further week late following that deadline

<ul style="list-style-type: none"> <li>• Submission of the certified year end LGP40 Financial Statement</li> </ul>	
<p>Quality of the year-end information provided is below the acceptable tolerance level set at 5% of entries to be queried after digital alignment of members and memberships</p>	<p>The Fund will recover costs for the work involved to resolve these errors</p> <p>Typically costs will be based on officer hourly rates but will be determined on the resource required to address errors above the tolerance</p>

**Please note:**

- If an employer annual return is received by 30 April and the return is accepted no charge will apply
- If a completed and validated annual return is received by 30 April and the return is rejected following initial conformity checks but subsequently re-submitted and accepted within 2 weeks of being notified of the rejection no charge will apply.

**These charges are reviewed annually by the Fund and in exceptional circumstances can be waived at the discretion of the Service Area Manager.**

## Payment method

Payments in respect of administration activity directly requested by the member or third party representatives must be agreed with a Fund officer and paid in advance via online banking before the requested information can be provided.

The bank account details for electronic payment are as follows:

<b>Account Name</b>	Merseyside Pension Fund
<b>Bank sort code</b>	30-95-11
<b>Bank account number</b>	01140818

The payment reference is to include the members name and National Insurance number.

Charges in respect of administration work commissioned by an employer must also be agreed and paid in advance electronically before provision of the information or depending on the organisations financial arrangement upon receipt of a purchase order. Payments must include a reference as provided by the Fund for the purposes of reconciliation by the accounts team with our bank account.

In circumstances where financial penalties are incurred the Fund will issue an invoice for payment.

## Feedback from employers

Employers who wish to provide feedback on the performance of the Fund against the standards in this administration strategy should email comments to

Todo: create an online form on website that provides a structured response

It will get formally captured and recorded in a register

- managers will assess and make decision on whether it is justified/unjustified and the resultant action

## 10. Employer Guides for Administration

The Fund provides comprehensive guides in regards employer administration under the LGPS regulations from 1 April 2014.

### HR Guide for Employers

This guide sets out the requirements for HR sections in respect of the Local Government Pension Scheme, effective from 1st April 2014.

### Payroll Guide for Employers

This guide sets out the requirements for payrolls in respect of the Local Government Pension Scheme, effective from 1st April 2014. It is intended to inform payroll providers and employers of the minimum information needed to effectively manage the 2014 Scheme (and its interaction with the 2008 Scheme) and contains illustrative examples.

These employer guides are available on the dedicated employer website.

**<http://mpfemployers.org.uk/content/employer-guides>**

### Automatic Enrolment Guide for LGPS Employers

The Local Government Pension Committee (LGPC) produced two guides which explain how employers' responsibilities under the Local Government Pension Scheme regulations interact with those automatic enrolment responsibilities under the provisions of the Pensions Act 2008.

These are available on the dedicated employer website.

**<http://mpfemployers.org.uk/content/automatic-enrolment-guide-lgps-employers>**



## 11. Associated Policy Statements & Discretions

### Communications policy

This statement outlines the Fund's policy on:

- Information to members, representatives and employers;
- The format, frequency and method of distributing such information;
- The promotion of the Scheme to prospective members and their employing authorities.

The Fund website has the latest copy of this policy which can be found at:

**<http://mpfemployers.org.uk/content/communicating-employers>**

### Governance policy

Wirral Metropolitan Borough Council is the Administering Authority for Merseyside Pension Fund. The Council has delegated to the Pensions Committee various powers and duties in respect of its administration of the Fund.

This statement sets out the scheme of delegation and the terms of reference, structure and operational procedures of the delegation and can be found on the Fund website at:

**<http://mpfemployers.org.uk/content/governance-fund>**

### Employer discretions

Since 1997, the LGPS Regulations have required every employing authority to:

- issue a written policy statement on how it will exercise the various discretions provided by the Scheme;
- keep it under review;
- revise it as necessary.

A list of employer discretions can be found on the Employers website at:

**<http://mpfemployers.org.uk/content/employer-discretionary-policies>**

**Approved by:** Pensions Committee

November 2017

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## WIRRAL COUNCIL

### PENSIONS BOARD

27 JUNE 2017

<b>SUBJECT:</b>	<b>INVESTMENT STRATEGY STATEMENT</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF PENSIONS</b>
<b>KEY DECISION?</b>	<b>NO</b>

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 This report provides members with a copy of the Investment Strategy Statement taken to March Pensions Committee.

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

- 2.1 Members were provided with details of the Investment Strategy Statement guidance at the last Board meeting.

#### **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.

**REPORT AUTHOR: PETER WALLACH**  
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## **APPENDICES**

ISS

## **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**

**21 MARCH 2017**

<b>SUBJECT:</b>	<b>INVESTMENT STRATEGY STATEMENT</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>MANAGING DIRECTOR DELIVERY</b>
<b>KEY DECISION?</b>	<b>NO</b>

### **1.0 EXECUTIVE SUMMARY**

- 1.1 This report approval from Members for the draft Investment Strategy Statement (ISS) which is attached as an appendix to this report.
- 1.2 Approval is also sought for the revised Asset Allocation Strategy on page two of the ISS.
- 1.2 At Committee in November 2016, Members considered the implications 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 the accompanying guidance in relation to the requirement for administering authorities to prepare and maintain an Investment Strategy Statement which must be in place no later than 1 April 2017.
- 1.3 The Investment Strategy Statement will replace the Fund’s Statement of Investment Principles.

