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WIRRAL

Pensions Committee

Date:	**Monday, 22 January 2018**
Time:	**6.00 pm**
Venue:	Birkenhead Town Hall

Contact Officer: Pat Phillips
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AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

2. MINUTES (Pages 1 - 6)

To approve the accuracy of the minutes of the meeting held on 13 November, 2017.

3. LGPS UPDATE (Pages 7 - 14)

4. PENSION FUND BUDGET (Pages 15 - 22)

5. AUTHORISED SIGNATORY LIST (Pages 23 - 26)

6. MEMBER DEVELOPMENT PROGRAMME 2018 (Pages 27 - 30)

7. TREASURY MANAGEMENT STRATEGY (Pages 31 - 46)

8. LGC INVESTMENT SEMINAR (Pages 47 - 54)

9. MANAGEMENT OF CARBON RISK (Pages 55 - 68)

10. UPDATE TO COMPLIANCE MANUAL (Pages 69 - 72)

11. POOLING UPDATE (Pages 73 - 76)

12. SYSTEMATIC INVESTMENT STRATEGIES (Pages 77 - 80)

13. BOND REVIEW (Pages 81 - 86)

14. CONTRACTS TIMETABLE (Pages 87 - 90)

15. IMWP MINUTES 16/11/2017 (Pages 91 - 94)

16. EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC

The following items contain exempt information.

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

17. MANAGEMENT OF CARBON RISK EXEMPT APPENDIX (Pages 95 - 100)

18. UPDATE TO COMPLIANCE MANUAL EXEMPT APPENDIX (Pages 101 - 188)

19. POOLING UPDATE EXEMPT APPENDIX (Pages 189 - 202)

20. SYSTEMATIC INVESTMENT STRATEGIES EXEMPT APPENDIX (Pages 203 - 208)

21. BOND REVIEW EXEMPT APPENDICES (Pages 209 - 214)

22. CONTRACTS TIMETABLE EXEMPT APPENDIX (Pages 215 - 216)

23. IMWP EXEMPT MINUTES 16/11/2017 (Pages 217 - 222)

24. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR

PENSIONS COMMITTEE

Monday, 13 November 2017

Present:	Councillor	P Doughty (Chair)	
	Councillors	G Davies	K Hodson
		T Jones	C Povall
		B Kenny	P Cleary
		G Watt	
	Councillors	T Byron, Knowsley Council	
		P Lappin, Sefton Council	
		R Bannister, Unison retired member representative	
Apologies	Councillors	B Mooney	
		N Crofts, Liverpool City Council	
		J Fulham, St Helens Council	

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

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

Mr Roger Bannister declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund.

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

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

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

Councillor Paulette Lappin declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund.

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

44 **MINUTES**

Resolved – That the accuracy of the Minutes of the Pensions Committee held on 18 September, 2017 be approved as a correct record.

45 **LGPS UPDATE**

A report of the Managing Director for Delivery provided the Pensions Committee with an overview of the prospective changes affecting the future administration of the LGPS. A synopsis of prospective changes to LGPS & Overriding Pension Legislation was attached as Appendix One to the report and provided the latest position on the prospective changes and overriding legislation that would affect the future administration of the LGPS.

Members were informed that there were a number of government initiatives and policy reform activities that had been consulted upon during the last twelve months. It was reported that as parliamentary time had been focused on Brexit the timescales for implementation of various reforms had been delayed. Yvonne Caddock, Head of Pensions Administration, highlighted that due to the delay in the exit cap reforms a standardised approach to calculate strain costs would not be implemented in the short term. Therefore upon the advice of the actuary the Fund had given notice to employers that a 5% loading to the pension costs factors would be applied from 1 April 2018 in alignment with the underlying funding cost of an individual retirement.

Resolved – That the report be noted.

46 **PENSIONS ADMINISTRATION STRATEGY**

Members of the Committee gave consideration to a report of the Managing Director of Delivery that outlined and recommended proposed revisions to the Pensions Administration Strategy (PAS), following completion of the consultation period with employers on 2 October 2017.

The proposed revisions had undergone due consideration by the Pension Board as to the reasonableness of the amendments and the impact on policy objectives.

The revised draft PAS was attached as Appendix One to the report and Appendix Two contained a synopsis of the consultation feedback.

Members were informed that under the LGPS Regulations, the Fund may produce and publish a PAS and ensure it is reviewed and revised as appropriate. The PAS set out a framework for assessing Fund and employer performance standards in ensuring a cost-effective, high quality pension administration service.

The Fund had published the latest version of its PAS in 2013 and committee had considered the rationale for a radical overhaul of the policy at its meeting on 17 July 2017 (minute 13 refers).

Predominantly the PAS had been updated to reflect the Fund's strategic business plan, to conduct more operational processes and stakeholder communications using online systems and secure portals for the exchange of electronic data.

Yvonne Caddock, Head of Pensions Administration, provided members with details of the primary aims of the PAS, the key revisions and outcome of the employer consultation and responded to members' questions.

Resolved – That, subsequent to the Pension Board's agreement following the consultation with scheme employers, the revised Pension Administration Strategy and charging schedule be approved.

47 **RECORDS MANAGEMENT & DATA IMPROVEMENT POLICY**

A report of the Managing Director for Delivery informed Members of the introduction of a Records & Data Improvement Policy for the Pension Administration Section.

The strategic objectives of the policy were to strengthen governance in regard to the Fund's record keeping activity and demonstrate transparency to stakeholders that data was readily available and fit for purpose at all times.

Members were informed that the draft policy documented the Fund's strategy to embed conformity measures and process reviews within its business operations in order to deliver a rigorous approach to continuous data quality improvement.

The Pension Board had considered the draft policy at its meeting on 10 0ctober 2017 and had deemed it suitable for presentation to Pension Committee for approval; on the basis that accurate data drove confident and proactive decision making and supported a solid risk management framework.

The Records & Data Improvement Policy was attached as Appendix One to the report.

Resolved –That, following the Pension Board's agreement that it appropriately outlined the objectives and practice to achieve and maintain a high level of data quality in regard pension administration records, the draft Records & Data Improvement Policy be approved.

48 **PENSION BOARD MINUTES 10/10/2017**

A report of the Managing Director for Delivery provided members with the Minutes of the local Pension Board held 10 October 2017. The Chair commented that the Pension Fund was fortunate to have a very active Pension Board.

Resolved - That the minutes of the Local Pension Board held on 10 October, 2017 be noted.

49 **LGPS PERFORMANCE 2016/17**

Members gave consideration to a report of the Managing Director for Delivery that provided Committee with information complied by PIRC relating to the performance of LGPS funds.

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

Members were informed that Merseyside Pension Fund participated in the Local Authority Pension Performance Analytics service which was being administered by PIRC since State Street withdrew from offering this service.

The presentation, attached as an exempt appendix to the report, provided an overview of the LGPS universe and information on risk and returns over the short, medium and long term.

Resolved – That the report be noted.

50 **POOLING UPDATE**

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

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

DCLG had requested that all Pools provide a report on progress as at 30 September 2017. A copy of the Northern Pool's report was attached in the exempt appendix. Draft terms of reference considered at the Northern Pool Shadow Joint Committee meeting on 12 September 2017 were also attached as an exempt appendix.

Resolved – That the report be noted.

51 **IMWP MINUTES 12/10/2017**

Members gave consideration to a report of the Managing Director for Delivery that provided Members with the minutes of the Investment Monitoring Working Party held on 12 October 2017.

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

Resolved – That the Minutes of the IMWP meeting held on 12 October, 2017 which were attached as an exempt appendix to the report be approved.

52 **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.

53 **LGPS PERFORMANCE 2016/17 EXEMPT APPENDIX**

The appendix to the report on LGPS Performance 2016/17 was exempt by virtue of paragraph 3.

54 **POOLING UPDATE EXEMPT APPENDICES**

The appendices to the report on Pooling Update were exempt by virtue of paragraph 3.

55 **EXEMPT IMWP MINUTES 12/10/2017**

The appendix to the report on Exempt IMWP Minutes 12/10/2017 was exempt by virtue of paragraph 3.

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WIRRAL COUNCIL

PENSION COMMITTEE

22 JANUARY 2018

SUBJECT:	**LGPS UPDATE** **[SCHEME PAYS POLICY]**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report reviews Merseyside Pension Fund's current policy concerning the provision of scheme pays for scheme members who breach HMRC's Annual Allowance limit for pension saving growth; thereby incurring a tax charge.

1.2 The Fund's current policy was approved by Members at the Pension Committee meeting dated 20 November 2012 (minute 44 refers) and limits the requirement for the Fund to meet member tax charges in circumstances of mandatory scheme pays. It is recommended that this policy is maintained subject to the transitional arrangements detailed in the report.

2.0 BACKGROUND AND KEY ISSUES

2.1 Under the current HMRC tax regime, individuals have a pension Annual Allowance (AA) which is the maximum amount that the value of retirement savings can increase in a year (6 April to 5 April) without incurring tax charges.

2.2 The AA limit was reduced in April 2014 from £50,000 to £40,000. If an individual's annual allowance Pension Growth in any one year (including pension savings outside of the LGPS) is greater than the annual allowance limit, the excess will be subject to the marginal rate of income tax.

2.3 Members are most likely to be affected if they have an LGPS pension based on their final salary, and they receive a significant pay rise, or pay a high level of additional voluntary contributions.

Tapered Annual Allowance for Higher Earners

2.4 In the 2016/17 tax year, HMRC amended the AA rules to introduce a tapering effect; such that those members with high levels of income now have a reduced AA.

2.5 This tapering only affects employees who have 'Adjusted Income' in excess of £150,000 per annum.

'Adjusted Income' is defined as pension growth plus their taxable income from other sources. For example, salary, property income, savings income, dividend income, pension income, social security income (where taxable), state pension income.

2.6 The AA for any member with 'Adjusted Income' of £210,000 or above would be reduced to £10,000, and those with income between £150,000 and £210,000 would have their AA reduced by £1 for every £2 of taxable income above £150,000 as detailed in the table below;

Adjusted Income	Annual Allowance
Up to £150,000	£40,000
£150,000 to £210,000	£40,000 - £10,000
Over £210,000	£10,000

Carry Forward of Unused Annual Allowance

2.7 To reduce the likelihood of tax charges, there is provision within legislation for a carry forward rule in respect of unused AA from the previous three years. This means that even if the value of a member's pension savings increases by more than the AA in a year, they may not be liable to the AA tax charge by using previous unused AA.

2.8 To carry forward unused AA from an earlier year you must have been a member of a tax registered pension scheme in that year.

Administration Requirements – Pension Saving Statements

2.9 Where the aggregate of a member's pension saving (in respect of all their arrangements in a given scheme) exceeds the annual allowance, the scheme administrator must provide the member within six months of the end of the tax year (i.e. by 6 October) a pension saving statement showing;

- the members pension growth or pension input amount for the relevant pension input period and the previous three years, if known by the scheme;

- the annual allowance (not the tapered allowance)for the tax year in which the relevant pension input period ends and for the previous three years.

