Public Document Pack

WIRRAL

Pensions Committee

Date:	**Monday, 29 October 2018**
Time:	**6.00 p.m.**
Venue:	Birkenhead Town Hall - Council Chamber

This meeting will be webcast at
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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 - 10)

To approve the accuracy of the minutes of the meeting held on 16 July, 2018.

3. LGPS UPDATE (Pages 11 - 16)

4. DRAFT FUNDING STRATEGY STATEMENT (Pages 17 - 70)

5. RESPONSIBLE INVESTMENT EVENT (Pages 71 - 74)

6. POOLING UPDATE (Pages 75 - 78)

7. LAPFF CONFERENCE (Pages 79 - 84)

8. ANNUAL EMPLOYERS CONFERENCE (Pages 85 - 88)

9. PENSION BOARD MINUTES 13/06/18 (Pages 89 - 98)

10. LGPS GOVERNANCE CONFERENCE (Pages 99 - 106)

11. INTERIM VALUATION (Pages 107 - 110)

12. ADMISSION BODY APPLICATION (Pages 111 - 116)

13. WRITE-OFF PENSION OVERPAYMENTS (Pages 117 - 120)

14. WRITE-OFF RENT ARREARS (Pages 121 - 124)

15. WORKING PARTY MINUTES 12/07/18 & 11/09/18 (Pages 125 - 130)

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. INTERIM VALUATION (Pages 131 - 152)

18. ADMISSION BODY APPLICATION (Pages 153 - 154)

19. WRITE-OFF OF PENSION OVERPAYMENTS (Pages 155 - 160)

20. WRITE-OFF OF RENT ARREARS (Pages 161 - 162)

21. WORKING PARTY MINUTES 12/07/18 & 11/09/18 (Pages 163 - 182)

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PENSIONS COMMITTEE

Monday, 16 July 2018

Present:	Councillor	P Doughty (Chair)	
	Councillors	G Davies	K Hodson
		P Cleary	T Jones
		A Gardner	C Povall
		P Hackett	I Williams
	Councillors	J Fulham, St Helens Council	
		P Lappin, Sefton Council	
Apologies	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.**

WIRRAL COUNCIL

PENSION COMMITTEE

29 OCTOBER 2018

SUBJECT:	**LGPS UPDATE**
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 a high level overview of the proposed changes to the valuation and cost management process for public service pension schemes, and the subsequent impact on the LGPS.

2.0 BACKGROUND AND KEY ISSUES

Scheme Valuations and Cost Management Process for public service pension schemes

2.1 The Chief Secretary to the Treasury, Rt Hon Elizabeth Truss MP, recently announced details of the quadrennial valuations of public service pension schemes.

2.2 In conjunction with the announcement, Her Majesty's Treasury (HMT) issued draft amendments to the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 which in summary propose that;

a) Member benefits will have to rise and/or member contributions reduce where the cost cap floor has been breached (expected to be the case for the majority of unfunded schemes).

The LGPS has a dual cost cap process which differs from the rest of the public sector schemes.

b) Employer contributions to the unfunded schemes will rise (largely due to a reduction in the Scape discount rate) - Therefore, the newspaper

headlines regarding the NHS, Teachers and Uniformed services will not necessarily apply to the LGPS.

c) Scheme valuations for the LGPS will move to every four years. The Treasury's aim is to have a single timetable for cost cap purposes across all public service schemes.

However, it has been confirmed that the 2019 triennial funding valuation will proceed and discussions with MHCLG and actuarial advisers are taking place to consider the implications of this change for future local Fund valuations.

2.3 The LGPS has a separate Scheme Advisory Board cost management process and there is likely to be tension between the LGPS and the process conducted by HMT. The HMT cost management process itself will be reviewed to ensure the original objective - to balance the costs of the scheme and the apportionment of risk, between the member and the taxpayer, remains within set parameters.

HMT Cost Management Process

2.4 The cost cap floor has been breached for a number of unspecified schemes, which necessitates either the requirement to increase benefits or reduce member contribution rates for the affected schemes.