### **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.
- 2.4 The authority's investment strategy may not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.
- 2.5 The authority must consult such persons as it considers appropriate as to the contents of its investment strategy.
- 2.6 The authority must review and if necessary revise its investment strategy from time to time, and at least every 3 years, and publish a statement of any revisions.

### **3.0 INVESTMENT STRATEGY**

- 3.1 In conjunction with the Actuarial Valuation and Funding Strategy Statement (the subject of separate reports on this agenda), investment strategy is also reviewed with the Fund's advisors to ensure that the Fund's asset allocation will deliver investment returns over the long term to secure the long term solvency of the Fund by achieving and maintaining sufficient assets to cover 100% of projected accrued liabilities whilst taking an appropriate level of risk.
- 3.2 No significant changes are proposed. At November's Committee meeting, Members approved an increase in the allocation to Infrastructure from 5% to 7%. This is reflected in the new investment strategy and has been funded by reductions in the existing allocations to bonds and hedge funds.

### **4.0 OTHER OPTIONS CONSIDERED**

- 4.1 The Regulations are a mandatory requirement.



## **5.0 CONSULTATION**

5.1 Employers have been consulted on the revised FSS and investment strategy.

## **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 There are none 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?

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.

## **12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

12.1 There are none arising from this report.

## **13.0 RECOMMENDATION/S**

13.1 That Members approve the Investment Strategy Statement and the revised investment strategy.

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

14.1 There is a statutory requirement for the Fund to prepare and maintain an Investment Strategy Statement.

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## **APPENDICES**

Investment Strategy Statement

### **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**

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

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

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

# **MERSEYSIDE PENSION FUND**

## **INVESTMENT STRATEGY STATEMENT 2017**

This Investment Strategy Statement has been prepared in accordance with Statutory Instrument 2016 No. 946 PUBLIC SERVICE PENSIONS, ENGLAND AND WALES

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

### **Statutory Provisions**

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.

Regulation 7 (2) stipulates that the Investment Strategy Statement required by Regulation 7(1) 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.

### **Investment of money in a wide variety of Investments**

The Fund invests in a highly diversified portfolio of assets across multiple asset classes on a global basis. Moreover, the Fund seeks to invest in a broad range of uncorrelated asset classes in order to further reduce overall portfolio risk and limit the potential "downside" effects of financial market volatility.

The maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investments is set out in the Fund's strategic asset allocation in the table below.

### Strategic Asset Structure

Asset Class	Strategic Benchmark %	Detail %	Control Range
<b>Equities</b>			<b>48.0-58.0</b>
<b>UK Equities</b>	<b>23</b>		
<b>Overseas Equities</b>	<b>30</b>		
US		8	
European (ex UK)		8	
Japan		4	
Asia Pacific		4	
Emerging Markets		6	
<b>Fixed Interest</b>	<b>18</b>		<b>13.0-23.0</b>
UK Gilts		4	
UK Indexed Linked Gilts		10	
Corporate Bonds		4	
<b>Property</b>	<b>8</b>		<b>5.0-11.0</b>
<b>Alternatives</b>	<b>21</b>		<b>16.0-26.0</b>
Private Equity		5	
Hedge Funds		4	
Opportunities		5	
Infrastructure		7	
Cash			<b>0.0-6.0</b>
<b>Total</b>	<b>100</b>		

The Fund's portfolio asset diversification policy is reviewed triennially with its Actuarial advisor and on a quarterly basis with its Investment Consultant and Independent Advisors under the auspices of its Medium Term Asset Allocation Strategy (MTAA).

The Fund's strategic asset allocation is reviewed and authorised at least every three years by the Administering Authority's Pensions Committee.

The fund's investment strategy is underpinned by certain core philosophies pertaining to individual asset classes *inter alia*:

- The existence of an equity or volatility *risk premium*, namely that investors are rewarded over the longer term for making investments in in equities or other assets that have a return profile that is more volatile than liability matching assets

- There is a liquidity risk premium i.e. investors are rewarded over the longer term for making illiquid investments
- Active management of asset allocation can enhance returns by taking active positions against the strategic benchmark within tolerance parameters to control risk
- Active management within asset classes is possible by internal and external managers in order to outperform specific benchmark indices. There are persistent anomalies within asset pricing that can be exploited.
- Active management requires the taking of calibrated risk i.e. volatility from the specific benchmark index returns in the short and medium term.

The fund has written investment philosophies for each of the internally managed portfolios which derive from the core philosophies above. These portfolios are ; UK Equities, European Equities, Opportunities, Direct Property, Indirect Property, Private Equity, Hedge Funds, Infrastructure and Catalyst Fund.

Under the triennial review the Fund's Scheme Actuary provides a dynamic analysis of assets and liabilities within the context of the overall objectives of the Fund *inter alia* to:

- Achieve a 100% solvency level in a reasonable timeframe;
- To maintain sufficient assets to pay all benefits as they arise;
- To implement a sufficiently prudent funding plan to protect against any potential "downside" outcomes reflecting the demographic characteristics of the Fund;
- To provide a linkage to the Fund's investment strategy and economic outlook based on its actuarial assumptions.

The Fund's Investment Consultant provides professional advice on the global strategic asset allocation of portfolio investments with the greatest probability of meeting its overall objectives.

In addition to providing a review of the Fund's investment strategy, the Investment Consultant also provides ongoing monitoring and reporting of both the Fund's assets and liabilities and the resulting progression of the Fund's funding level over time.