Scheme Pays

2.10 There are two mechanisms that can support members who are subject to tax charges due to the increase in their pension growth:

- Mandatory Scheme Pays, and;
- Voluntary Scheme Pays.

Mandatory Scheme Pays

2.11 Members have a mandatory right under Section 237B of the Finance Act 2004, to notify their scheme administrator that they require the scheme to pay some or all of their AA tax charge, in return for a reduction in accrued pension rights in accordance with guidance issued by the Secretary of State.

2.12 The qualifying conditions to request Mandatory Scheme Pays are as follows:

- HMRC standard AA limit has been exceeded in the pension fund; and
- the AA tax charge exceeds £2,000 and;
- the relevant time limits for making an election have been met.

For the 2016/17 tax year the election must be made by 31 July 2018.

Voluntary Scheme Pays

2.13 If the conditions for Mandatory Scheme Pays do not apply, or where the tax charge stems from the tapered AA, or where the nomination is made outside of the time-limit, the member may request the Fund to pay the AA tax charge on a voluntary basis.

2.14 The introduction of the Tapered Annual Allowance has resulted in a small minority of the membership base with taxable income of £150,000 or more, potentially facing a maximum annual tax charge of £13,500 as a result of their retirement savings.

2.15 If the Fund were to introduce the option of Voluntary Scheme Pays, then the member may request the Pension Fund to pay their tax bill offset against an appropriate reduction in their pension benefits.

The Fund has received a number of such requests from members subject to the tapered AA tax charge.

Joint and Several Liabilities

2.16 When a member makes an election requiring the pension scheme to pay the AA charge, the scheme and the member will become jointly liable for the tax charge.

The Fund must pay the tax, but the member will have to report the amount of tax that the scheme will pay on their Self-Assessment Tax Return.

Joint and Several Liability will not apply if the scheme agrees to pay the tax voluntarily and the HMRC cannot require the scheme to make payment of any unpaid tax.

Timeline to Invoke Scheme Pays Process.

2.17 If pension growth exceeds the Annual Allowance, the member must submit a Self-Assessment Tax Return to HMRC by 31 January following the end of the previous tax year; stating that there is an AA tax charge and it will be met by scheme pays.

- For the Tax Year 2016/17, the tax payable under Mandatory Scheme Pays must be paid by 14 February 2019.

- For the Tax Year 2016/17, the tax payable under Voluntary Scheme Pays must be paid by the Fund by 31 January 2018.

2.18 Possible benefit and risks in relation to Voluntary Scheme Pays

Recruitment	Benefit	Risk
Fund & Employers	Employers may consider this could be a bargaining tool in recruiting high level management	
Members	Access to tax Defined Benefit Pension Saving with option to meet future tax liabilities via the scheme	

Recovery	Benefit	Risk
Fund & Employers		The Fund is already compelled to allow scheme pays for excess above Statutory Annual Allowance. Scheme Member can apply at any age and on multiple occasions. It will be many years before fully recovered and if member dies before pension starts no or very little recovery may occur. Although it is a tax on a member, initially it is the Fund that makes the payment.
Members	Reduction in benefits is taken out of gross funds rather than net income if tax paid through self-assessment. Member is allowed a deferment in paying tax with recovery not required until many years and may not be fully recovered.	The reduction in pension may exceed the tax charge due to length of time in receipt of pension.

Cashflow & Liabilities	Benefit	Risk
Fund & Employers	The reduction of a member's Pension entitlement to meet tax charges reduces ongoing pension liabilities and the provision can moderately assist in the risk management of the Fund.	Tax where voluntary scheme pays applies has to be made by 31 January following the relevant tax year which is over a year before that under mandatory scheme pays. Disproportionate demand on senior staff resource to ensure the administrative processes and controls are in place to ensure timely payment of tax failure will incur late payment interest costs.
Members	Pension offsets can be beneficial when assessing Lifetime allowance	

2.19 The Local Government Pensions Committee Secretariat have recently received legal advice from Eversheds, noting that administering authorities in England have a general power of competence under the Localism Act 2011 to agree a Voluntary Scheme Pays approach for their LGPS Fund .

2.20 It should be noted that the introduction of Voluntary Scheme Pays is at the discretion of Pension Committee rather than the individual employers within the Fund.

3.0 RELEVANT RISKS

3.1 The risks to the Fund/ Employers and Members are identified within section 2.18 of the main 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 During the work undertaken to assess the impact of the Annual Allowance during the 2016/17 tax year, it was identified that 0.04% of the membership could potentially be subject to the tapered AA and eligible to request voluntary scheme pays.

8.2 The level of senior officer resource expended at the Fund in respect of these members, when dealing with the associated HMRC tax legislation is disproportionate to the general support provided across the overall employer and membership base.

9.0 LEGAL IMPLICATIONS

9.1 It is not a statutory requirement for the Administering Authority to agree to Voluntary Scheme Pays and therefore a determination is required by Pension Committee.

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 In view of both the financial and administrative implications of the Fund permitting the use of voluntary scheme pays, it is recommended that Committee limit the opportunity to circumstances where administrative difficulties result in the member missing the Mandatory Scheme Pays deadline.

13.2 To allow members subject to the tapered Annual Allowance for tax years 2016/17 and 2017/18, to utilise Voluntary Scheme Pays as pension saving have already been accrued.

13.3 To inform future retirement planning, the Fund will communicate thereafter that those members subject to the tapered Annual Allowance from 2018/19 cannot request the Fund invoke Voluntary Scheme Pays on their behalf.

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 Yvonne Caddock

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WIRRAL COUNCIL

PENSIONS COMMITTEE
22 JANUARY 2018

SUBJECT:	**MERSEYSIDE PENSION FUND BUDGET FINANCIAL YEAR 2018/19**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to request that Members approve the budget for the financial year 2018/19.

1.2 The headline figures are that during the financial year 2018/19, we are estimating that MPF will pay £294m in pensions and receive £230m in contributions from employers and employees. The Fund has a value of £8.5bn at 30 September 2017. The proposed administration costs of £22.0m including £14.2m of investment management charges to external managers represent a cost of £164.10 per member of the scheme or 0.26% of assets under management. Taken separately the external investment management costs are approximately £105.97 per member or 0.17% of assets under management.

1.3 The budget for 2018/19 is higher at £22.0m than £20.9m in 2017/18 primarily due to higher staffing costs following the finalisation and approval of the revised structure, increases to contracted services and consultants fees for investment management selection services, as a number of procurement exercises are planned during the year and increased IT expenditure with the workflow and image migration project continuing during 2018/19.

2.0 BACKGROUND AND KEY ISSUES

2.1 The method used to compile estimates of expenditure for 2018/19 is as follows:

Staffing		Current structure to be fully staffed throughout year at the top of the grade.
Investment management Fees		Estimate based on normal market conditions.
Premises		Agreed as a notional charge based on market rates (MPF owns building).
Transport, Conferences and Subsistence		Estimated requirements for current year.
Services and Supplies		Contracts where usage and cost is fixed, plus estimate for variable elements.

Inflation adjustments		CPI 3.0% as at September 2017.
Investment Performance		4% bonds; 8% equities; 50% of performance targets met for active management.

2.2 This report includes a predicted out-turn for 2017/18. However, due to the volatility in financial markets and delays in billing from certain third party suppliers it is not possible to predict the outturn with complete accuracy. Therefore some estimates have been used, and it is proposed to report on outturn at the July meeting of Pensions Committee. At present, the outturn is lower than predicted largely due to investment market volatility.

2.3 The Fund's major expenditure is on investment management fees. These are mostly charged on an ad-valorem basis with, on some occasions, a performance fee. This means that when the Fund's investments rise in value and/or outperform benchmarks, the fees can rise substantially. Therefore, when this expenditure rises there is a benefit to the Fund in terms of capital appreciation that far exceeds the increase in fees paid. For 2017/18 the outturn is expected to be lower than the estimate made last year due to market volatility and efficiencies gained through renegotiated fees.

2.4 The second highest expenditure is on staffing. The outturn for 2017/18 will be underspent due to assumptions used, vacancies and delays in implementing the staffing restructure. The budget for 2018/19 has been updated to reflect the final approved structure.

2.5 The predicted 2017/18 outturn for supplies is lower than estimated largely due to an underspend on costs associated with pooling; this budget has been carried forward to 2018/19.

2.6 The 2018/19 budget provision for supplies has also been increased to reflect known increases in services and consultants fees for investment manager selection services, as a number of procurement exercises are planned during the year. IT expenditure costs rise in 2018/19 for system upgrades and the workflow and image migration project continuing during 2018/19.

2.6 Third party fees rise in 2018/19 due to an increased budget provision for other hired and contracted services to reflect projected investment legal fees.

2.7 For departmental & central support charges, at present the estimates have been left the same as last year, the figure reported to Committee last year was £349,757. Officers at the Fund will continue to negotiate service level agreements with Wirral support service functions.

3.0 RELEVANT RISKS

3.1 Last year, the Chair of the CIPFA Pensions Panel wrote to all administering authorities reminding them of their responsibilities regarding the resourcing requirement of LGPS funds. The Fund has recently reviewed its requirements and has updated its Risk Register to reflect identified key risks and mitigating controls for these risks. A key feature of the controls is having appropriate resources available to administer the fund adequately and to manage

investments. This budget provides adequate resources for these two core functions.

4.0 OTHER OPTIONS CONSIDERED

4.1 The majority of the Pension Fund budget is taken up by investment management costs and staffing. The investment management arrangements have recently been subject to review with further reviews being undertaken on an on-going basis. For all other expenditure there has been a careful review process culminating in a planning meeting at which the Director of Pensions approved the proposals for discretionary expenditure in this report.

5.0 CONSULTATION

5.1 Not relevant for this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are no implications arising directly from this report.

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

8.1 The costs of the Pension Fund are charged directly to the Pension Fund and are then ultimately covered by investment income and employee and employer contributions, the full costs are estimated to be £164.10 per member (including active contributors, deferred and pensioners). The costs per member at Merseyside Pension Fund are competitive with other pension funds of similar size in both the public and private sector particularly when analysed net of investment performance.

8.2 The Fund is undertaking a number of initiatives to increase efficiencies and deliver savings, particularly from investments, over the medium term.

9.0 LEGAL IMPLICATIONS

9.1 There are no implications arising directly from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

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

13.0 RECOMMENDATION/S

13.1 Members approve the budget for 2018/19. (Subject to review of charges from the administering authority for support services and changes in recharges for pension deficit recovery)

13.2 That a further report on the outturn for 2017/18 with finalised estimates in particular for salary overheads and departmental & central support charges for 2018/19 be presented to Pensions Committee Members in July.