2.5 The outcome is not unexpected, given that the baseline cost, against which the 2016 results are being measured, was higher than that on which the new schemes were originally costed. The baseline valuation allowed for:

- higher expected longevity improvements at that time (which may now potentially prove to be the highpoint in terms of future improvements);
- use of commutation assumptions which, for the LGPS, appeared to underestimate the savings from members exchanging pension for cash at retirement and has been increased from 15% to 17.5% for the 2016 valuation;
- higher expected salary growth compared to that experienced (and now expected over the next few years).

Implications for the LGPS

2.6 Whilst it is has not yet been disclosed which schemes have breached the cost cap floor, there is a strong possibility this causes difficulties for the LGPS since the cost cap mechanism of the LGPS Scheme Advisory Board (SAB) appears more likely to suggest upward cost pressure, because:

- it allows for take-up of the 50:50 scheme which has been much less than originally assumed;
- it uses the original baseline cost of 19.5% of pay (split 13% employer and 6.5% member) rather than a re-drawn (higher) starting point;
- the baseline cost allowed for commutation at higher rates which reflect LGPS experience (so less likelihood of an emerging reduction in cost).

2.7 Other factors leading to upward cost pressures in the SAB process (i.e. the effect of the public service transfer club and bringing forward of revaluation by a year for consistency with the other public service schemes) are not being shared with members, so the upwards cost pressure from the SAB process is lower than it might otherwise have been.

Nevertheless, the two processes may lead to opposing results for the LGPS in England.

2.8 The supporting documents to the announcement appear to suggest that the previous agreement has been honoured; whereby the SAB process would run through before the HMT process, with any recommendations suggested by SAB being taken into account in the HMT process.

2.9 It is not yet clear how SAB will be able to square the circle of recommending changes to the LGPS, which might be contrary to those suggested by HMT.

Scape Rate

2.10 The amendments to the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 highlight a further reduction to the Scape discount rate which is a key determinant of the cost management process and factors produced by the Government Actuary Department – used for processing benefit calculations in the LGPS.

2.11 This will lead to increased transfer value payments, and higher scheme pay factors for lifetime and annual allowance exercises; resulting in greater debits from member's benefits where tax charges are paid by the Fund at the member's request.

3.0 RELEVANT RISKS

3.1 Not relevant for this report

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report.

5.0 CONSULTATION

5.1 Not relevant for this report

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 None associated with the subject matter.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 The reduction in the SCAPE discount rate from CPI plus 2.8% to CPI plus 2.4% from 29 October 2018 will require transfer calculations to be put on hold until new actuarial factors are issued by the Government Actuary Department.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?
No equality impact assessment is required

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report

13.0 RECOMMENDATION

13.1 That Members note the report

14.0 REASON/S FOR RECOMMENDATION/S

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

REPORT AUTHOR	Yvonne Caddock Head of Pensions Administration Telephone (0151) 242 1333 Email yvonnecaddock@wirral.gov.uk

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WIRRAL COUNCIL

PENSION COMMITTEE

29 OCTOBER 2018

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

1.0 EXECUTIVE SUMMARY

1.1 This report updates Members of the requirement for the Scheme Manager to keep the Funding Strategy Statement (FSS) under review between triennial actuarial valuations.

There is a statutory responsibility under regulation 58 (3) of Local Government Pension Scheme 2013 Regulations to ensure it remains appropriate in the event of changes to the Investment Strategy Statement or overarching legislation.

1.2 As the LGPS (Amendment) Regulations 2018 introduced the provision to refund an “Exit Credit” to an employer” with effect from 14 May 2018; presenting as a material change in funding arrangements, it is necessary to review the impact on the termination policy and consult with employers on any proposed changes to the FSS.

1.3 The Fund opened a consultation with Scheme employers on 9 July 2018 and shared an explanatory letter detailing the background to the consultation, together with a draft copy of the 2018 FSS. The consultation closed on 6 August 2018.

1.4 The Pension Board considered the draft Funding Strategy Statement at its meeting on 16 October 2018 and deemed it suitable for presentation to Pension Committee.

