

PENSIONS COMMITTEE

Monday, 16 July 2018

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| <u>Present:</u> | Councillor | P Doughty (Chair) | |
| | Councillors | G Davies P Cleary A Gardner P Hackett | K Hodson T Jones C Povall I Williams |
| | Councillors | J Fulham, St Helens Council P Lappin, Sefton Council | |
| <u>Apologies</u> | Councillors | Ms J Aston, Knowsley Council | |

1 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.

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

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

Councillor John Fulham declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund and a Board Member, Torus.

Councillor Andrew Gardner declared a pecuniary interest by virtue of 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 Cherry Povall declared a pecuniary interest by virtue of her daughter being a member of Merseyside Pension Fund.

2 MINUTES

Resolved – With the amendment of the inclusion of Cllr Pat Cleary to the attendance list that the accuracy of the Minutes of the Pensions Committee held on 26 March 2018 be agreed.

3 **AUDIT FINDINGS REPORT**

Members gave consideration to the Audit Findings Report 2017 - 2018 prepared by Grant Thornton UK LLP. Grant Patterson, Engagement Lead, attended the meeting and reported upon the key issues contained in the report.

It was reported that the audit was now substantially complete and it was anticipated that an unqualified audit opinion would be provided in respect of the financial statements as shown in Appendix C: Audit opinion of the report.

The report confirmed that there were no significant facts or matters that impacted on the independence as auditors that were required or wished to be drawn to the Committee's attention.

Resolved – That the report be noted.

4 **STATEMENT OF ACCOUNTS/LETTER OF REPRESENTATION**

Members gave consideration to a report of the Director of Finance & Investment (S151) that presented Members with the audited statement of accounts of Merseyside Pension Fund for 2017/18 and responded to the Audit Findings Report from Grant Thornton.

Donna Smith, Head of Finance & Risk, informed the Committee that subject to outstanding work, Grant Thornton had indicated there would be an unqualified opinion and there were no adjustments affecting the Fund's reported financial position for the year ended 31 March 2018 of net assets of £8.6bn and no recommendations.

It was reported that Grant Thornton's report expressed a positive outcome from their audit of the accounts and referred to the accounts being again prepared to a good standard with supporting working papers provided to the agreed timetable.

Members noted that the Statement of Accounts, including notes had been prepared and available for audit by 31 May 2018, in compliance with statutory deadline that had come into force for 2017/18 reporting.

Resolved – That;

1 having considered the amendments to the accounts, the Audit Report and the Letter of Representation the audited Statement of Accounts for 2017/18 be approved.

2 the recommendations be referred to the Audit and Risk Management Committee.

5 **DRAFT ANNUAL REPORT AND ACCOUNTS**

A report of the Director of Pensions provided Members with the draft Annual Report of Merseyside Pension Fund for 2017/18.

It was reported that the LGPS regulations required the Pension Fund Annual Report to contain the Fund Accounts and Net Asset Statement with supporting notes and disclosures, prepared in accordance with proper practices.

International Standards on Auditing (UK&I) 810 (revised) required that auditors read any information published with the accounts. It also stated that the auditor should not issue an opinion until that other information was published.

The Fund's Statement of Accounts and the auditor's Audit Findings Report were separate items on the agenda and provided additional assurance that the annual report had been subject to independent scrutiny.

Resolved – That the draft Annual Report of Merseyside Pension Fund be approved for publication.

6 BUDGET OUTTURN 16/17, FINAL BUDGET 17/18

A report of the Director of Pensions requested that Members note and approve:

- The out-turn for the financial year 2017/18.
- The finalised budget for the financial year 2018/19.

It was reported that the actual out-turn for 2017/18 was £18.0m, lower than the original budget approved 17 July 2017 of £20.9m and lower than the projected out-turn of £18.7m as reported at Pensions Committee on 22 January 2018.

The 2018/19 budget reported in January had been updated to reflect agreed pay rise of 2%, along with revised salary overheads, premises and departmental & central support charges; the finalised 2018/19 budget was £22.0m as reported in January 2018.

Pensions Committee, at its meeting on 22 January 2018, had received an estimate of the out-turn for 2017/18 and it had also been agreed that the Director of Pensions would report back on the final out-turn. The finalised out-turn was included in appendix 1 of the report. It was reported that the actual out-turn for 2017/18 was lower than the projected out-reported in January 2018 due to the number of estimates required for the January report.