14.0 REASON/S FOR RECOMMENDATION/S

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

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APPENDICES

The budget for 2018/19 is attached as appendix 1 to this report.

BACKGROUND PAPERS/REFERENCE MATERIAL

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

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee: **Pension Fund Budget**	**17 July 2017** **23 January 2017** **4 July 2016** **25 January 2016** **22 June 2015** **19 January 2015**

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Appendix 1

Value of the Fund	£8.5bn	*30/09/2017*
Investment income Received	£190m	*Projected 2018/19*
Pensions Paid	£294m	*Projected 2018/19*
Contributions Received (see note 1)	£230m	*Projected 2018/19*
Active Contributing members	47,206	*31 March 2017*
Deferred members	38,368	*31 March 2017*
Pensioners	48,765	*31 March 2017*
Total Members	134,339	*31 March 2017*

		Budget 2017/18 (£)	**Probable Out-Turn 2017/18**	**Budget 2018/19 (£)**
Employees				
	Pay, NI and Pension	3,102,337	2,525,355	3,331,558
	Training	20,000	11,950	20,000
	Other Staffing Costs	265,896	316,280	288,126
		3,388,233	**2,853,585**	**3,639,684**
Premises				
	Rents	279,886	279,886	247,056
		279,886	**279,886**	**247,056**
Transport				
	Public Transport Expenses	49,534	35,131	53,733
	Car Allowances	1,360	1,007	1,630
		50,894	**36,138**	**55,363**

Supplies			
Furniture and Office Equipment	14,000	12,550	14,000
Printing and Stationery	47,000	17,229	32,000
Computer Development and Hardware	507,500	517,351	643,000
Postages and Telephones	106,250	73,016	97,250
External Audit	41,000	41,000	41,000
Services and Consultants Fees	998,767	742,910	1,588,350
Conferences and Subsistence	36,499	25,830	47,893
Subscriptions	143,139	136,220	147,360
Other	61,000	53,084	65,835
	1,955,155	**1,619,190**	**2,676,688**
Third Party			
Medical Fees	5,500	2,356	3,500
Bank Charges	20,000	13,352	20,000
Investment Management Fees	14,130,828	13,034,169	14,235,600
Custodian Fees	260,000	154,803	260,000
Actuarial Fees	280,000	280,000	280,000
Other Hired and Contracted Services	144,755	120,112	277,033
	14,841,083	**13,604,792**	**15,076,133**
Departmental & Central Support Charges	349,757	349,757	349,757
	349,757	**349,757**	**349,757**
Total Expenditure	**20,865,008**	**18,743,348**	**22,044,681**

Note 1 The estimated contributions for 2018/19 are lower than reported in previous years due to a number of employers of the Fund opting to pay their 3 year deficit calculated by the actuary as part of the 31 March 2016 triennial valuation as a one off payment. This has resulted in the Fund receiving additional contributions during 2017/18, with the subsequent 2 years contributions being lower to account for the upfront payments.

WIRRAL COUNCIL

PENSIONS COMMITTEE

22 JANUARY 2018

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

1.0 EXECUTIVE SUMMARY

1.1 This report sets out proposed changes to authorised signatories at Merseyside Pension Fund (MPF) following the retirement of the Assistant Director: Finance and to reflect the introduction of the new operating model. It also updates authorised signatories and job titles following the introduction of the revised structure at the fund.

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

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

2.0 BACKGROUND AND KEY ISSUES

2.1 The current approved signatories are:

Managing Director for Delivery	Joe Blott
Assistant Director: Finance	Thomas W. Sault
Principal Pensions Officer	Yvonne M. Caddock
Operations Manager	Guy W. Hayton
Group Accountant	Donna Smith
Member Services Manager	Susan J. Roberts

2.2 As officers leave employment of Wirral Council, they are removed from the signatory list and accounts are deleted from any electronic systems immediately.

2.3 Approval is requested for the following signatories:

Director for Corporate Resources & Reform	Paul Satoor
Director of Finance and Investment	Shaer Halewood
Head of Pensions Administration	Yvonne M. Caddock
Senior Manager Operations & Information Governance	Guy W. Hayton
Head of Finance & Risk	Donna Smith
Employer Compliance & Membership Manager	Susan J. Roberts

2.4 These responsibilities will include powers to open, close and amend bank accounts; authorise instructions for payment of benefits and for investment transactions; sign manual cheques and countersign cheques over £10,000 in respect of accounts with the Fund's bankers (Lloyds Banking Group), with the Global Custodian (Northern Trust), and with other financial institutions including those detailed in the Fund's Treasury Management Strategy. The officers will also be authorised to sign investment documentation.

2.5 For reasons of internal control, the following officers are empowered to authorise investment decisions and relevant investment documentation including confirming settlement arrangements, but without powers to authorise the transfer of monies through the electronic banking/Custodian system:

Director of Pensions	Peter J. Wallach
Senior Portfolio Manager	Linda Desforges
Senior Investment Manager	Allister Goulding
Senior Investment Manager	Gregory Campbell

2.6 Other officers can make investment decisions up to their limits as specified in the Compliance Manual approved by Pensions Committee, 21 March 2017.

2.7 Authorisation of the monthly pension payroll is undertaken by approved authorised signatories based at MPF.

2.8 For the avoidance of doubt, the Director for Corporate Resources & Reform can designate officers of MPF to exercise powers of attorney on behalf of MPF and Wirral Council. Any two of the following officers of MPF may exercise powers of attorney on behalf of MPF and Wirral Council:

Director of Pensions	Peter J. Wallach
Senior Portfolio Manager	Linda Desforges
Head of Pensions Administration	Yvonne M. Caddock
Head of Finance & Risk	Donna Smith

3.0 RELEVANT RISKS

3.1 It is essential that the Fund maintains strong internal controls and that arrangements which designate those individuals who may authorise transactions are clearly documented. Without the appropriate number of authorising officers, there is a risk of delayed transactions and settlement of trades. This could manifest itself both as financial risk, as there could be a

cost due to delayed transactions and settlements, and as a reputational risk to MPF in financial markets.

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 Members approve the arrangements set out in section 2 of this report in relation to the internal control arrangements at Merseyside Pension Fund.

13.2 That Members approve the officers designated in section 2 of this report as authorised signatories for Merseyside Pensions Fund.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Following the retirement of the Member Services Manager and to update job titles following the introduction of the new operating model it is necessary to update the list of authorised signatories.

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APPENDICES

None

BACKGROUND PAPERS/REFERENCE MATERIAL

None

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	**15 November 2016**
Pensions Committee	**16 November 2015**
Pensions Committee	**17 November 2014**

WIRRAL COUNCIL

PENSIONS COMMITTEE

22 JANUARY 2018

SUBJECT:	**MEMBERS' DEVELOPMENT 2018**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to provide Members with an outline of the proposed programme for member development in 2018.

2.0 BACKGROUND AND KEY ISSUES

2.1 The CIPFA Pensions Panel has developed a technical knowledge and skills framework for the Local Government Pension Scheme. The framework was adopted by Pensions Committee in 2010 as demonstrating best practice and enables the Fund to determine that it has the appropriate mix of knowledge and skills necessary to discharge its governance requirements. It also assists Members in planning their training and development needs.

2.2 An outline training programme is attached as an appendix to this report. It is comprised of a series of internal and external training events throughout the year. Individual papers will be brought to consider and approve attendance at each event and, if officers become aware of other appropriate events, Committee will be informed.

2.3 When relevant, formal training sessions are included in Investment Monitoring Working Parties. Additionally, presentations by external professional organisations and the deliberative nature of all the working parties mean that attendance is regarded as an important element of Member development.

2.4 The Local Government Pensions Committee-organised 'Fundamentals' course is considered essential for all members to complete. It provides a comprehensive overview of the LGPS and the 'trustee' role carried out by those serving on a pension committee/panel. The course takes place over three days (during October – December), at multiple dates and in multiple locations (Cardiff, Leeds & London). While considered essential for new members, longer serving members of Pensions Committee may also benefit from refresher training.

2.7 It is a statutory requirement that the Fund's annual report includes detailed information on training events offered and attended by elected members. A register of Members' attendance at training and development events is kept and reviewed annually by the Governance & Risk Working Party.

3.0 RELEVANT RISKS

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

4.0 OTHER OPTIONS CONSIDERED

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

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 None

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

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

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members note and approve the proposed training and development plan for 2018.

14.0 REASON/S FOR RECOMMENDATION/S

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

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APPENDICES

Appendix 1- Development Programme

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date
Pensions Committee	**January 2017**
Pensions Committee	**January 2016**
Pensions Committee	**January 2015**

APPENDIX 1

MONTH (2018)	EVENT	REPRESENTATION*
1-2 March	LGC Investment Summit, Chester	All Members
7 - 9 March	PLSA Investment Conference, Edinburgh	Chair
8 March	IMWP – Member development session	All Members
21 - 23 May	PLSA Local Authority Conference, Cotswolds	Party Spokespersons
June	LGPC Annual Trustee Conference	All Members
June	PIRC Corporate Governance Conference	Chair
July	CIPFA Conference	Chair
5-7 September	LGC Investment Seminar, Celtic Manor	Party Spokespersons
13 September	IMWP – Member development session	All Members
October	Local Government Pension Investment Forum	Party Spokespersons
17-19 October	PLSA Annual Conference, Liverpool	All Members
November	Annual Employers Conference, Aintree	All Members
October – December	Fundamentals training days; multiple dates & locations	All Members
December	LAPFF Annual Conference, Bournemouth	Party Spokespersons

**Reflects previous attendance*

WIRRAL COUNCIL

PENSIONS COMMITTEE
22 JANUARY 2018

SUBJECT:	**TREASURY MANAGEMENT POLICY**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to request that Members approve the treasury management policy statement and the treasury management practices and annual plan for Merseyside Pension Fund (MPF) for the year 2018/19.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services requires Pensions Committee to receive an annual report on the strategy and plan to be pursued in the coming year. The plan and strategy were last approved by the Pensions Committee on 23 January 2017.

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

2.3 The policy statement is attached as Appendix 1 to this report. There are no significant changes to the policy followed for 2017/18.

2.4 Plan and Strategy

- MPF will comply with the twelve treasury management practices set out in the treasury management policy statement.

- The Fund will run minimal cash balances to pay pensions and meet other obligations. The core position is 0% of Fund assets following the change to the strategic asset allocation approved on 21 March 2017.

- The main aims when managing liquid resources are: the security of capital; the liquidity of investments; matching inflows from lending to predicted outflows; an optimal return on investments commensurate with proper levels of security and liquidity.

- The UK Bank Rate has increased from 0.25% to 0.50%, and is anticipated to remain at low levels throughout 2018/19. Short-term money market rates are likely to remain at low levels for an extended period which will have an impact on investment income.

- For MPF the achievement of high returns from treasury activity is of secondary importance compared with the need to limit exposure of funds to the risk of loss.

- The maximum maturity for any single treasury management investment is 1 year.