Within the shorter term strategic time horizon, the Investment Consultant also advises on medium term tactical asset allocation adjustments in order to exploit opportunities arising from a dynamic financial market environment within the tolerance bands set within the triennial strategic asset allocation.

This is undertaken within the Fund's Medium Term Tactical Asset Allocation framework in which the Investment Consultant advises and makes recommendations on the magnitude of medium term tactical positions to be taken around the strategic benchmark in conjunction with officers of the Fund and its Independent Investment Advisors.

### **The suitability of particular investments and types of investments**

The suitability of particular investments and types of investments to reside within the Fund's investment portfolio are analysed within the context of the overall strategic asset allocation.

Explicit investment mandates have been established for external and internal investment managers across all asset classes with clear instructions as to how these mandates are to be managed within a range of defined investment parameters and performance targets.

All investment mandates are reviewed on a quarterly basis by the Fund's Investment Management Working Party and its Independent Advisors to ensure that returns, risk and volatility are all appropriately managed and remain consistent with the overall strategy of the Fund and the individual portfolio strategies of the Fund's investment managers.

In order to determine that the Fund's policy on asset allocation is compatible with achieving its locally determined solvency target the Investment Consultant undertakes ongoing monitoring of both the Fund's assets and liabilities in order to ascertain the Fund's direction of travel towards meeting its funding and solvency targets.

A detailed report is produced by the Investment Consultant and presented to the IMWP on a quarterly basis for discussion.

### **The approach to risk, including the ways in which risks are to be measured and managed**

The Fund has a clearly determined approach to its risk tolerance subject to the principal objective of maximising the returns from its global investment activities within reasonable risk parameters.

Accordingly, the Fund's Actuary has identified the following key risks:

- Investment markets fail to perform in line with expectations
- Market yields move 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 is significantly higher than anticipated
- Longevity continues to increase at a greater rate than anticipated
- Regulatory changes
- Changes to national pension requirements and/or Inland Revenue rules

With regard to its global investment portfolio activities, the principal risks undertaken by the Fund are related to strategic asset allocation, tactical asset allocation and the active management of investment portfolios.

In order to mitigate these risks, the Fund works closely with its appointed Investment Consultant to establish a highly diversified portfolio of investments across different asset classes and geographies with the greatest probability of meeting its funding and solvency targets.

In addition to its core investments in global equities and bonds, the Fund invests in other alternative assets such as property, private equity, venture capital and infrastructure where it is possible to identify assets with lower correlations to the mainstream.

This is designed to provide the fund with a proxy insurance policy against major financial market dislocations.

Through its Medium Term Asset Allocation framework, the fund seeks to actively control risk by reducing unintended variances from benchmark by correcting positions created by market movements on a quarterly basis in accordance with the strategic advice of its Investment Consultant and discussions with its Independent Advisors.

### **The Fund's approach to pooling investments including the use of collective investment vehicles and shared services**

The Council has signed a memorandum of understanding with the administering authorities of the Greater Manchester Pension Fund and the West Yorkshire Pension Fund to create the Northern Pool ('the Pool') in order to meet the criteria for pooling investments released by Government on 25 November 2015.

The three funds submitted their pooling proposal to Government in July 2016 and the Department for Communities and Local Government provided its confirmation in January 2017 that it is content for the funds to proceed with the formation of the Pool as set out in the July 2016 proposal. The proposal is available on MPF's website.

Based on 31 March 2015 asset values, the total value of assets, across the three participating funds, to be invested in the Pool is £35.416bn, which is in excess of the £25bn criteria set by Government. All assets other than day-to-day cash used for scheme administration purposes will be invested via the Pool once transition is complete. Day-to-day cash is assumed to be 1% of total assets for each fund.

For the immediate future after inception of the Pool, the Fund's public-market assets will continue to be held in segregated mandates owned directly by the administering authority, but managed by the Pool. A single custodian will be appointed by the Pool, which will simplify the future consolidation of mandates.

All non-listed assets will be managed by the Pool from its formation. Subject to value for money requirements being fulfilled, new investments (i.e. those entered into after the formation of the Pool) in private market assets will be made on a shared ownership basis, via either collective investment vehicles or limited partnerships.

Legacy private market assets (i.e. those entered into prior to the formation of the Pool) will be run-off on a segregated basis.

This approach will be reviewed periodically going forwards to ensure this continues to demonstrate value for money, particularly following any changes to funds' strategic asset allocations, pool management arrangements or taxation policy in the UK or internationally.

The reviews will take place no less than every 3 years.



Once established it is intended that the Pool will provide the following services to the participating authorities on an in-house basis:

- Implement the strategic asset allocations of the participating authorities
- Management of UK and Overseas equities and bonds
- Selection of private equity, infrastructure & property funds.
- Direct UK infrastructure investment via a collective investment vehicle
- Legal and accounting support
- It is intended that the Pool will externally procure the following services:
- External fund management for certain mandates
- Common custodian for Pool (plus depositaries & fund administrators where required for any pooled funds that are established for non-listed assets)
- Investment management systems
- Audit services
- Performance analytics
- Responsible Investment advisory services
- Value for money reviews of structure

**A Pool Oversight Board will be established to:**

- i) provide oversight of the Pool; and
- ii) act as a forum for the participating authorities to express the views of their pension committees.

The Oversight Board's primary roles are to ensure that the Pool is effectively implementing the participating authorities' strategic asset allocations and to oversee reporting to the participating authorities' pension committees.