Resolved – That;

- 1 the out turn for 2017/18 be noted.**
- 2 the finalised budget for 2018/19 be approved.**

7 PENSION BOARD ANNUAL REPORT

Members gave consideration to a report of Mr John Raisin, the Independent Chair of the Pension Board, which had been prepared in accordance with the Terms of Reference of the Pension Board and reviewed the performance of the Board and its members during its third year. The third year of the Board had been taken as from 1 April 2017 to 31 March 2018. This report also included a proposed Work Plan for 2018-19.

Under Section 11.3 of its Terms of Reference the Board was required to produce, on an annual basis, a report for consideration by the Scheme Manager which is Wirral MBC. This review had been prepared by the Independent Chair of the Board for consideration by the Board at its meeting on 13 June 2018 where it had been approved.

The Independent Chair reported upon Board Meetings, Training and Development, Reporting Breaches of the Law to the Pensions Regulator, the Pension board Review 2016-2017 and the Pension Board Cost of Operation from 1 April 2017 to 31 March 2018. Mr Raisin also commented that the Board had received extremely positive support, advice and guidance from the officers of Merseyside Pension Fund.

Resolved – That;

1 the Pension Board Review 2017-18 be received and approved.

2 the proposed Work Plan 2018-19 be approved.

8 LGPS UPDATE

Members gave consideration to a report of the Director of Pensions that informed Members that the Local Government Pension Scheme (Amendment) Regulations had been laid before Parliament on 19 April 2018 and had become operational on 14 May 2018.

Yvonne Caddock, Head of Pensions Administration, outlined the key changes that affected the administration of the Fund.

Resolved – That the report be noted.

9 DATA PROTECTION POLICY & GDPR UPDATE

A report of the Director of Pensions provided Members with an update on the Fund's progress in regard compliance with the General Data Protection Regulations (GDPR) that had come into force on 25 May 2018. The appendices to the report contained the Privacy Notice for the members and beneficiaries of Merseyside Pension Fund, the Memorandum of Understanding for Employers in regard to Compliance with Data Protection Law and the Data Protection Policy for Merseyside Pension Fund.

The report also recommended a Data Protection Policy for the Fund for approval; a draft of which had been considered by the Pension Board at its meeting on 13 June 2018 where it had been deemed suitable for presentation to Pensions Committee.

Guy Hayton, Operations & Information Governance Manager, outlined the key points to the Committee and responded to Members' questions.

Resolved – That;

1. the actions undertaken by the Fund in regard its ongoing compliance to new Data Protection legislation be noted.

2. the Data Protection Policy for the Fund be approved.

10 **REVISED PENSION BOARD TERMS OF REFERENCE**

Members gave consideration to a report of the Director of Pensions that informed the Pensions Committee of a proposed revision to the Terms of Reference for Wirral Council's Local Pension Board and requested that these be recommended to full Council for adoption.

The revised Terms of Reference were attached as an appendix to the report.

The Director of Pensions informed that Wirral Council's Pension Board had been established in early 2015 in accordance with statutory requirements prescribed within the Public Service Pension Act 2013 and the Local Government Pension Scheme (Governance) Regulations 2015.

The intent had been to provide assurance that all public service pension schemes and individual LGPS Funds were managed effectively with a properly constituted, trained and competent Pension Board monitoring compliance with legislation and best practice standards.

It was reported that the Board had operated effectively since July 2015 when it was implemented fully. The annual review of its activities was a separate item on the agenda. Although its terms of reference had stipulated a minimum of two meetings per annum, the Board had soon moved to three meetings in order to manage its work plan more effectively.

Members were informed that the Pension Regulator had intimated recently that its expectations were that Local Pension Boards should meet at least quarterly. This situation had been discussed at the June Wirral Pension Board meeting and the consensus had been that the number of meetings should increase to a minimum of four to reflect best practice.

The Terms of Reference had been revised to reflect the change (section 2). Additionally, changes to sections 4: Membership and Appointment Process and 5: Length of Term had also been made to allow the Scheme Manager greater discretion in the appointment and term of membership of the Board to achieve necessary representation and balance.