- Counterparties are reviewed on a regular basis using a range of information sources, including credit rating agencies, internal research (both from the treasury team and internal investment managers), information from brokers, advice given by the treasury management consultants, information on Government support for banks and the credit ratings of that Government support. The Fund is in a position to use a wide range of research from its investment activities to support this and achieve the aim set on the CIPFA guidance to place a greater emphasis on acceptable credit quality rather than purely credit ratings for counterparts.

3.0 RELEVANT RISKS

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

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report.

5.0 CONSULTATION

5.1 Not relevant for this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no outstanding previously approved actions.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are no implications arising directly from this report.

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

8.1 There are no implications arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are no implications arising directly from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?
(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

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

13.0 RECOMMENDATION/S

13.1 That Members approve the treasury management policy statement and the treasury management annual plan and strategy for Merseyside Pension Fund for the financial year 2018/19.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The approval of the treasury management policy statement and the treasury management annual plan and strategy for Merseyside Pension Fund by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund. These arrangements were approved by Pensions Committee as part of the Investment Strategy Statement on 21 March 2017.

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APPENDICES

The Treasury Management Policy Statement 2018/19 is attached as appendix 1 to this report.

BACKGROUND PAPERS/REFERENCE MATERIAL

CIPFA Treasury Management Code of Practice and Guidance Notes.

SUBJECT HISTORY

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

Pensions Committee – Treasury Management Annual Report	17 July 2017
Pensions Committee – Treasury Management Policy and Strategy	23 January 2017
Pensions Committee – Treasury Management Annual Report	4 July 2016
Pensions Committee – Treasury Management Policy and Strategy	25 January 2016
Pensions Committee – Treasury Management Annual Report	22 June 2015
Pensions Committee – Treasury Management Policy and Strategy	19 January 2015

Appendix 1

MERSEYSIDE PENSION FUND
TREASURY MANAGEMENT POLICY STATEMENT

1 INTRODUCTION

1.1 Merseyside Pension Fund adopts the key principles of 'CIPFA's Treasury Management in the Public Services: Code of Practice' (the Code), as described in Section 4 of that Code.

1.2 Accordingly the Fund will create and maintain, as the cornerstones for effective treasury management:

• This treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities

• Suitable treasury management practices (TMPs), setting out the manner in which this organisation will seek to achieve these policies and objectives, and prescribing how it will manage and control these activities.

2 DELEGATION

2.1 Pensions Committee will receive reports on its treasury management policies, practices and activities including an annual strategy and plan in advance of each financial year and an annual report after its close. The Investment Monitoring Working Party (IMWP) will receive interim reports on treasury management.

2.2 Pensions Committee is responsible for the implementation and regular monitoring of its treasury management policies and practices and will delegate execution and administration of treasury management decisions to the Director of Pensions who will act in accordance with this policy statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

2.3 The IMWP is responsible for ensuring effective scrutiny of the treasury management strategy, policies and performance.

3 DEFINITION

3.1 Treasury management activities are defined as: the management of the Fund's cash flows, its banking, money market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

3.2 The Fund regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on the risk implications for the Fund.

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

TREASURY MANAGEMENT PRACTICES (TMPs)

4 TMP 1 RISK MANAGEMENT

4.1 The Fund regards a key objective of its treasury management activities to be the security of the principals sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investments.

4.2 The Director of Pensions will design, implement and monitor all arrangements for the identification, management and control of treasury management risk and will report annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Fund's objectives.

4.3 The Fund will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP 4 and listed in the schedule (4.1, 4.2) to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations with whom it may enter into financing arrangements.

4.4 The Fund will ensure that it has adequate though not excessive cash resources to enable it at all times to have the level of funds available to it, which are necessary for the achievement of its business objectives.

4.5 The Fund will manage its exposure to interest rates with a view to securing its interest revenue as far as is possible within cash flow constraints and by the prudent use of permissible instruments.

4.6 The Fund will achieve these objectives by the prudent use of its approved investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level and structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

4.7 It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact.

4.8 The Fund will keep under review the sensitivity of its treasury activities to inflation, and will seek to manage the risk accordingly in the context of the whole Fund's inflation exposures.

4.9 The Fund will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its counterparty list it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

4.10 The Fund recognises that future legislative or regulatory changes may impact on its treasury management activities and so far as it is reasonably able to do so will seek to minimise the risk of these impacting adversely on the organisation.

4.11 The Fund will ensure that it has identified the circumstances, which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

4.12 The Fund will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

5 TMP 2 Performance Measurement

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

6 TMP 3 Decision Making and analysis

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

7 TMP 4 Approved Instruments, methods and techniques

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

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

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

8.2 The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

8.3 If and when the Fund intends, as a result of a lack of resources or other circumstances to depart from these principles, the "responsible officer" will ensure that the reasons are properly reported and the implications properly considered and evaluated.

8.4 The Director of Pensions is the responsible officer. The responsible officer shall ensure that there are clear written statements of the responsibilities for each post engaged in treasury management and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule 5 to this document.

8.5 The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds.

8.6 The delegations to the responsible officer in respect of treasury management are set out in the schedule (5) to this document. The responsible officer will fulfil all such responsibilities in accordance with this policy statement and TMPs and the CIPFA Standard of Professional Practice on Treasury Management.

9 TMP 6 Reporting Requirements and Management Information Requirements

9.1 The Fund will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of these policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

9.2 Pensions Committee will receive an annual report on the strategy and plan to be pursued in the coming year.

9.3 An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Fund's treasury management policy statement and TMPs, will be received by the Pensions Committee.

9.4 The Fund Operating Group (FOG) will receive interim reports on treasury management, with significant issues reported to IMWP.

10 TMP 7 Budgeting, accounting and audit arrangements

10.1 The budget for the treasury management function will be included as part of the budget for the Fund which is submitted to Pensions Committee on an annual basis.

10.2 The Fund will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

11 TMP 8 Cash and cash flow management

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

12 TMP 9 Money Laundering

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

13 TMP 10 Training and Qualifications

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

13.2 The responsible officer shall ensure that Pension Committee Members tasked with Pension Fund responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.

14 TMP 11 Use of external service providers

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

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

15 TMP 12 Corporate Governance

15.1 The Fund is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

15.2 The Fund has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management and the responsible officer shall monitor and, if and when necessary, report upon the effectiveness of these arrangements.

MERSEYSIDE PENSION FUND:

SCHEDULE TO TREASURY MANAGEMENT POLICY

SCHEDULE 1:
RISK MANAGEMENT

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

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

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

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

1.2 Under exceptional circumstances e.g. transitional arrangements on appointment of new Investment Managers, these limits may be exceeded for a limited period with the prior written approval of the Director of Pensions and Fund Operating Group (FOG). Such instances will be reported to the following meeting of the IMWP.

1.3 The Fund and the administering Authority (Wirral Council) and its advisors, Arlingclose Ltd, select financial institutions after analysis and ongoing monitoring of:

- Published credit ratings for financial institutions (minimum long term rating of A- or equivalent for counterparties; AA+ or equivalent for non-UK sovereigns
- Credit Default Swaps (where quoted)
- Economic fundamentals (for example Net Debt as a percentage of GDP)
- Sovereign support mechanisms
- Share Prices
- Corporate developments, news, articles, markets sentiment and momentum
- Subjective overlay – or, put more simply, common sense.
- Any institution can be suspended or removed should any of the factors identified above give rise to concern.

1.4 It remains the Fund's policy to make exceptions to counterparty policy established around credit ratings, but this is conditional and directional. What this means is that an institution that meets criteria may be suspended, but institutions not meeting criteria will not be added.

1.5 The Fund is in a position to use a wide range of research from its investment activities to support this and achieve the aim set on the CIPFA guidance to place a greater emphasis on acceptable credit quality rather than purely credit ratings for counterparts

1.6 The Fund requires liquid resources to meet pension payments, investment commitments and administrative expenses. The cash flows from realisation and purchase of investments can be large and concentrated and the Fund needs to maintain facilities and resources to meet these. On days when there is a significant transition of assets between asset managers, appropriate arrangements are made with the Fund's bankers regarding the timings of the receipt and payments of cash flows (day light exposure).

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

1.8 It will manage its exposure to fluctuations in exchange rates. In general, the Fund will only hold foreign currencies to fund pending investment transactions thus limiting the exposure of treasury management activities to fluctuations in exchange rates so as to minimise any detrimental impact.

SCHEDULE 2:

PERFORMANCE MEASUREMENT

2.1 The performance of the Fund's investments is independently measured by Northern Trust. The performance of cash is included as part of this process and is benchmarked against an appropriate inter-bank rate. This performance measurement is subject to scrutiny by Pensions Committee and IMWP.

2.2 The costs of investment management generally including treasury management expenses are separately accounted for in the Annual Statement of Accounts. Comparisons are made between internal and external fund management costs.

SCHEDULE 3:
DECISION MAKING AND ANALYSIS

3.1 Decision-making is delegated as indicated in the management arrangements set out in schedule 5. Day to day decisions are constrained by the risk controls set out in the other schedules such as approved instruments and counterparties etc.

3.2 Tactical decision making by officers will seek to use information from brokers to meet cash flows whilst gaining maximum return within risk constraints. Officers will have access to up to date market information.

3.3 Strategic decision making by officers and members will seek to set in place a plan that meets the needs of the Pension Fund in relation to its overall investment plan. The external advisers to the Fund (actuary and independent advisers) will help to ensure that decisions are well informed.

3.4 A risk assessment form will be completed for each treasury management transaction (excluding cash at bank), detailing the circumstances at the time the decision is made and providing evidence of the issues considered.

SCHEDULE 4:
APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 The Fund will use the following instruments for its internally managed treasury management activities. The Fund does not use derivatives for risk control associated with the treasury management function but may hold derivatives for risk control within the overall portfolio and as investments (these may be held by internal and external managers)

- AAA rated money market funds with a constant Net Asset Value
- Call funds
- Fixed term deposits with counterparties
- Forward Fixed term deposits with counterparties
- Structured Fixed term deposits with counterparties (See Note 1)
- Cash at bank (Lloyds)

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

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

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

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

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

Investment Monitoring Working Party (IMWP)
Makes recommendations to Pensions Committee following consultation with in-house managers and external advisers.

Director of Pensions
Responsibilities as set out in twelve Treasury Management Practices.

Fund Operating Group (FOG)
Includes reviewing the day to day operation of the investments and accountancy function.

Head of Finance & Risk
Responsible for team that undertakes treasury management activities.

5.2 The day to day transactions for treasury management are executed by the treasury management team overseen by the Fund Accountant(s).

5.3 The transmission of funds is carried out by the settlements team through electronic banking system and the recording of transactions is monitored by the Senior Fund Accountant ensuring an adequate separation of duties in the system.

5.4 The physical authorisation of the release of payments from the bank account is made by the Fund's authorised signatories as approved by Pensions Committee.