The legal structure of the Oversight Board is expected to be a joint committee. There will be clear separation of duties between the Oversight Board and the Pool. The Oversight Board will not be undertaking any regulated activities.

The Pool's governing documentation will grant the Oversight Body and each administering authority certain powers regarding the operation of the Pool, which can be used to ensure the effective performance of the Pool.

Reporting processes of the Pool will include regular written reports on the performance of Pool investments to the Oversight Body, which will be discussed at formal meetings.

Officers of the Pool will also report to and present directly the administering authorities' pension committees and local pension boards as appropriate.

A report on the progress of asset transfers will be made to the Scheme Advisory Board annually.

### **How social environmental or corporate governance considerations are taken into account in the selection non-selection retention and realisation of investments**

Merseyside Pension Fund pursues a policy of Responsible Investment, arising from the belief that environmental, social and corporate governance (ESG) factors will materially affect investment performance over the long term. MPF considers that a holistic approach to investing must consider ESG factors from the outset and at all stages of the decision-making process: from investment beliefs and strategy, across all asset classes and in the strategies selected. Such an approach is consistent with MPF's view of its fiduciary duty to seek optimal investment outcomes that are in the best interests of all of its scheme participants, having regard to a prevailing public service ethos and to the long-term stability of the wider financial system.

MPF believes that it can select optimal investment strategies across asset classes that integrate ESG information into quantitative and qualitative analysis, which drives the construction and adjustment of investment portfolios. This allows for the flexibility to consider diverse investment approaches and methodologies as appropriate to the objectives and set parameters of particular mandates. The Fund evaluates and monitors the RI capability of all of its investment managers, often with reference to industry standards of best practice. MPF is a signatory of the [Principles for Responsible Investment](#) and is committed to reporting on its implementation of these Principles and promoting them across the investment industry.

MPF does not exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the UK Government. However, MPF considers that this does not necessarily preclude the use of ESG integration techniques, including screening, within particular mandates where the investment objective includes the optimisation of ESG-related risk and opportunity.

The values and expectations that determine this policy are imparted through MPF's governance arrangements, which incorporate representation of all Scheme members and employers alongside the Administering Authority. Responsible Investment matters are considered through-out the governance processes that set and monitor the Fund's investment strategy and are regularly reviewed by the Fund's Investment Monitoring Working Party.

MPF regards social impact investing as entirely compatible with investing responsibly and considers such opportunities on a prudent basis (or as a ['finance-first' investor](#)). Social impact or thematic investing may provide access to diverse opportunities, uncorrelated to other assets, and can deliver acceptable risk-adjusted returns. It is recognized that the positive impacts targeted will, in many cases, closely align to the wider objectives (including financial) of many of MPF's participating employers.

### **The exercise of rights (including voting rights) attaching to investments**

MPF considers that practicing responsible ownership of its assets is fundamental to investing responsibly over the long-term; and that, in the case of equity investments, the exercise of voting rights is an intrinsic part of the value of share ownership. The practice of stewardship is closely aligned to MPF's duty to act in the best interests of all of its stakeholders. The Fund is a signatory to the UK Stewardship Code for Institutional Investors and has published a Statement of Compliance with its seven principles.

MPF's policy with regard to the voting rights attached to its equity investments is to retain control and to exercise those rights to the fullest reasonable extent. Voting activity is not delegated to investment managers, except in circumstances where the structure of a particular investment vehicle necessitates this (but where MPF is able to determine that the manager has sufficient stewardship capability and that this activity can be monitored by the Fund). In accessing any co-mingled investment vehicle with the objective of matching the performance of a stock market index, the Fund will expect the manager to implement its voting instructions over the underlying securities on a pro rata basis.

The Fund implements its voting policy in partnership with a specialist advisor (currently [PIRC Ltd](#)) who provides appropriate research and vote execution services that cover the major markets in which shares with voting rights are held. MPF votes in line with the recommendations of its advisor, having judged that the advisor's voting guidelines

promote high standards of corporate governance and responsibility and enable MPF to exert a positive influence as shareholders concerned with value and values.

A quarterly report on voting activity is made to the Investment Monitoring Working Party. A summary of voting activity forms part of the Fund's Annual Report. Detailed voting activity information, including where the voting decision has been contrary to a company's recommendation, is made publicly available through the [Fund's website](#).

Alongside its voting policy, MPF considers engagement on ESG matters to be integral to stewardship. The focus of its engagement activity (principally, but not exclusively) is the companies in which it invests across its public equity portfolio. As such, MPF carries out engagement on a collaborative basis with suitably aligned investors through several organisations (chief among them, the [Local Authority Pension Fund Forum](#), of which MPF is a founder member), to ensure that its engagement benefits from scale and clarity of voice.

MPF strongly encourages its investment managers to carry out appropriate stewardship as part of the professional practice of asset management across asset classes and to report on that activity.

## WIRRAL COUNCIL

### PENSIONS BOARD

**27 JUNE 2017**

<b>SUBJECT:</b>	<b>TRANSPARENCY CODE</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF PENSIONS</b>
<b>KEY DECISION?</b>	<b>NO</b>

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 This report provides members with details of the Code of Transparency recently announced by the Scheme Advisory Board.