Resolved – That;

- 1. the Pensions Committee recommends the revisions to the Pension Board's terms of reference to full Council for adoption into the Council's constitution.**
- 2. the Chair of Pension Committee requested a review of the remuneration of the Pension Board representatives in view of the increase in frequency of meetings.**

11 **TREASURY MANAGEMENT ANNUAL REPORT**

A report of the Director of Pensions presented a review of treasury management activities within Merseyside Pension Fund (MPF) for the 2017/18 financial year and reported any circumstances of non-compliance with the treasury management strategy and treasury management practices. The report had been prepared in accordance with the revised CIPFA Treasury Management Code.

Donna Smith, Head of Finance & Risk, informed members that Treasury Management in Local Government was governed by the CIPFA Code of Practice on Treasury Management in the Public Services and in this context was the “management of the Fund’s investments and 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”.

It was reported that on 23 January 2017 Pensions Committee had approved the Treasury Management Policy and Strategy 2017/18. The report related to money managed in-house during the period. It excluded cash balances held by investment managers in respect of the external mandates and the internal UK and European investment managers.

Donna Smith, Head of Finance & Risk, informed members that there had been two incidences where the Fund had been non-compliant with the treasury management policy throughout 2017/18. The Fund had breached the deposit limit held with its current bankers, Lloyds, due to the receipt of significant funds that the treasury team had not been notified of. The anomaly had been rectified the next working day, with no financial disadvantage to the Fund. The Fund during 2017/18 had also been placed in an overdrawn position overnight. This had been due to significant transactions taking place on a given date and cash proceeds from the redemption of investments not being received when expected; this had resulted in a financial loss to the Fund of £7,582.41. It was reported that working procedures had been reviewed and updated to further strengthen the control environment to prevent reoccurrence.

Resolved - That the Treasury Management Annual Report for 2017/18 be agreed.

12 **COMMUNICATIONS POLICY**

Members gave consideration to a report of the Director of Pensions that informed members that in accordance with regulations the Fund was required to publish a statement of policy concerning how it communicated with members and scheme employers.

Guy Hayton, Operations and Information Governance Manager, informed the Committee that the Communications Policy had last been changed in January 2012; the revised policy attached as an appendix to the report took into consideration the Fund’s move to more electronic communications and the increasing use of technology by members and employers.

The Pension Board had considered the draft policy at its meeting on 13 June 2018 and had deemed it suitable for presentation to Pensions Committee.

Resolved – That the revised Communications Policy be approved.

13 **FUNDAMENTALS TRAINING**

A report of the Director of Pensions recommended that the Pensions Committee to approve participation by Members in the LGPS Trustee Training 'Fundamentals XVII' organised by the Local Government Pensions Committee.

The Director of Pensions informed members that the course was of three days duration, spread over a number of months at three locations around the UK. As identical material is delivered at each location, it was possible to attend the course by visiting different locations should delegates' diaries not allow attendance on all three days at a particular location. It was noted that attendance was likely to be of most benefit to newer members of Committee and Board providing a useful grounding in all aspects of local government pensions.

The Director of Pensions informed that attendance at all three days of the course would satisfy at least the minimum of training required to satisfy the first of the six CIPFA principles and attendees at all three sessions would receive a certificate of attendance. The Chair encouraged members to attend the available training courses particularly the Fundamental Training.

Resolved – That;

- 1. attendance by Members on the Fundamentals training be approved.**
- 2. Members wishing to take advantage of this opportunity notify the Director of Pensions to enable the necessary registration and administration to be undertaken.**

14 **PLSA ANNUAL CONFERENCE**

A report of the Director of Pensions requested nominations for members to attend the Pensions & Lifetime Savings Association (PLSA) formerly National Association of Pension Funds (NAPF) Annual Conference & Exhibition 2018 to be held in Liverpool between 17 October and 19 October 2018.

A link to the programme could be found at

<https://www.plsa.co.uk/Events/Annual-Conference-Exhibition/Programme>

The Director of Pensions informed Members that they must be registered for the event in order to attend. He drew attention to the fact that although the event was complimentary for PLSA members, a charge of £345 would be made for cancellation after 19 September or non-attendance.