5.5 There are sufficient staff employed in the process to cover absences and maintain a separation of duties; the duties of staff are outlined in their job descriptions.

5.6 Staff currently involved in the system have an adequate level of relevant qualifications. Further training, as required, is made available as part of ongoing staff development:

Director of Pensions FCSI, ACIB
Head of Finance & Risk CPFA
Senior Fund Accountant CIMA
Fund Accountant (Compliance) AAT
Fund Accountant (Operations) CPFA, AAT
Settlements Officer AAT
Valuations Officer AAT
Investment Officer (this post is currently vacant)

5.7 Dealing arrangements will be detailed within application forms (where applicable) and approved by an authorised signatory.

5.8 The Fund's policy is not to tape treasury management conversations, although faxed or emailed confirmation is required of the deal from the broker or directly from the counterparty (if non-standard) before the payment is released.

5.9 Treasury management facilities are set up with the approval of at least one of the Fund's authorised signatories.

5.10 Treasury management facilities provided on the internet will be agreed with the Director of Pensions and will be scrutinised by the Compliance Section to ensure all necessary controls are in place.

SCHEDULE 6:
REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

6.1 The Fund will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of these policies; on the implications of changes, including budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

6.2 Pensions Committee will receive an annual report on the strategy and plan to be pursued in the coming year.

6.3 An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Fund's treasury management policy statement and TMPs, will be received by the Pensions Committee.

6.4 The Fund Operating Group will receive interim reports on treasury management, with significant issues reported to IMWP.

SCHEDULE 7:
BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

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

SCHEDULE 8:
CASH FLOW

8.1 Given the unpredictable nature of cash flows in investment management and in the payment of lump sum benefits, the Fund is not able to forecast cash flows precisely. The Fund has designed its cash portfolio to meet the principal material predictable cash flows i.e. pension pay days, and retains a sufficient level of liquidity to cover other calls on cash.

8.2 The investments office maintains cash flow statements on a monthly basis updated daily for predictable cash flows and uses this as a tool to assist the treasury management function.

SCHEDULE 9:
USE OF EXTERNAL PROVIDERS

9.1 The main providers of services to the Fund are money market brokers. As the Fund does not borrow funds it does not pay commission to the brokers. The performance of brokers is under regular review by staff.

9.2 The Fund's main clearing bank contract is the subject of regular tendering exercises.

SCHEDULE 10:
CORPORATE GOVERNANCE AUDIT AND COMPLIANCE

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

- Internal policies
- Internal records of deals
- Counterparty confirmations

WIRRAL COUNCIL

PENSIONS COMMITTEE

22 JANUARY 2018

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

1.0 EXECUTIVE SUMMARY

1.1 This report requests nominations for members to attend the Local Government Chronicle (LGC) Investment Conference, to be held in Chester from 1 to 2 March 2017.

2.0 BACKGROUND AND KEY ISSUES

2.1 The conference is themed “2018: Keeping the LGPS affordable and accessible through austerity and uncertain times”.

2018 will be a ground-breaking year for the LGPS. Although all the pools will be up and running and the transition of funds into the pools will have started, there is still much uncertainty over areas such as accountability and what the arrangements will be for assets held outside the pool.

Inevitably, the pooling agenda has dominated the LGPS landscape over the last few years. In 2018 it will certainly be significant, but there will also be scope to focus on investment.

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

The draft agenda is attached at appendix 1.

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 N/A

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 A free place is available as MPF was represented at the LGC Investment Summit. Additional places plus a night's accommodation (Thursday night) will be £515 per delegate (excluding travel), which can be met from the existing Pension Fund budget.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That attendance at the conference by Members be approved.

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

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Attendance at this conference is a part of the development programme which is a separate item on this agenda and will assist Members in fulfilling the Committee's Knowledge and Skills objectives as set out by CIPFA.

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APPENDICES

Appendix 1 Draft agenda

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	January 2017
Pensions Committee	January 2016
Pensions Committee	November 2014

LGC Investment Seminar

Carden Park Hotel, near Chester: 1-2 March 2018

2018: Keeping the LGPS affordable and accessible through austerity and uncertain times

Draft programme

2018 will be a ground-breaking year for the LGPS. Although all the pools will be up and running and the transition of funds into the pools will have started, there is still much uncertainty over areas such as accountability and what the arrangements will be for assets held outside the pool.

The LGC Investment Seminar offers clarity on how these challenges can best be overcome and what they mean for your organisation.

Inevitably, the pooling agenda has dominated the LGPS landscape over the last few years. In 2018 it will certainly be significant, but there will also be scope to focus on investment. As the pools are set up and the existing relationships within the LGPS change, it is even more important to be aware of all the contributing factors that impact on the investment of the fund.

The LGC Investment Seminar will provide attendees the tools and knowledge to help you deliver your responsibilities to the Local Government Pension Scheme. The event enables you to:

Benefit from educational workshop sessions where you can get to the core of the more complex investment issues

It also gives you the opportunity to network with your peers and investment experts – pick their brains and share knowledge about the direction of travel for your organisation. Experience comprehensive plenary sessions covering the most topical issues fund with high calibre speakers.

Participate in an informative debate pitched at the right level for the audience so everyone can benefit Improve your contacts with our fund manager sponsors and learn which of their products can provide benefit to your organisation.

Thursday 1 March

Session	Title	Presenters
09:15 – 09:45	**Coffee and registration**	
09:45 – 09:55	**Chairman's welcome**	**Chris Bilsland,** Non-

		Executive Director, **London CIV**

09.55 – 10:45 **Plenary 1**	**A view from the Advisory Board - Latest update and commentary on emerging issues** **Pooling progress** **Overall health of the LGPS** **Current Government thinking** **MiFID II opt up** **Fee transparency** **Prospects for local government and public services financially** **Big Issues in the horizon for our sponsors and employers** **Work of the CIPFA Pensions Panel**	**Jeff Houston** **Head of Pensions, LGA** **Andrew Burns** **President, CIPFA**

10:45 – 11:35 **Plenary 2**	**Affordability in relation to strategic asset allocation bearing in mind the very difficult financial outlook for local authorities** **The end of an olden period for stocks and bonds?** **Impact of inflation and other drivers of return** **Quantifying the impact on investment returns** **New opportunities from Pooling** **Will strategic asset allocation look very different?**	**Graeme Muir** **Partner and Head of Public Sector** **Barnett Waddingham**

11:35 – 12:05	**Refreshments**

12:05 – 13:00 **Attend 1 of 3 investment focused workshops**	**A**	**B**	**C**
	Interactive workshops led by our fund manager sponsors.		

13:00 – 14:15	**Lunch**

14:15 – 15:15 **Plenary 3**	**Pooling and Governance** **How Governance of the pools will be different to governance of the funds** **How the pools are likely to operate**	**Kieran Quinn** **Chair, Greater Manchester Pension Fund**

	How the pension funds are going to govern their pools **Key risks and opportunities for the Funds**	

15:15 – 15:45	**Refreshments and networking**

15:45 – 16:30 **Plenary 4**	**What is keeping the investment managers awake at night?**	**John Roe** **Head of Multi-Asset Funds Legal & General Investment Management** **Percival Stanion** **Head of International Multi Asset** **Pictet Asset Management**

16:35 – 17:30	**D**	**E**	**F**
Attend 1 of 3 investment focused workshops	**Interactive workshops led by our fund manager sponsors.**		

19:00	**Networking reception**
19:30	**Networking dinner**

Friday 2 March

08:30 - 09:00	**Refreshments and networking**

09:00	Chairman's welcome	**Chris Bilsland**
09:05 – 10:05 **Plenary 5**	**A forward-looking session with thoughts and views on** **How the next few years might develop for local authorities and public services**	**Lord Bob Kerslake** **Chair, London CIV**

	Making sense of the political upheavals **Conservative and Labour manifestos compared**	
10:05 – 10.40 **Plenary 6**	**Session to be confirmed**	**Kieran Harkin** **Head of LGPS Investment Consulting** **JLT Employee Benefits** **Joanne Segars** **Chair, LGPS Central**

10:45 – 11:40 **Attend 1 of 3 investment focused workshops**	**G**	**H**	**I**
	Interactive workshops led by our fund manager sponsors.		

11:40 – 12:10	**Refreshments and networking.**	
12:10 – 13:00 **Plenary 7**	**Thoughts on how the Pools will manage investments differently** **The investment decision making process** **Setting the risk return appetite** **Post investment management** **Tracking socio-economicreturns** **Accessing opportunities not previously available** **Ensuring transparency**	**Denise Le Gal** **Chair, Brunel Pension Partnership** **Rachel Elwell** **CEO** **Border to Coast Pensions Partnership**
13:00	**Closing remarks**	**Chris Bilsland**
13.05	**Lunch**	

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WIRRAL COUNCIL

PENSIONS COMMITTEE
22 JANUARY 2018

SUBJECT:	**CLIMATE RISK MANAGEMENT**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1. EXECUTIVE SUMMARY

1.1 The purpose of this report is to request that Members approve the proposal to move into low carbon passive equities as part of implementing the climate risk management policy for Merseyside Pension Fund (MPF).

1.2 Appendix 1 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 KEY ISSUES

2.1 Pensions Committee has previously approved the development of a Climate Risk Strategy for MPF, based on climate-related investment beliefs: that climate change is a systemic risk and thus, a material long-term financial risk for investors who must meet long-term obligations. In March 2017, Members approved the Fund's Investment Strategy Statement, containing the following pertinent investment beliefs:

- *There exists an equity risk premium, namely that investors are rewarded over the longer term for making investments in equities or other risk assets;*
- *Environmental, social and governance (ESG) factors will materially affect investment performance over the long term*
- *MPF can select optimal investment strategies that integrate ESG information to drive the construction and adjustment of investment portfolios.*

2.2 Members have requested that plans be brought forward for measuring and reducing the carbon intensity of existing portfolios as part of pursuing a decarbonisation goal. The proposal contained in this report is a step toward that goal.

2.3 Passive Equities

As at 31st December 2017, MPF's assets were valued at £8.6 billion, of which 13% comprised passive equities (managed to track the returns produced by stock-market indices):

£468 million	UK equities (tracking FTSE All Share index)
£663 million	US equities (tracking FTSE North America index)

These passive equities portfolios are managed in low cost pooled investment vehicles (MPF's assets are co-mingled with those of other investors) by State Street Global Advisers and they track standard market capitalisation-weighted indices. They make up one quarter of MPF's overall allocation to equities. Their purpose as part of MPF's investment strategy is to provide a relatively low risk exposure to the return available from equity markets, or the 'equity risk premium'.