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

- 2.1 It has long been recognised that, in addition to the fees paid for investment management, there are further hidden costs incurred that are difficult to ascertain and so rarely reported in most pension fund accounts. There have been a number of initiatives to provide greater transparency in relation to those hidden costs. Merseyside Pension Fund has been a longstanding supporter of transparency in many areas of corporate governance and investment, and has been a proponent for greater consistency in the disclosure and reporting of all costs.
- 2.2 In November 2015, DCLG set out its criteria and guidance for Investment Reform in the LGPS requiring administering authorities to bring forward ambitious proposals for pooling. One of the four primary criteria is cost savings and pools are required to report investment performance and cost savings. It is important that this is undertaken in a consistent way.
- 2.3 On 18 May 2017, the Scheme Advisory Board announced its proposals for encouraging greater fee transparency by investment managers. The Board views the move toward investment cost transparency and consistency as an important factor in the LGPS being perceived as a value-led and innovative pension scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and is included in the government's investment reform guidance and criteria for LGPS pooling.

- 2.4 The Code is a voluntary code and covers the provision of transparent and consistent investment cost and fee information between Investment Managers and Administering Authorities.
- 2.5 To assist LGPS administering authorities in obtaining the more detailed investment fee data they require, the Board has worked with key stakeholders including investment managers, CIPFA and LGPS administering authorities to develop the Code.
- 2.6 Under the Code participating asset managers will report their fees, costs and income using standard Templates issued by the Scheme Advisory Board. There are separate Templates for segregated and pooled funds. These Templates require asset managers not only to report basic and performance fees but a range of other costs where applicable (such as Transaction taxes, Broker commissions and entry/exit charges, all payments made to parties providing services to a pooled fund other than the asset manager such as the auditor), details of any income from Stock Lending and any ancillary services provided. Therefore, under the Code participating asset managers will provide a breakdown of both explicit and implicit costs in a standardised format.
- 2.7 The current Templates only apply in relation to listed asset classes. Templates for unlisted asset classes such as private equity will be developed in due course. It is envisaged that the Templates will develop over time to encompass other more challenging areas of cost transparency and will remain flexible to enable changes to meet the rapidly developing market for investment products. The listed asset Template may be amended from time to time to keep in line with the Investment Association's Disclosure Code.
- 2.8 To sign up to the Code an asset manager must write to the Scheme Advisory Board in a form set out by the Board. The asset manager agrees that for the investments covered by the Code it will within a period of twelve months put in place the systems necessary to enable the automatic submission of the relevant Template(s) to each individual LGPS Fund that the asset manager provides services to. The Template(s) must be submitted automatically (that is without an individual Fund having to make a request) on an annual basis.
- 2.9 The Code is voluntary but it is anticipated that it will be adopted widely and pension funds are engaging with asset managers to encourage their participation.
- 2.10 The benefit of the Code to individual LGPS funds is that it is assisting them to obtain cost data in a coordinated and consistent way. To obtain a fuller benefit, it is essential that the data is analysed and benchmarked to enable meaningful fee discussions with asset managers.

### **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 The identification and collation of investment costs is a resource intensive exercise particularly in the area of unquoted investments and the fund is devoting considerable amounts of staff time and other resources to this exercise.

#### **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**

### **BACKGROUND PAPERS/REFERENCE MATERIAL**

### **BRIEFING NOTES HISTORY**

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

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

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



## WIRRAL COUNCIL

### PENSION BOARD

27 JUNE 2017

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

#### 1.0 EXECUTIVE SUMMARY

- 1.1 This report provides the Board with details of update reports taken to Pensions Committee on 21 March 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 21.03.17

## **BACKGROUND PAPERS/REFERENCE MATERIAL**

## **BRIEFING NOTES HISTORY**

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

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

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# **WIRRAL COUNCIL**

## **PENSIONS COMMITTEE**

**21 MARCH 2017**

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

### **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 23 January, Members were advised that, following the meeting of Pool representatives with the Minister for Local Government on 19 December, the Minister's formal response had just been received.
- 2.2 The Pool considered the Minister's letter at a shadow joint committee of the Northern Pool and a response to the letter has been prepared.
- 2.3 A workshop on the implications of Financial Conduct Authority authorisation is to be held on 28 March 2017. Advisors to each Fund, the Chairs and one other member of each pensions committee are also invited.

### **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

**27 JUNE 2017**

<b>SUBJECT:</b>	<b>PENSION BOARD REVIEW 2016-17 AND WORK PLAN 2017-18</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>INDEPENDENT CHAIR OF PENSION BOARD</b>
<b>KEY DECISION?</b>	<b>NO</b>

#### **1.0 EXECUTIVE SUMMARY**

This report which has been prepared in accordance with the Terms of Reference of the Pension Board reviews the performance of the Board and its members during its second year. The second year of the Board has been taken as from 1 May 2016 to 31 March 2017. This report also includes a proposed Work Plan for 2017-18.

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

Under Section 11.3 of its Terms of Reference the Board is required to produce, on an annual basis, a report for consideration by the Scheme Manager which is the Wirral MBC Pensions Committee. This review has been prepared by the Independent Chair of the Board for consideration by the Board at its meeting on 27 June 2017. Following consideration by the Board an approved version of this review will be presented by the Independent Chair to the Pensions Committee.

As the Board Members were appointed on 15 May 2015 the review of the first year of the Board (2015/16) covered the period 15 May 2015 to 30 April 2016. Therefore, this review of the second year of the Board (2016-17) covers the period 1 May 2016 to 31 March 2017.