1.5 The revised draft FSS is attached as an appendix to this report, along with the Fund’s response to the issues raised by employers and the Independent Chair of the Pension Board, during the consultation.

2 BACKGROUND AND KEY ISSUES

2.1 The current FSS was approved by Pensions Committee on 21 March 2017, following the Fund's 2016 Triennial Actuarial Valuation.

2.2 The FSS governs how employer liabilities are measured, the pace at which those liabilities are funded and how employers pay for their own distinct liabilities; it also takes account of the employer covenant and specific employer characteristics which determine the appropriate investment bucket for individual employers.

Local Government Pension Scheme (Amendment) Regulations 2018

2.3 The above regulations amended the LGPS 2013 Regulations and provide for the prospect of exit credits being made available to an employer when it leaves the LGPS with a funding surplus.

2.4 This change presents a number of unforeseen implications for historic contractual arrangements in respect of outsourced services, and highlights the requirement that negotiations in relation to future commercial arrangements should cover pension risk and be drafted in accordance with the Funding Strategy Statement.

How has the Funding Strategy Statement changed?

2.5 Historically, the Regulations did not allow a surplus of assets over liabilities to be paid out of the Fund when an employer terminated participation of the Fund.

2.6 The current treatment for employers with a guarantee from a council is to transfer any surplus back into the council's section of the Fund, and hence improve the general funding position (all things being equal). Given that under the Regulations the default is now for any surplus to be refunded it is paramount that Fund policies are aligned with the intention of the contract in relation to pensions.

Revised policy for employers who have a guarantor participating in the Fund

2.7 The default policy for employers that exit the Fund with a guarantee from a scheme employer is for the guarantor to subsume the residual assets, liabilities and deficit.

The Fund therefore does not request an upfront payment of the deficit from the guarantor or the outgoing employer. The impact on the guarantor would therefore emerge as part of the following actuarial valuation within the contribution requirements.

2.8 The Fund does not intend to change the default policy. The FSS has therefore been updated to include cases where the exiting employer is in surplus. In this case, the residual assets and liabilities, and hence the surplus will transfer back to the guarantor.

2.9 This is subject to agreement from all interested parties who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor. If all parties do not agree, then the surplus will be paid directly to the exiting employer (despite any other agreements that may be in place).

2.10 This policy ensures consistent treatment of a deficit or surplus at termination when there is a separate guarantor.

Revised Policy for Employers who do not have a guarantor participating in the Fund

2.11 The current policy for these employers is that any deficit on termination is collected from the exiting employer but a surplus could not be returned under the Regulations.

The revised policy will be**:**

- In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process.

- In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as a lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion)

3.0 RELEVANT RISKS

3.1 There is a risk that a guarantor may unjustifiably deviate from the default policy in cases where a surplus is payable, but agree in cases that are likely to have a deficit.

3.2 In order to monitor employer behaviour, the Fund will require sight of the contractual agreements where a guarantor employer wishes to vary its approach in dealing with termination events.

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report

5.0 CONSULTATION

5.1 The Fund arranged a meeting with the main outsourcing authorities on 3 May 2018 and 12 June 2018, to discuss the implications of "Exit Credits" on historic and new contractual arrangements and the proposed revisions to the FSS.

5.2 A formal consultation was opened with all employers for a four week period commencing 9th July and closed on 6th August, with the aim to achieve consistency between the various commercial arrangements, the termination policy and the new Regulations.

5.3 A number of responses were received to the consultation which generally supported the equitable treatment of the deficit or surplus, but it was highlighted that the FSS should be amended to document the approach in circumstances where all parties do not agree to the surplus being subsumed by the guarantor. The draft FSS has been updated to clarify the position.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 None associated with the subject matter.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report

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

8.1 The payment of exit credits out of the Fund presents potential challenges for cash-flow and the treasury management activity.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

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

No, because the Ministry of Housing, Communities and Local Government undertake equality impact assessments with regard to the statutory policies governing the triennial valuation.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report

13.0 RECOMMENDATION

13.1 The Committee is recommended to:

- approve the policy on Scheme employers exiting the Fund; and
- approve the updated Funding Strategy Statement

14.0 REASON/S FOR RECOMMENDATION/S

14.1 To comply with the Regulations and ensure that the new exit regime is considered to be fair and reasonable for both the sponsoring employer and contractor in the event of either a surplus or deficit position upon termination of an admission agreement.