2.4 MPF is exploring alternative ways to access this risk premium, due to recognised inefficiencies in market cap-weighted indices. In terms of climate risk, the indices tracked in the passive equities portfolio are agnostic to climate risk and contain high concentrations in stocks and sectors that are vulnerable to climate risk. It is proposed that, as part of a restructuring of the passive equities portfolio: one third is allocated to a low carbon index-tracking solution; that the low carbon index selected has a reduced carbon foot-print (using measures of carbon emissions intensity and fossil fuel reserves) relative to current indices used; and that it remains capable of replicating the return of its 'parent index' within an acceptable range of tolerance.

The objective will be to provide a return in line with the market, on a more climate-resilient basis (carbon reduction acting as a hedge against climate risk) with some potential for long-term outperformance as the transition to a low carbon economy gains momentum. However, it should be noted that some increase in performance volatility may be experienced in the short-term (for example, in the event of upward movements in oil & gas prices).

2.5 It is likely that an increase in costs would be associated with implementing this proposal, due to the relative lack of scale of assets invested in such strategies and the licensing costs associated with specialist index benchmarks. However, any cost increase would be from a very low base and could be off-set in time by the risk reduction benefits outlined. The past 18 months has seen the launch of notable institutional-scale low carbon index funds by leading asset management groups, which begins to address the scaling issue. MPF has means to efficiently procure suitable support for implementing this proposal, via the National LGPS Frameworks initiative.

2.6 An exercise to measure MPF's carbon foot-print is underway and it is expected that the findings will be reported to Pensions Committee in March 2018 (and subsequently included in the Fund's public reporting). This will provide further

means to calibrate the amount of risk reduction to be sought and illuminate the contribution of restructuring the passive equities portfolio toward this goal.

3.0 RELEVANT RISKS

3.1 The Financial Stability Board-backed Taskforce on Climate-Related Financial Disclosures (TCFD) has classified climate risks into two major categories – transition risks and physical risks. Transition risks relate to the impacts (including costs) of public policy, legal, technological and market changes that will be required to mitigate and adapt to climate change. Physical risk relates to physical impacts of climate change (such as those arising from extreme weather events or changes in rainfall patterns). The proposal in this paper addresses primarily transition risk.

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report.

5.0 CONSULTATION

5.1 The ongoing development of the climate risk strategy takes place under the auspices of MPF's Investment Monitoring Working Party and has included participation from Members, Officers, TU representatives and external Fund Advisers.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 Pensions Committee has previously approved the planning of a reduction in the climate risk exposure of the passive equities portfolio of MPF.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are no implications arising directly from this report.

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

8.1 There may be an increase in investment management costs for the Merseyside Pension Fund arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are no implications arising directly from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?
(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 The proposal will reduce the investment portfolio carbon foot-print of Merseyside Pension Fund.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

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

13.0 RECOMMENDATION/S

13.1 That Members approve the proposal to allocate one-third of MPF's passive equities to a low carbon index.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The recommendation will progress the implementation of a decarbonisation plan that is in line with agreed policies on addresing climate risk with respect to the Merseyside Pension Fund.

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APPENDICES

1. *Greenhouse Gas Risk in the Merseyside Pension Fund Portfolio*, report of Rohan Worrall (Independent Adviser to MPF & member of the IMWP)
2. *Climate Change Investment Policy Framework,* Local Authority Pension Fund Forum (LAPFF), November 2017

BACKGROUND PAPERS/REFERENCE MATERIAL

MPF's Climate Risk Strategy Statement:

https://mpfmembers.org.uk/content/climate-change

SUBJECT HISTORY (last 3 years)

	Date
Pensions Committee: Climate Risk Options Pensions Committee: Climate Risk	March 2016 November 2015

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Local Authority
Pension Fund
Forum

CLIMATE CHANGE INVESTMENT POLICY FRAMEWORK

INTRODUCTION

The Climate Change Investment Policy Framework is provided to LAPFF member funds to help guide their policy approach to current and future investment risks and opportunities that result from the impacts of climate change. It is intended to help funds as they develop their investment strategies to accommodate climate change considerations. It sets out LAPFF's current view of suggested best practice guidance, recognising that for many members the level of commitment may be aspirational at this stage and is based on the assumption that funds will tailor the wording of their policies to reflect their own circumstances and investment objectives.

LAPFF recognises that member funds are at different stages in their active consideration of climate risk within their investment strategy. This framework is provided to member funds as guidance on what they might include in their own written statements and policies on climate change, wherever they are in their respective journeys to achieving best practice. It is not assumed that funds will cover all the points in the policy or in the amount of detail given. It is essential that whatever funds decide to do, that they are able to deliver, measure and report.

In developing the policy framework, consideration has been given to the requirements placed on English and Welsh Administering Authorities by LGPS Investment Regulations and DCLG Guidance on the content and coverage of Investment Strategy Statements which shape the regulatory context for funds in relation to their stewardship and responsible investment activities. Related requirements for Scottish funds are set out by the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 which require administering authorities to prepare, maintain and publish a written Statement of Investment Principles.

The Local Authority Pension Fund Forum (LAPFF) is a voluntary association of 73 local government pension scheme fund members, based in the UK, with combined assets of approximately £200 billion. LAPFF exists to protect the long-term investment interests of its members and to maximise their influence as shareholders by promoting the highest standards of corporate governance and corporate responsibility amongst investee companies.

This framework was compiled by Tessa Younger of PIRC Ltd, LAPFF's research and engagement partner. We gratefully acknowledge the initial drafting by Helene Winch, investment specialist, consultant and adviser to institutional investors across public and private equity, infrastructure, renewable energy and low carbon indices. The framework has received comprehensive review and feedback by the LAPFF executive committee, LAPFF members and the Responsible Investment cross pool working group, as co-ordinated by Frances Deakin of LPPI Ltd.

For further information, please contact Tessa Younger, tessa.younger@pirc.co.uk or Lara Blecher, lara.blecher@pirc.co.uk at PIRC.

DEVELOPING A CLIMATE CHANGE INVESTMENT POLICY FRAMEWORK

LAPFF has long recognised the imperative to address climate change as a systemic and long-term investment concern for members, as it poses material financial risks across all asset classes with the potential for loss of shareholder value.

A number of studies have identified the potential for significant value loss as a result of the impact of climate change. One LSE study, Climate Value at risk for global financial assets, has quantified this and states *'We find that the expected 'climate value at risk' (climate VaR) of global financial assets today is 1.8% along a business-as-usual emissions path. Taking a representative estimate of global financial assets, this amounts to $2.5 trillion'*.

The risks investors face are not limited to physical damage through severe weather events, or from rising temperatures and increasing natural resource scarcity. They include the impact of regulation to achieve targets for global emissions reduction set in Paris in 2015 and of the global transition to a low-carbon economy now under way. These are factors which will catalyse real world market adjustments and bring changes to energy production, supply and consumption patterns.

The timing and the consequences of climate change will vary across business sectors but will impact all companies in multiple dimensions, as producers, consumers, tenants and asset owners. The likely effects will include emissions and other resource related restrictions, asset stranding, technological obsolescence, and increased costs due to natural resource scarcity. For companies unable or unwilling to recognise, plan for and adapt their business to the risks and opportunities associated with climate change, the outcome will be business failure. Investors in unsustainable companies or within exposed sectors will ultimately suffer value loss.

There is broad acknowledgement that the COP21 Paris Agreement marked a significant change in the extent and seriousness of the global commitment to taking action on climate change. It was following this that LAPFF members agreed a series of actions including the production of a 'best practice' climate change investment policy framework which would provide support and context for the development of member funds' investment and stewardship approaches.

Signatories to the Paris Agreement in summary agreed to pursue 'efforts to limit the temperature to 1.5 degrees C above pre-industrial levels', in itself a more ambitious target than expected. Signatories also agreed to aim for c.2050 as a target for net zero carbon emissions i.e. where carbon emissions caused or produced by human activity are balanced by the removal of carbon by natural sinks.

Following on from COP21, a range of other initiatives have taken place anticipating the actions and changes which will flow from the commitments made in Paris. The guidance produced by LAPPF reflects the insight and recommendations of several expert groups and commentators and will help members to benefit from and align with best practice.

In June 2017, the Bank of England published its strategic response to climate change. This reflects the Banks increasing focus on the impact of climate related financial risks within the broader context of actions being taken by central banks and by financial regulators globally and by the wider international community. Bank of England Governor Mark Carney has stated *'Financial decarbonisation of our economy is a major opportunity for long-term investors'. If pension funds are genuine long-term investors, then they may be well placed to benefit.'*

In July 2017, the EC High-Level Expert Group on Sustainable Finance, published its interim report on sustainable finance. The Commission will explore early recommendations to take further steps towards a low carbon, more resource-efficient and sustainable economy.

The Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) was set up in 2016 to develop voluntary, consistent climate-related financial risk disclosures. It identified the need for good information from companies to address investors' needs when making decisions on capital allocation, as well as being applicable to investors themselves. The current emphasis is on voluntary standards but there is the implication that this may change in future.

In June 2017, the TCFD issued its final report with recommendations. The TCFD includes Asset Owners in the scope for reporting and highlights the importance of their role at the top of the investment chain. The disclosure framework recommended by the Taskforce is defined across four themes of: Governance; Strategy; Risk Management; and Metrics and Targets.

The LAPFF framework incorporates these four themes within its guidance to member funds, recognising that the TCFD framework will be widely recognised as the best practice guide against which the activities of investors will be compared. In line with the Task-Force's recommendations that organisations should report within mainstream finance reporting, it is recommended that member funds summarise their Policy on climate change within their Investment Strategy Statements or Statement of Investment Principles, Investment Beliefs, Investment Policy and/or Risk Register of funds as well as their Responsible Investment Policy. Ensuring that their annual reporting reflects this Policy will facilitate funds reporting in line with the Task-Force recommendations.

The following guidance is suggested wording and content for funds to consider when drawing up their own policy statements, but clearly this will be dependent on the individual circumstances of each fund, and funds should tailor statements accordingly.

CLIMATE CHANGE INVESTMENT POLICY FRAMEWORK

As a Local Government Pension Fund we are long-term investors with liabilities reaching beyond the year 2100. The objective of the Fund is to meet the current and future pension benefits of our members now and when they fall due.

Investment Beliefs

The Board and Management of the Fund believe that, over the expected lifetime of the Pension Fund, climate-related risks and opportunities will be financially material to the performance of the investment portfolio. As such, we will consider climate change issues across the Fund and specifically in areas such as Strategic Asset Allocation, Investment Strategy, Investment Manager Selection and Risk Management with the aim of minimising adverse financial impacts and maximising the opportunities for long-term economic returns on our assets.

The climate change investment policy will guide the Fund in terms of Governance, Investment Strategy, Risk Management and Metrics and Goals.

Governance

The pension committee has responsibility for the direction of policy and the committee will have access to expert advice and have members with appropriate skills and knowledge. Responsibility for the implementation of this policy lies with the Fund's head of pensions and is adequately resourced. Regular monitoring of reports and impact assessments of policy implementation will be presented to the Committee and to the Local Pension Board.