#### **Purpose and Constitution of the Merseyside Local Pension Board**

Under its Terms of Reference the purpose of the Merseyside Pension Board is to assist the Administering Authority (Wirral MBC) in its role as a Scheme Manager under the Public Service Pensions Act 2013 and the Local Government Pension Scheme Regulations. The Board is required to meet sufficiently regularly to discharge its duties and responsibilities effectively but not less than twice in any year. The Board met three times during its first year (2015-16) and again met three times during its second year (2016-17).

The Pension Board consists of nine members and is constituted of four employer representatives, four scheme member representatives and an independent, non-voting Chair who has responsibility for the co-ordination and operation of the Board.

## Board Meetings

Three meetings of the Board were held during the period covered by this review. These were on 28 June 2016, 11 October 2016 and 16 March 2017. Overall attendance by members of the Pension Board at meetings during 2016-17 was 88%.

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

	28/6/16	11/10/16	16/3/17
Members Code of Conduct – Declarations of Interest	/	/	/
Minutes of the Previous Meeting	/	/	/
LGPS Update	/	/	/
Knowledge, Skills, Training, Member Development	/	/	/
Investment Pooling	/	/	/
Pensions Administration Report		/	/
Pension Fund Treasury Management		/	/
Investment Monitoring Working Party Minutes	/	/	/
Governance and Risk Working Party Minutes		/	
Audit Findings Report and Pension Fund Annual Report and Accounts		/	
Pension Board Review 2015-16 & Work Plan 2016-17	/		
Pensions Regulator Survey	/		
Compliance Statement with Code of Practice No 14	/		
Investment Performance		/	
GAD Section 13 Dry Run		/	
Annual Employers Conference		/	
Non-Recovery of Pension Overpayments		/	
Merseyside Pension Fund Business Planning			/
Investment Strategy Statement Guidance			/
Draft Funding Strategy Statement			/
Markets in Financial Instruments Directive Consultation			/

During 2016-17 the Board, facilitated by reports prepared by the officers of the Merseyside Pension Fund, implemented the Pension Board Work Plan 2016-17. This work plan, which was included in the 2015-16 Pension Board Review was prepared following discussions between the Independent Chair and the Director of the Fund taking into account consultation with all Board Members.

Whilst recognising the need for a broad “LGPS update” report at each Board meeting, similar to that which is presented to the Pensions Committee, the Work Plan included an emphasis on the presentation to the Board of detailed reports on Pensions Administration including Key Performance Indicators. At both the October 2016 and

March 2017 the Principal Pensions Officer prepared and presented a detailed report covering a broad range of Pensions Administration matters and containing extensive statistical reporting. At the June 2016 meeting the Board received a report and detailed appendix in respect of the Fund's compliance against the Pension Regulator's Code of Practice No 14 entitled "*Governance and Administration of Public Service Pension Schemes.*"

The development and implementation of Investment Pooling is presently the highest profile development in the Local Government Pension Scheme (LGPS). This will have a significant effect on both the investment and governance arrangements of the LGPS. A report on Pooling was presented to the Board at all three meetings during 2016-17. These reports were extremely detailed and through the provision of information in the Exempt Agenda, which is necessarily confidential to the Merseyside Pension Fund, the Board was, on behalf of Employers and Employees, able to obtain a clear understanding of why and how the Northern Pool consisting of the Merseyside, Greater Manchester and West Yorkshire LGPS Funds is developing a model for Investment Pooling which should fully meet both Government requirements and the particular circumstances of the three participating Funds. I wish to thank the Director of the Fund for the commentary and information he provided on Pooling at the Board meetings which summarised and encapsulated the information contained in the Board papers.

As the Board's primary role is to assist the Administering Authority and the Board is not in its own right a decision making body it was appropriate that the Board developed a clear focus towards consideration of Governance issues during its first year (2015-16) and this continued during 2016-17. The Board continued to receive the Exempt Minutes of both the Investment Monitoring Working Party (the Fund's principal forum for the consideration of Investment related issues) and the Governance & Risk Working Party (the Fund's principal forum for the consideration of risk management/internal control and Pensions Administration). The Board also received the External Auditors Audit Findings Report together with the Draft Annual Report and Accounts. Prior to considering the Draft Pension Fund Accounts the Board received a very helpful training session, presented by the Group Accountant to the Fund, entitled "*Final Accounts 2015/16 Production and Audit Process.*" The Board also received the Draft Funding Strategy Statement which is one of the primary policy statements the Fund is required to prepare under the LGPS Regulations.

At its meeting held on 28 June 2016 the Board formally considered and approved both the report of the Independent Chair in respect of 2015-16, the first year of the Board, and the proposed Work Plan for 2016-17.

During 2016-17 the Board did not feel it necessary or appropriate to make any formal recommendations to the Scheme Manager, the Pensions Committee of Wirral MBC.

In 2016-17, as in 2015-16, all Members of the Board actively and positively contributed to debates arising from Agenda items. Sadly, one of the Employee Representatives, Phil Goodwin, died suddenly and unexpectedly in October 2016. I would wish to place on record my appreciation and recognition of Phil's positive contribution to the establishment of the Board during the period July 2015 to October 2016.

## **Training and Development**

Mindful of the requirements of the Public Service Pensions Act 2013 and the Pensions Act 2004 (As amended) training and development has been approached in a methodical and serious manner by both the Administering Authority and individual Board members.