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APPENDIX 1

Draft Funding Strategy Statement

APPENDIX 2
Fund Response to Employer Consultation

Briefing Note	Date
Funding Strategy Statement	**15 November 2016**

FUNDING STRATEGY STATEMENT

MERSEYSIDE PENSION FUND

OCTOBER 2018

Wirral Metropolitan Borough Council

As approved by Pension Committee, [29 October 2018]

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

1

EXECUTIVE SUMMARY

The Funding Strategy Statement (FSS) has been revised following the enactment of the Local Government Pension Scheme (Amendment) Regulations 2018.

The Regulations introduced the provision to repay exit credits in circumstances where an employer terminates scheme participation and the actuarial assessment results in a surplus position.

The policy has been revised in order to ensure there is consistency between the various letting authorities' commercial arrangements, the termination policy and the new Regulations.

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

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

The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the Merseyside Pension Fund.

It is imperative therefore that each existing or potential employer is aware of the details contained in this statement.

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

THE FUND'S OBJECTIVE

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

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

The funding strategy set out in this document has been developed alongside the Fund's investment strategy on an integrated basis, taking into account the overall financial and demographic risks inherent in the Fund. The funding strategy includes appropriate margins to

allow for the possibility of events turning out worse than expected. Individual employer results will also have regard to their covenant strength and the investment strategy applied to the asset shares of those employers.

SOLVENCY AND LONG TERM COST EFFICIENCY

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

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

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

DEFICIT RECOVERY PLAN AND CONTRIBUTIONS

As the solvency level of the Fund is 85% at the valuation date i.e. the assets of the Fund are less than the liabilities, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

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

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

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

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

ACTUARIAL ASSUMPTIONS

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

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

The Fund has implemented a choice of "investment" buckets to offer to employers with effect from 1 April 2017, which exhibit lower investment risk than the current whole fund strategy. If an employer is deemed to have a weaker covenant than others in the Fund, or it would like to target a lower risk strategy, the Administering Authority has the discretion to move that employer (typically following discussions with the employer) into a different investment strategy to protect the Fund as a whole.

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

EMPLOYER ASSET SHARES

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

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation. The investment return credited will depend on which investment bucket the employers' assets are in. In addition the asset share maybe restated for changes in data or other policies.

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

FUND POLICIES

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

1. Covenant assessment and monitoring

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

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

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

2. Admitting employers to the Fund

Various types of employers are permitted to join the LGPS under certain circumstances and the basis of participation reflects the nature and funding of the service provision. The approach taken is set out in in our separate admissions policy document. This can be found on the Fund's website: *https://mpfmembers.org.uk/pdf/AdmissionsPolicy2015.pdf*

Examples of new employers include:

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

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

3. Termination policy for employers exiting the Fund

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

Where there is **no guarantor** who would subsume the liabilities of the exiting employer, the Fund's policy is that a discount rate linked to a lower risk investment strategy and a more prudent longevity assumption is used for assessing liabilities on termination. Any exit payments due should be paid immediately although instalment plans will be considered by the Administering Authority on a case by case basis. Any exit credits (surplus assets over liabilities) will be paid from the Fund to the exiting employer within 3 months of cessation by the Actuary. This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it based on the advice of the Actuary.

Where there is a **guarantor** who would subsume the liabilities, the policy is that any assets, liabilities and deficit or surplus would be subsumed by the guarantor and taken into account at the following valuation. This is subject to agreement from all interested parties who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor.

If all parties do not agree then the surplus will be paid directly to the exiting employer within 3 months of cessation (despite any other agreements that may be in place). In maintaining a consistent approach, the Fund will seek to recover the deficit from the exiting employer in the first instance. However, if this is not possible, the deficit will be subsumed by the guarantor and all remaining assets and liabilities will then be subsumed by the guarantor.