Review period

We acknowledge that appropriate responses to the investment challenge of climate change are evolving rapidly and we commit to review our climate change strategy and policy every three years or otherwise as in line with the investment review cycle.

Investment Strategy

We are aware that climate change will impact all asset classes over the lifetime of the fund. As a result, many assets will be re-priced but the timing of this is uncertain and the impact will vary by asset class due to geography, liquidity and the underlying life of our assets. We also recognise that there is uncertainty over the direction and speed of policy changes in this area. We aim to integrate climate change considerations into the Investment Strategy in a number of ways, as follows.

Asset Allocation

We will consider a range of alternative investment strategies available to manage risks and opportunities related to climate change. These may include active management of carbon risk which results in some reduction of exposure, such as a tilt towards low-carbon companies and assets, alongside company engagement and an increased allocation to low-carbon investment opportunities.

Investment Managers' Oversight

We will engage with our investment managers to ensure they take account of climate change in investment practices and processes. Managers will be encouraged to ensure that active portfolios include positions that maximise the investment benefits, and minimise the risks, from climate change. All Investment Managers will be monitored on their approach to climate change as part of the regular review process.

Use of scenario analysis

We will review a variety of research and analytical materials to encourage the use of scenario analysis which provides estimations of relative performances of asset classes and sectors under different scenarios. When we have found scenario analysis that we consider robust and meaningful, we will request such research be utilised where possible in our Asset Allocation decisions and encourage our investment advisers to do likewise.

Climate-Related Investment Opportunities

Climate-related investment opportunities are available in areas such as energy efficiency, choice of energy sources, products and services and new markets.

We consider that currently there are limited climate-related investment opportunities in the public markets with more opportunities existing in the private markets across private equity, private debt, infrastructure and real assets. This has asset allocation implications due to the illiquidity and complexity of some of these asset classes. Property is a significant asset class allocation and we are aware that buildings are responsible for over one-third of total green-house gas emissions in the UK[1]. For directly-held properties, we will look to work with our property management teams on focus areas such as energy management and owner-occupier relations to reduce these emissions, and we will expect indirectly-held property managers to do likewise.

[1]Committee on Climate Change report https://www.theccc.org.uk/wp-content/uploads/2013/06/CCC-Prog-Rep_Chap3_singles_web_1.pdf

Risk Management
Climate risk will be measured and managed by integrating climate change into our risk management processes. We, or our managers on our behalf, will also consider the following:

- include climate related financial risk on our risk register;
- monitor the scheme's carbon intensity;
- monitor policy dialogues for early indicators of change; and
- increase internal awareness of publicly available climate change scenarios and other risk analysis tools.

This will include seeking to reduce climate-related risks by improving the resilience of our investments where possible as well as identifying investments where appropriate in suitable low-carbon[2] assets to rebalance the investment portfolio away from carbon intensive assets.

Company Engagement
Where shares are held directly by the Fund, we identify, with guidance from investment managers and advisers, companies in our portfolios that are at the greatest financial risk from the transition to a low-carbon economy. We use our shareholder rights to engage directly, collaboratively (including with LAPFF) and through our fund managers, with companies exposed to the greatest risks, to encourage them to adapt their business models to ones that are better aligned to a low-carbon economy. We further encourage companies to take account of the Financial Stability Board Task-Force on Climate-Related Financial Disclosure (TCFD) recommendations. Company responsiveness to engagement is taken into account in voting activity and the Fund will co-file and support relevant shareholder resolutions where appropriate. Where possible, we extend this engagement to investee companies across all asset classes.

Public Policy
Policy uncertainty is a major source of climate-related risk, as policy unpredictability makes the parameters of investment decisions and forecasts of economic outcomes less certain. As such, the Fund commits to play an active role in engagement with policymakers and regulators whether directly, through its membership of LAPFF and other groups, or both. This encompasses encouraging policy makers to address market failures and to provide an appropriate strategy and policy framework, which encourages the transition to a low-carbon economy. We will report on our policy objectives and activities annually.

Collaboration
We believe collaboration with other investors helps influence and improve market best practice standards as well as strengthening the voice of asset owners and their pension beneficiaries. Consequently, through our own activities and by our membership of the Local Authority Pension Fund Forum and other organisations, we aim to support 1.5 to 2 degree business model scenarios and participate in:

- engagement with companies to improve their approaches to climate change as well as encourage them to report on their actions for future business model scenarios;
- influencing policy makers; and
- promotion of relevant research projects in areas, such as developing standardised carbon intensity measures, and investment initiatives that improve information flow and investment opportunities.

Metrics and Goals
We will report progress in our Annual Report and Accounts where possible in line with TCFD recommended metrics. We will also report additional metrics such as the number of collaborative and direct company engagement meetings held. Any measures of carbon intensity undertaken will be used to feed into investment strategy and risk management processes, to highlight specific risks and to guide company and investment manager engagement.

We aim to set targets that are measureable and reportable over time. These will cover climate related training, analysis of climate risk across the portfolio, addressing climate risk with asset managers and on asset allocation, including climate-related investment opportunities across asset classes. The Fund's long-term goal is for 100% of assets to be compatible with the net zero-emissions ambition by c.2050 in line with the Paris agreement. This decarbonisation goal will be regularly evaluated in line with our objective of maintaining long-term financial performance.

[2]The fund should identify what criteria it uses to identify a 'low carbon' asset

ABOUT THE LOCAL AUTHORITY PENSION FUND FORUM (LAPFF)

LAPFF represents the interests of 73 public sector pension fund members with combined assets of approximately £200 billion. The Forum has long been concerned about climate and carbon-related risks to the underlying investment portfolios of member funds. LAPFF members are interested in investment opportunities afforded by a low-carbon future which increase asset diversification and provide long-term returns. When engaging, LAPFF encourages companies to align their business models with a 2°C scenario to push for an orderly carbon transition.

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Disclaimer
LAPFF is not an investment adviser, and makes no representation regarding the advisability of investing in any particular company or investment fund or other vehicle. A decision to invest in any such investment fund or other entity should not be made in reliance on any of the statements set forth in this publication.

Local Authority
Pension Fund
Forum

Design by Stephen Levesley, West Midlands Pension Fund

10/17

WIRRAL COUNCIL

PENSIONS COMMITTEE

22 JANUARY 2018

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

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to seek Members approval of a revised Compliance Manual.

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. The existing Compliance Manual was approved at Pensions Committee 21 March 2017.

2.3 The revised Compliance Manual is attached as Appendix 1 to this report.

2.4 The major changes to the manual are the updates required to reflect the new operating model of Wirral Council and the changes to the structure at Merseyside Pension Fund, this includes previous responsibilities that lay with the Managing Director for delivery now resting with the Director of Pensions. Other changes to the manual include:

Reference	Change
5.3	Deleted paragraph within internal European investment philosophy as out of date.
5.5.3	Merged sections to cover all alternatives/private market assets, including co-investments and property debt.
5.5.6	Updated section for approval of transactions in excess of

	Director of Pensions limits.
5.6	Updated section with voting rights.
Appendix 4	New appendix added

3.0 RELEVANT RISKS

3.1 The Compliance Manual is concerned with the mitigation of risks.

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 Committee approve the revised Compliance Manual.

14.0 REASON/S FOR RECOMMENDATION/S

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

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APPENDICES

Appendix 1 Revised Compliance Manual

BACKGROUND PAPERS/REFERENCE MATERIAL

Compliance Manual 2017

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	**21 March 2017**
Pensions Committee	**24 March 2014**
Pensions Committee	**24 June 2013**

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WIRRAL COUNCIL

PENSIONS COMMITTEE

22 JANUARY 2018

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

1.0 EXECUTIVE SUMMARY

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

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 Following the update to Committee in November providing details of the progress report to DCLG as at 30 September 2017, the Northern Pool has yet to receive a response from DCLG.

2.2 A meeting of the Northern Pool Shadow Joint Committee took place on 5 December 2017. The principal ongoing work streams for the Northern Pool are set out below and are progressing well.

- Developing a vehicle to make private equity investments on a collective basis. The governance of this vehicle is expected to operate in a similar manner to the GLIL infrastructure vehicle.
- Procurement of a FCA regulated custodian for the pool to ensure all listed assets of the pool (i.e. internally and externally managed equities and bonds) are held within a single permanent FCA regulated entity. The custodian will also manage the calls and distributions in the Northern Pool private equity vehicle.
- Work is underway to procure an FCA regulated operator for the GLIL infrastructure vehicle. This would allow other pools to join. GLIL currently has commitments of £1.3bn to direct infrastructure in the UK, with investments of almost £600m made to date.
- The democratic services functions of each of the administering authorities are progressing with the creation of the Pool joint committee, with

Tameside MBC acting as lead authority. This joint committee will oversee the Pool and provide a democratic link back to the individual funds. The legal agreements setting out the governance framework of the Pool are not yet finalised as work is being undertaken to ensure that they are aligned with the governance framework of the private equity vehicle.

- Review of progress with benchmarking of performance and costs for the Pool and its constituents.

2.3 **LGPS POOLING NATIONAL DEVELOPMENTS**

- There are 8 pools across the LGPS, which are made up as follows:
- Northern Pool
- London CIV (the 33 London Boroughs)
- South West Funds + Environment Agency ("Brunel Pensions Partnership")
- 'ACCESS' (Most of the South-East County Council funds)
- Central Pool (most of the 'Midlands' LGPS funds)
- 'Border to Coast' (The remaining northern funds + a small number of others)
- Wales
- LPP ('the Local Pensions Partnership' – LPFA/Lancashire + Berkshire

2.3.1 The eight pools are at different stages of development. Two of the pools, the London CIV and LPP, are currently operational and are in the process of transitioning assets into the pools. The London CIV has not yet pooled any alternative assets.

2.3.2 All pools are required to be fully operational by 1 April 2018, which is a very challenging timescale. The Secretary of State has been clear that all assets should be invested via the pool unless there is a 'strong value for money case for delay'.

2.3.3 With the exception of the Northern Pool and LPP, all of the other pools have at least 8 participating funds and therefore require their mandates for listed assets to be amalgamated in order to meet the scale criteria and for collective investments to be managed by a FCA regulated operating company in order to avoid being deemed to be operating an unauthorised collective investment scheme.

2.3.4The ACCESS and Wales pools are in the process of procuring an FCA regulated operator for their pools. The other pools under development are typically 'building' their own operator.

2.3.5 During November it was formally announced that Berkshire Pension Fund would be joining LPP with effect from 1 April 2018.

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	

WIRRAL COUNCIL

PENSIONS COMMITTEE

22 JANUARY 2018

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

1.0 EXECUTIVE SUMMARY

1.1 This report provides Members with a further update on the progress made in the development of internally managed factor-based investment strategies and seeks approval to commence the implementation of portfolios as detailed in the appendix.