Each of the three Board Meetings held during 2016-17 considered Training and Member Development. In particular, at the meeting held on 28 June 2016 the Board formally adopted the CIPFA Knowledge and Skills Framework for Pension Board Members. As previously indicated Training in respect of the preparation and audit of the Pension Fund Accounts was provided at the October 2016 meeting.

During 2016-17 Board Members were afforded and took up opportunities to attend a range of external training and conference events. In particular, three Members attended the three day LGPS Fundamentals Training course organised by the Local Government Association/Local Government Pensions Committee and five attended at conference events organised by the Pensions and Lifetime Savings Association. The Independent Chair also represented the Board at two CIPFA Pension Board seminars.

All Members of the Board were invited to attend the Annual Employers Conference held on 29 November 2016 which received detailed presentations on the Governance, Investment and Administration of the Fund as well as a presentation on the 2016 Actuarial Valuation from Mercer who are Actuary to the Fund. Six of the eight Members of the Board attended (there was at this time one vacancy). The Independent Chair of the Pension Board also made a presentation covering Training and Development, Board Meetings and Work Programme, Investment Pooling, Reporting Breaches of the Law to the Pensions Regulator and Support for the Board by the Administering Authority.

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

The Pension Board does not itself have decision making powers. In respect of the Reporting of Breaches of the Law to the Pensions Regulator the Administering Authority has determined (Pensions Committee of 16 November 2015) that the Board should be consulted by Officers when considering whether or not to report a specific breach (or likely breach) to the Regulator. This is an important role granted to the Board in terms of ensuring the good Governance of the Fund and appropriate interpretation of the Pensions Regulators guidance and the Merseyside Fund's policy on reporting breaches of the law. During the period covered by this report, 2016-17, there were no Breaches of the Law identified by the Fund Officers and upon which the Pension Board was therefore asked to give its view. Neither were there any matters identified by the Board itself as potential or actual Breaches of the Law.

## **Pension Board Review 2015-16 and presentation to the Pensions Committee**

The Pension Board Review 2015-16 and Work Plan 2016-17 was considered and approved by the Board on 28 June 2016. This was then considered by the Pensions Committee at its meeting held on 19 September 2016. The Independent Chair attended this meeting, presented the review and answered questions from Members of the Committee.

#### **Pension Board Costs of Operation 1 April 2016 to 31 March 2017**

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

#### **Proposed Pension Board Work Plan 2017-18**

The proposed Work Plan for 2017-18 is detailed below. This maintains an overall emphasis on Fund Governance. Pensions Administration will remain a particular area of focus given that this is an area of direct relevance to both Employers and individual Employees. Investment Pooling will also be an area of focus given the Government has indicated that investment pools should be operational by 2018. The Work Plan will be updated as necessary during 2017-18.

<b>Agenda item</b>	<b>27/6/17</b>	<b>10/10/17</b>	<b>2018</b>
LGPS update	√	√	√
Administration KPI report	√	√	√
Pooling update	√	√	√
Audit Plan			√
Pensions Administration Strategy		√	
Member Development Programme			√
Pension Board Development Programme			√
IMWP/GRWP minutes	√	√	√
Pension Board Annual Review 2016-17 and Work Plan 2017-18	√		
Investment Performance		√	
Audit Findings Report		√	

Annual Report & Accounts		√	
Review of Actuarial Valuation	√		

### **Support for the Board by the Administering Authority during 2016-17**

The effectiveness of the Board is dependent not only on the approach and contribution of its members but also that of the Administering Authority. Throughout 2016-17 the Board received extremely positive support, advice and guidance from the Officers of the Merseyside Pension Fund. Meetings of the Board were supported and attended not only by the Director of the Fund but also the senior members of his team responsible for Pensions Administration and the Finance/Accounting of the Fund. The commitment of Wirral MBC to the Board's role within the Merseyside Pension Fund was also clearly demonstrated by the involvement of the Council's Managing Director for Delivery.

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

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

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

### **3.0 RELEVANT RISKS**

3.1 There are none arising from this report.

### **4.0 OTHER OPTIONS CONSIDERED**

4.1 No other options have been considered.

### **5.0 CONSULTATION**

5.1 The Director of the Merseyside Pension Fund has been consulted in the preparation of this report.

### **6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS**

6.1 There are no previously approved actions outstanding.

## **7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report.

## **9.0 LEGAL IMPLICATIONS**

9.1 There are none arising from this report.

## **10.0 EQUALITIES IMPLICATIONS**

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

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

## **11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS**

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

## **12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

12.1 There are none arising from this report.

## **13.0 RECOMMENDATION/S**

13.1 That the Board receive and approve the Pension Board Review 2016-17.

13.2 That the Board approves the proposed Work Plan 2017-18

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

14.1 Section 11.3 of the Terms of Reference of the Local Pension Board of the Merseyside Fund states that *"The Board shall on an annual basis produce a report on both the nature and effect of its activities for consideration by the Scheme Manager."*

**REPORT AUTHOR: JOHN RAISIN**  
**Independent Chair**  
**Merseyside Local Pension Board**  
**16 June 2017**

## **APPENDICES**

**BACKGROUND PAPERS/REFERENCE MATERIAL**

**BRIEFING NOTES HISTORY**

Briefing Note	Date

**SUBJECT HISTORY (last 3 years)**

Council Meeting	Date



## WIRRAL COUNCIL

### PENSIONS BOARD

27 June 2017

<b>SUBJECT:</b>	<b>Merseyside Pension Fund – Compliance Statement – TPR Code of Practice No.14</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>PRINCIPAL PENSIONS OFFICER</b>
<b>KEY DECISION?</b>	<b>NO</b>