The Fund will inform the guarantor of the exiting employer's request to receive the surplus before making payment of the exit credit. However the Fund will not become embroiled in any disagreement over the refund of any surplus which is contrary to commercial agreements.

Ultimately the Fund will have to comply with the Regulations and therefore pay any exit credit. It is then up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.

If a guarantor unjustifiably deviates from the policy to subsume the residual assets, liabilities and any surplus or deficit, future termination events with regard to the payment of the surplus or deficit will be treated in line with the approach adopted for employers without a guarantor in the Fund (the ongoing valuation basis will still be adopted in this case).

4. Insurance arrangements

The Fund has implemented an internal captive insurance arrangement in order to pool the risks associated with ill health retirement costs. The captive has been designed for employers that could be materially affected by the ill health retirement of one or more of their members. The captive arrangement has been considered when setting the employer contribution rates for the eligible employers. More details are provided in **Appendix E**.

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1
INTRODUCTION

The Local Government Pension Scheme Regulations 2013 (as amended) ("the 2013 Regulations"), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") and The Local Government Pension Scheme (Amendment) Regulations 2018 ("the 2018 Amendment Regulations") (collectively; "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Merseyside Pension Fund the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:
  - the guidance issued by CIPFA for this purpose; and
  - the Investment Strategy Statement (ISS) for the Scheme published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in the relevant regulatory provisions, the funding regime or the ISS.

As such the Funding Strategy Statement (FSS) has been revised following the enactment of the Local Government Pension Scheme (Amendment) Regulations 2018. The Regulations introduced the provision to repay exit credits in circumstances where an employer terminates scheme participation and the actuarial assessment results in a surplus position.

The policy has been revised in order to ensure there is consistency between the various letting authorities' commercial arrangements, the termination policy and the new Regulations.

BENEFITS

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

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

EMPLOYER / EMPLOYEE CONTRIBUTIONS

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

PRIMARY RATE

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

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

SECONDARY RATE

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

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

The contribution payable is the sum of the Primary and Secondary rates.

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

2
PURPOSE OF FSS IN POLICY TERMS

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

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

The purpose of this Funding Strategy Statement is therefore:

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

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

3
AIMS AND PURPOSE OF THE FUND

THE AIMS OF THE FUND ARE TO:

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

THE PURPOSE OF THE FUND IS TO:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of scheme benefits, transfer values, exit credits, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the 2018 Amendment Regulations.

4
RESPONSIBILITIES OF THE KEY PARTIES

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

KEY PARTIES TO THE FSS

The **Administering Authority** should:

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

The **Individual Employer** should:

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

- notify the Administering Authority promptly of any changes to membership which may affect future funding.

The **Fund Actuary** should:

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

5
SOLVENCY FUNDING TARGET

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

SOLVENCY AND LONG TERM EFFICIENCY

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

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

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

DETERMINATION OF THE SOLVENCY FUNDING TARGET AND DEFICIT RECOVERY PLAN

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

Underlying these assumptions are the following two tenets:

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

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

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

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

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

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

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

- Academies are treated as separate employers but at inception any past service deficit is allocated on an equitable basis consistent with the relevant LEA schools.

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

- Any stabilisation methods requested by the contractor will need to be agreed with the original Scheme Employer before being implemented.

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

- For consistency, the recovery period for employers that have a surplus position at the valuation date will initially also be determined in line with the Deficit Recovery Plan set out in Appendix B. However, an alternative recovery period may be agreed at the discretion of the Administering Authority.

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

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

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

- Where increases in employer contributions are required from 1 April 2017, following completion of the 2016 actuarial valuation, the increase from the rates of contribution payable in the year 2017/18 may be implemented in steps, over a maximum period of 3 years. Any step up in Primary rates will be implemented in steps of at least 0.5% of pensionable pay per annum, although subject to the agreement of the Administering Authority alternative phasing arrangements may be permitted consistent with the assessment of an individual employer's covenant strength and short term financial planning.

- On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. In such circumstances:

The policy for employers who have a **guarantor** participating in the Fund:

The residual assets and liabilities and hence any surplus or deficit will transfer back to the guarantor. This is subject to agreement from all interested parties who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor.