Resolved – That;

- 1. attendance by Members on the PLSA Annual Conference & Exhibition be approved.**
- 2. an agenda for the PLSA Annual Conference & Exhibition 2018 to be held in Liverpool between 17 October and 19 October 2018 be circulated to Members.**

- 3. Members wishing to take advantage of this opportunity notify the Director of Pensions to enable the necessary registration and administration to be undertaken.**

15 LGC INVESTMENT SUMMIT

A report of the Director of Pensions requested nominations for Members to attend the Local Government Chronicle (LGC) Investment Summit to be held in Newport from 6 to 7 September 2018.

The Director of Pensions indicated that MPF had been represented at all previous LGC Investment Summits usually by the Chair of Pensions Committee and party spokespersons.

Resolved – That;

- 1. attendance by Members on the LGC Investment Summit be approved.**
- 2. an agenda for the LGC Investment Summit 2018 to be held in Newport from 6 and 7 September 2018 be circulated to Members.**
- 3. Members wishing to take advantage of this opportunity notify the Director of Pensions to enable the necessary registration and administration to be undertaken.**

16 GLIL UPDATE

Members gave consideration to a report of the Director of Pensions that provided members with an update on the progress of GLIL, the pooled infrastructure initiative, and recommended an increase in asset allocation to this vehicle.

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).

The Director of Pensions informed Members that reports on the GLIL infrastructure platform had been brought to the Pensions Committee in September and November of 2016 and members had approved an allocation of two percent of MPF's assets to the vehicle. GLIL was a collaborative partnership between like-minded institutions in the local government pensions sector, with a common interest in increasing exposure to UK infrastructure, and delivering long-term liability matching returns. Formed in 2015 by the Greater Manchester Pension Fund and the London Pension Fund Authority with an initial £500 million investment, GLIL had expanded in 2016 to include three new investment partners - Merseyside and West Yorkshire as part of the Northern Pool, and Lancashire as part of the Local Pensions Partnership (LPP). GLIL now had committed capital of £1.275bn of which around £700m had been

invested in key UK infrastructure investments, including renewables, regulated utilities and transportation assets.

Resolved – That;

1. **the report be noted.**
2. **the recommendation to give delegated authority to officers to increase the allocation to GLIL by a further two percent, subject to them being satisfied with regard to the investment and operational needs of the Fund, be approved.**

17 **POOLING UPDATE**

A report of the Director of Pensions 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).

The Director of Pensions informed Members that MHCLG had issued a request for Pools to provide them with a progress report as at 13 April 2018. The Northern Pool's response was contained in appendices 1 & 2 to the report. The Minutes of the Shadow Joint Committee on 24 April were attached at appendix 3.

The Director further reported that at the March Pensions Committee members had been informed of a letter received from the Minister for Local Government requesting a meeting with the Pool. This meeting had taken place on 23 May after which it had been agreed that MHCLG would be furnished with further information. Copies of the information provided were contained in appendices 4 & 5 of the report.

The Chair of the Committee commented that there was a good working relationship with Pooling partners and thanked the officers for all the hard work involved.

Resolved – That the pooling report be noted.

18 **WORKING PARTY MINUTES**

The Director of Pensions submitted a report that provided Members with the minutes of meetings of Working Parties held since the last meeting.

The appendix to this report contains 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 exempt minutes attached as an appendix to the report be approved.

19 **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.

20 **GLIL UPDATE EXEMPT APPENDIX**

The appendix to the report on GLIL update was exempt by virtue of paragraph 3.

21 **POOLING UPDATE EXEMPT APPENDICES**

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

22 **WORKING PARTY EXEMPT MINUTES**

The appendix to the report on Working Party minutes was exempt by virtue of paragraph 3.

23 **MANAGEMENT OF CARBON RISK**

Members gave consideration to an exempt report of the Director of Pensions that set out to further update Members on the progress being made toward implementing the decarbonisation goals set as part of the climate risk management policy for Merseyside Pension Fund.

Approval was sought to carry out under delegated authority the implementation of the low carbon equities index proposal in furtherance of the decarbonisation goals.

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

Resolved – That;

- 1. the progress made toward implementing the Committee's decision to allocate one-third of MPF's passive equities to a low carbon index be noted.**
- 2. the use of delegated authority for officers to partner with an index provider and a suitable asset management firm to establish a low carbon equity index-tracking fund, be approved.**