#### 1.0 EXECUTIVE SUMMARY

- 1.1 This report updates the Pension Board on Merseyside Pension Fund's assessment of compliance against the Pension Regulator (tPR) Code of Practice No.14 in relation to the key areas of governance and administration, identified by the regulator as crucial in demonstrating effective stewardship of the Scheme.
- 1.2 This assessment is intended to provide assurance to board members in their capacity as the statutory body responsible for assisting the Scheme manager, in ensuring the effective and efficient governance and administration of Merseyside Pension Fund.
- 1.3 The appendices to the report 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 Overview

- 2.1 In April 2015, tPR issued a Code of Practice for public service pension schemes. The Code of Practice sets out the legal requirements for public service pension schemes and standards of conduct and practice expected of those who exercise functions in relation to those legal requirements.
- 2.2 To stress test compliance against the code, Officers established a traffic light based model to undertake a self-assessment in adherence to the code – this was presented to the Pension Board for comment at its meeting in June 2016.

The outcome of the assessment indicated that there were no areas of significant concern, but a number of issues emerged with an amber rating which necessitated improvements in the following areas;

- Record Keeping
- Maintaining contributions
- Providing Information to members
- Internal dispute resolution (IDRP)

2.3 Subsequent to completion of the Fund's initial self-assessment against the code, tPR have issued a compliance monitoring programme in September 2016 - breaking down the code into consolidated tasks, thus simplifying the Fund's previous self-assessment model.

## 2.4 **Self-Assessment Update**

In conducting an annual review of compliance against the code, utilising the revised tPR's self-assessment guidance it is apparent that the actions implemented over the last twelve months have succeeded in uplifting the rating from amber to green in relation to:

(a) Maintenance of contributions as:

- Information from a number of sources has been consolidated within the accounting systems in order to monitor timely receipt of contributions.
- The Pension Administration Strategy (PAS) is being updated from April 2018 and includes greater detail regarding reporting procedures and penalties for failures to submit financial returns and contributions.
- Procedures have been formalised to record actions undertaken to resolve issues in circumstances of late payment of contributions and support provided to employer to complete accompanying financial returns.

(b) Resolving Internal disputes by:

- Improving the Fund's engagement with employers ensuring adherence to the statutory duty to manage the IDRP framework, the Fund reviewed the process raising awareness of the requirement for employers to notify the Fund's Appeals Officer Of all stage 1 IDRP applications and determination outcomes.

- Creating a bespoke IDRP notification form to assist employers in advising the Fund of any stage 1 appeals detailing the necessary information for statutory recording purposes. The form allows disclosure of relevant details without identifying the appellant or any particular sensitive case details.

2.5 Although there have been significant advances over the last twelve months in relation to record keeping and communicating with members, there remains scope for further improvement as both areas have been assessed as retaining their amber rating.

The proposed developments required to target full compliance are noted within the self-assessment document, attached as exempt Appendix One.

### **3.0 Noting Points**

- 3.1 The Fund has also completed the online assessment provided by the tPR and a copy of the results showing full accreditation in all areas is attached at Appendix Two.
- 3.2 Officers will keep the Pension Board apprised of progress achieved against the identified areas of improvement in relation to record keeping and communicating with members.

Feedback on the evaluation of the Fund's self-assessment against the nine pillars of effective administration and governance is welcomed, to demonstrate objectivity of the process to the Fund's stakeholders.

Report Author: Yvonne Caddock  
Principal Pension Officer  
Merseyside Pension Fund

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## WIRRAL COUNCIL

### PENSIONS BOARD

**27 JUNE 2017**

<b>SUBJECT:</b>	<b>COMPLIANCE MANUAL</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF PENSIONS</b>
<b>KEY DECISION?</b>	<b>NO</b>

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 This report provides members with a copy of the Fund's Compliance Manual taken to March Pensions Committee.
- 1.2 The appendix to this report contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of Local Government Act 1972 i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information).

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

- 2.1 The Compliance Manual sets out the powers, duties and responsibilities of officers in respect of the financial services legislative and regulatory regimes relevant to MPF. Although the Pension Fund is not regulated by the Financial Conduct Authority (FCA) the manual incorporates, where appropriate, best practice as set out by the FCA and the codes of other professional bodies.
- 2.2 The manual is due for review every three years.

#### **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.

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

## **APPENDICES**

Compliance Manual

## **BACKGROUND PAPERS/REFERENCE MATERIAL**

## BRIEFING NOTES HISTORY

Briefing Note	Date

## SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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## WIRRAL COUNCIL

### PENSIONS BOARD

**27 JUNE 2017**

<b>SUBJECT:</b>	<b>WORKING PARTY MINUTES</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF PENSIONS</b>
<b>KEY DECISION?</b>	<b>NO</b>

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 The IMWP minutes and GRWP 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 the GRWP on 7 February 2017 and IMWP on 9 February 2017, 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 Fund's working parties enable Members and their advisors to consider investment and governance 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 working party minutes by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund. These arrangements were approved by Pensions Committee as part of the Fund's Governance Statement at its meeting on 27<sup>th</sup> June 2011.

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

## **APPENDICES**

Exempt appendix 1

## **BACKGROUND PAPERS/REFERENCE MATERIAL**

## **BRIEFING NOTES HISTORY**

Briefing Note	Date

**SUBJECT HISTORY (last 3 years)**

Council Meeting	Date

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