If all parties do not agree then the surplus will be paid directly to the exiting employer within 3 months of cessation (despite any other agreements that may be in place). In maintaining a consistent approach, the Fund will seek to recover the deficit from the exiting employer in the first instance. However, if this is not possible, the deficit will be subsumed by the guarantor and all remaining assets and liabilities will then be subsumed by the guarantor.

The Fund will inform the guarantor of the exiting employer's request to receive the surplus before making payment of the exit credit. However the Fund will not become embroiled in any disagreement over the refund of any surplus which is contrary to commercial agreements.

Ultimately the Fund will have to comply with the Regulations and therefore pay any exit credit. It is then up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.

If a guarantor unjustifiably deviates from the policy to subsume the residual assets, liabilities and any surplus or deficit, future termination events with regard to the payment of the surplus or deficit will be treated in line with the approach adopted for employers without a guarantor in the Fund (the ongoing valuation basis will still be adopted in this case).

The policy for employers who **do not** have a **guarantor** participating in the Fund:

- In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 3 months of cessation). This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date.

- In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as an immediate lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process.

The Administering Authority also reserves the right to modify this approach on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary. The termination policy is summarised set out in Appendix C

- For admission bodies participating from 1 April 2017 who do not have a guarantor of sufficient financial standing e.g. a public authority based on the assessment of the Administering Authority, the basis of assessment for both the contributions and termination and bond requirements will be on a lower risk investment strategy. The employer's assets will then be deemed to be invested in these lower risk assets and be credited with the returns derived from such assets based on the advice of the Actuary. Where a guarantor is available the assessment will be on the normal valuation basis if the guarantor agrees to underwrite the obligations of the employer in the long term.

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

EMPLOYERS WITH NO GUARANTOR OR BOND IN PLACE

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

FUNDING FOR NON-ILL HEALTH EARLY RETIREMENT COSTS

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

FUNDING FOR ILL HEALTH RETIREMENT COSTS

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

FUNDING FOR DEATHS IN SERVICE AND RETIREMENT

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

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

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

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

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

The results of the 2016 valuation show the liabilities to be 85% covered by the current assets, with the funding deficit of 15% being covered by future deficit contributions.

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

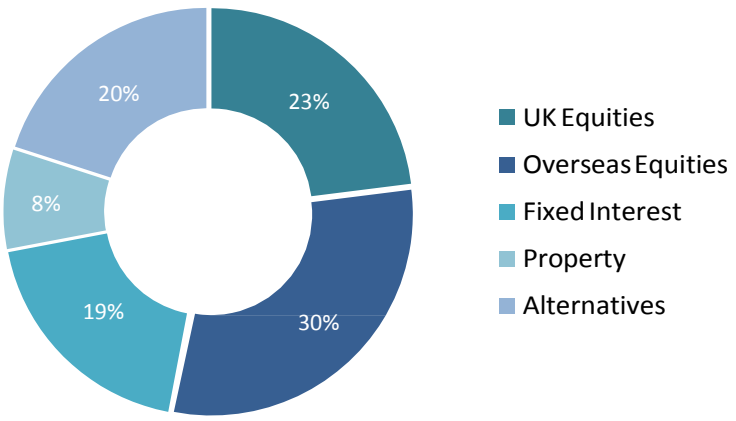
It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which represents the "minimum risk" investment position which would deliver a very high certainty of real returns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

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

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in real return versus CPI inflation of nil per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 59%.

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

The current investment strategy is:



Based on the investment strategy above and the Actuary's assessment of the return expectations for each asset class leads to an overall best estimate average expected return of 3.3% per annum in excess of CPI inflation at the valuation date. For the purposes of setting funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations and this is expected under the Regulations and guidance.

RISK MANAGEMENT STRATEGY

In the context of managing various aspects of the Fund's financial risks, the Administering Authority is currently implementing a number of risk management techniques. In particular:

- Equity Protection - Subject to fair market pricing, the Fund is currently looking to implement protection against potential falls in the equity markets via the use of derivatives. The aim of the protection is to provide further stability (or even a reduction) in employer deficit contributions (all other things equal) in the event of a significant equity market fall (although it is recognised that it will not protect the Fund in totality).