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 Fund has been exploring options to increase the proportion of its assets managed internally, consistent with its long-term investment philosophy and with due regard to risk. Since the last report in September considerable additional development work has been completed and the remit of the research extended to widen the scope of potential portfolios to include likely future fund requirements.

2.2 In addition to back testing, the Fund has been running paper portfolios for 2017. The outcomes give the Fund confidence that it can implement and manage factor-based portfolios which will be complementary to the existing mix of internal and external portfolios.

3.0 RELEVANT RISKS

3.1 The Fund diversifies its equity mandates with regard to mandate size and style. The first explicitly factor driven portfolio was implemented through an external investment mandate in 2009. It is important that any changes to mandate style and structure have due regard to both investment and operational risks.

4.0 OTHER OPTIONS CONSIDERED

4.1 The option of engaging external investment managers has been considered.

5.0 CONSULTATION

5.1 N/A.

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 is the need for additional resources to develop, monitor and maintain systematic investment systems. The final specification of the job role(s) has not been agreed but the full cost, including systems, is not anticipated to exceed £100,000 p.a. There are substantial cost savings from bringing assets in house. The saving on the initial portfolio will be around £600,000 p.a. and this has the potential to increase further if additional assets are brought in house.

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 and approve the recommendation to increase internal resources in order to implement an internally managed factor portfolio.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 This recommendation is consistent with the government's pooling criteria to reduce costs whilst maintaining investment performance.

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APPENDICES

Exempt report on systematic investing.

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	September 2017

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WIRRAL COUNCIL

PENSIONS COMMITTEE

22 JANUARY 2018

SUBJECT:	**REVIEW OF POTENTIAL UNFUNDED LIABILITIES FOR COMMUNITY ADMISSION BODIES WITH BONDS OR GUARANTORS**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION	

1.0 EXECUTIVE SUMMARY

1.1 This report informs members on the annual review of potential unfunded liabilities for admission bodies. This work is undertaken by Mercer the Fund Actuary, following the actuarial review as at 31 March 2017.

1.2 The appendix 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 KEY ISSUES

2.1 In accordance with the Committee decision on 22 March 2000 (Minute 52 refers), officers were asked to specifically monitor the potential unfunded liabilities in respect of the premature closure of admission bodies.

This work is undertaken by the Actuary performing an annual funding review and officers considering the financial strength and covenants of the relevant organisations.

2.2 The results of the admission bodies previous liability review, as at 31 March 2015, was considered by the Committee on 14 September 2015 (Minute 27 refers).

2.3 The details in respect of the latest review of potential unfunded liabilities for admission bodies at 31 March 2017 are attached within the exempt appendix.

2.4 The baseline of the calculations were aligned to the 2016 valuation funding position, which has been approximately rolled forward to 31 March 2017; these allow for contributions paid (versus costs of benefits accrued), cashflow information since the valuation date and estimated investment returns on the Fund's assets.

An allowance has also been included to reflect the change in the real return outlook since the valuation date which is used to determine the liabilities on a termination basis.

2.5 The funding positions presented for each employer do not allow for membership changes since the valuation and therefore are approximate, although the assessments provide a reasonable basis to determine the level of risk exposure if an employer exits the Fund without a structured de-risking plan.

2.6 It is noteworthy that the actual unfunded liabilities for each body would not be known unless the body closed and precise calculations undertaken at that time.

2.7 In accordance with the Funding Strategy Statement, the assessment of the employers potential exit debt has been based on a more cautious corporate bond yield termination basis, than the ongoing funding arrangements used to determine employer contributions.

2.8 The Actuary has calculated the potential unfunded liabilities as follows:

i. the cost of providing immediate benefits to those members age 55 or over in the year 1 April 2017 to 31 March 2018
ii. less, 50% of the potential savings that may materialise in respect of members under age 55 with deferred benefits
iii. plus the existing surplus or deficit at 31 March 2017

2.9 A number of admission bodies have found it difficult or deemed it uneconomically viable to obtain the full bond requirement recommended by the Actuary from financial institutions and alternatives such as charges against property or parent company guarantees have been agreed in a number of cases with the Fund

2.10 For any admission body that does not have either a local authority guarantor, a bond or indemnity, the employer contribution rate remains subject to a risk premium loading. The aim of the risk premium is to achieve a funding level of 120% of the active members' liabilities over the body's recovery period.

2.11 On a general basis, the bond requirements have increased by an average of 230% from those currently in-force, as revised following the 2013 triennial

valuation. This is mainly due to a fall in bond yields over the last few years which affect the illustrative termination liabilities.

Changes to the positions since 31 March 2017

2.12 Although investment returns since April 17 have continued to be positive mainly due to equity markets the assumptions used for calculating the termination basis will have changed which will in turn increase liabilities. This offsets the positive asset returns resulting in negligible changes to the bond/ indemnity levels.

2.13 In view of the current financial pressures faced by employers, the Fund is mindful of the necessity to enter in to dialogue with employers in respect of covenant strength and any adverse impact of obtaining full coverage of the liability on the overall business plan; given that the basis of the bond calculations relate to a speculative closure event

3.0 RELEVANT RISKS

3.1 As there are significant shortfalls in the majority of in-force bonds relative to the actuarial assessment of the potential termination debts, there is a risk that in the event of a Community Admission Body exiting the Fund any unrecoverable debt will fall to the remaining employers within the Fund.

3.2 If compelled to implement the increased financial indemnities, employers may face significant financial hardship which could lead to the employer's insolvency. There would be a high risk that the termination debts would crystallise leaving the Fund with an immediate irrecoverable debt.

4.0 OTHER OPTIONS CONSIDERED

4.1 None.

5.0 CONSULTATION

5.1 The Fund consulted with employers during October 2016 before updating the Funding Strategy Statement, which included the methodology for determination of bond requirements.

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 None arising from this report.

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

8.1 As the bond increases are significant, in order to determine appropriate uplifts Fund Officers will be required to engage with the employer's Chief Financial

Officers; to undertake further analysis of the organisations financial strength to reach a mutually agreed position, which mitigates the Fund's exposure to irrecoverable debt.

8.0 LEGAL IMPLICATIONS

9.1 None arising from this report.

10 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION IMPLICATIONS

11.1 None arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 None arising from this report.

13. RECOMMENDATION/S

13.1 Members are recommended to support the revision of the bond requirements and guarantees, in accordance with the latest figures provided by the Actuary as at 31/3/2017.

13.2 In the event that it is impractical and unaffordable for an employer to increase the level of bond/indemnity to the latest advised amount detailed in the exempt appendix, that Members delegate Fund Officers to conduct an appropriate due diligence exercise and enter into negotiations with the employer to reach a mutually agreeable position. Any such due diligence exercise to be conducted under a consistent framework and in compliance with the Funding Strategy Statement.

14.0 REASON FOR RECOMMENDATION/S

14.1 Following the 2015 annual potential unfunded liability review, Committee resolved to reconsider the position following the triennial valuation having regard to the assessment of accurate membership movement which would provide a sound baseline to reflect potential termination liabilities and associated bond /indemnity requirements.

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SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Review of Potential Unfunded Liabilities For Admission Bodies	**1 July 2014**
Review of Potential Unfunded Liabilities For Admission Bodies	**15 September 2015**

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WIRRAL COUNCIL

PENSIONS COMMITTEE

22 JANUARY 2018

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

1.0 EXECUTIVE SUMMARY

1.1 This report provides Members with details of the Fund's contracts which are due for review and/or retender and seeks approval for the timetable proposed.

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 Fund holds a number of contracts relating to the provision of pension and investment services from third parties. These are tendered regularly in accordance with the Council's Contract Procedure Rules.

2.2 In anticipation of Pooling and the uncertainty of likely future requirements, a number of imminent retenders were put on hold until there was more clarity around Pooling arrangements. In parallel with this, the Fund has been engaging with the LGPS National Frameworks initiative and is a founder member on several of the frameworks now in place which has enabled it to shape the framework specifications to ensure they meet its requirements.

2.3 With governance arrangements for the Northern Pool now taking shape, the Fund has reviewed its contracts in the light of likely future requirements and a proposed timetable is set out in the appendix. There are still areas where decisions are yet to be made by the Pool. Where necessary, transitional contractual arrangements will need to be agreed with the Council's Corporate Procurement team.

2.4 In addition, the Fund's actuary has recommended that the potential use of protection strategies is evaluated by the Fund as a strategy for managing the risk of excessive volatility of its funding position. It is important that this is undertaken and completed promptly. With the proposed increase in internally managed

assets, it is also appropriate to undertake a review of the Fund's strategic asset allocation. This will assist in informing the way in which future investment mandates are specified.

3.0 RELEVANT RISKS

3.1 In support of its internal resources, the Fund makes extensive use of third party services to monitor, manage and maintain its systems and assets. Continuity of service provision is essential to ensure there is no interruption to these arrangements.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

5.1 The Fund liaises with the administering authority's corporate procurement team in relation to contract management.

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. Work that can be undertaken in house will be undertaken in house but some of the tenders will require the support of specialists in the areas involved. The costs of those specialists will be managed by use of the LGPS National Frameworks but a budget provision of £500,000 is proposed.

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 and approve the contract timetable and related expenditure.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The Fund is subject to the EU's public procurement regulations and the Council's Contracts Procedure Rules.

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APPENDICES

Contract timetable – EXEMPT.

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
22 JANUARY 2018

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

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to provide Members with the minutes of the Investment Monitoring Working Party held on 16 November 2017.

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

2.0 BACKGROUND AND KEY ISSUES

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

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

6.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are none arising from this report.

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

7.1 There are none arising from this report.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

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

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

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATIONS

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

13.0 REASONS FOR RECOMMENDATIONS

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

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APPENDICES

Exempt appendix

REFERENCE MATERIAL

None.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Minutes of all IMWP meetings are brought to the subsequent Pensions Committee meeting.	

Minutes of Investment Monitoring Working Party, 16 November 2017

In attendance:

Councillor Paul Doughty (Chair) (WBC)	Peter Wallach (Director of MPF)
Councillor Geoffrey Watt (WBC)	Joe Blott (Managing Director, Delivery)
Councillor Paulette Lappin (Sefton Council)	Owen Thorne (Investment Officer)
Councillor Patrick Cleary (WBC)	Greg Campbell (Senior Investment Manager)
Councillor Brian Kenny (WBC)	Neil Gill (Senior Investment Analyst)
Roger Bannister (Unison)	Daniel Proudfoot (Senior Investment Analyst)
Louis Paul Hill (AON Hewitt)	Adil Manzoor (Portfolio Manager – Infrastructure)
Noel Mills (Independent Advisor)	Emma Jones (MPF)
Rohan Worrall (Independent Advisor)	

Apologies were received from:

Councillor Tony Jones (WBC)	Patrick Cleary (Unison)
Councillor Terry Byron (Knowsley Council)	

Declarations of interest.

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

Councillor Pauline Lappin and Mr Roger Bannister declared a pecuniary interest as members of Merseyside Pension Fund.

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