- Liability Driven Investments (LDI) – the Fund is looking to implement an LDI strategy in order to hedge part of the Fund's assets against changes in liabilities for one or more employers.

The principal aim of these risk management techniques is to effectively look to provide more certainty of real investment returns vs CPI inflation and/or protect against volatility in the termination position. It is designed to reduce risk and provide more stability/certainty of outcome for funding and ultimately employer contribution rates. This will be done on an opportunistic basis to ensure the most efficient and cost effective approach is taken. This could have implications on future actuarial valuations and the assumptions adopted but did not impact on the 2016 valuation approach. Further details of the framework will be included in further updates of the FSS and ISS.

INVESTMENT BUCKETS

The Fund has implemented a choice of "investment" buckets for employers with effect from 1 April 2017. These will be called:

- Higher risk bucket
- Medium risk bucket
- Lower risk bucket

The current Fund investment strategy will apply to the "higher risk bucket". The "medium risk bucket" and "lower risk bucket" will give employers the option to reduce the level of investment risk that they wish to take, particularly for those employers that are considering leaving the Fund. In addition any orphaned liabilities once an employer exits the Fund will generally be moved into the lower risk bucket.

The medium risk bucket's initial investment strategy at 1 April 2017 was a 65% allocation to growth assets and a 35% allocation to defensive assets. This will vary over time depending on the returns on the different portfolios and may be rebalanced in the future as part of a review of the investment buckets. The growth and defensive assets in this bucket are the same as those in the current Fund investment strategy but in the relevant weightings at each point from 1 April 2017.

The lower risk bucket will be made up of an investment strategy linked to income generating assets which targets a minimum yield above CPI inflation allowing for default, reinvestment risk and any other reasonable margins of prudence deemed appropriate. The strategic allocation is set out in the Investment Strategy Statement.

The choice of bucket will be reflected in the relevant employer's asset share, funding basis and contribution requirements. However, the contribution requirements for employers within the medium risk bucket will not change at this valuation but will be reviewed from 1 April 2020 as part of the 2019 valuation.

If, based on the assessments carried out by the Administering Authority, the employer is deemed to have a weaker covenant than other employers in the Fund or alternatively is expected to exit in the near future, the Administering Authority reserves the right to move the employer (typically following discussions with the employer) into the medium or lower risk investment strategy to protect the Fund as a whole.

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IDENTIFICATION OF RISKS AND COUNTER-MEASURES

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

The Administering Authority has been advised by the actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term. The Actuary's formal valuation report includes a quantification of the key risks in terms of the effect on the funding position.

FINANCIAL

The financial risks are as follows:-

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

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

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation (including in each separate investment bucket) is kept under regular review and the performance of the investment managers is regularly monitored.

DEMOGRAPHIC

The demographic risks are as follows:-

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

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

Ill health retirements can be costly for employers, particularly small employers where one or two costly ill health retirements can take them well above the "average" implied by the valuation assumptions. Increasingly we are seeing employers mitigate the number of ill health retirements by employing HR / occupational health preventative measures. These, in conjunction with ensuring the regulatory procedures in place to ensure that ill-health retirements are administered properly, can help control exposure to this demographic risk. The Fund's ill health captive arrangement will also help to ensure that the eligible employers are not exposed to large deficits due to the ill health retirement of one or more of their members (see further information in Appendix E).

Early retirements for reasons of redundancy and efficiency do not immediately affect the solvency of the Fund because they are the subject of a direct charge.

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

INSURANCE OF CERTAIN BENEFITS

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

REGULATORY

The key regulatory risks are as follows:-

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

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

GOVERNANCE

The Fund has done as much as it believes it reasonably can to enable employing bodies and scheme members (via their trades unions) to make their views known to the Fund and to participate in the decision-making process. So far as the revised Funding Strategy Statement is concerned, it circulated copies of the first draft to all employing bodies for their comments. The first draft was reviewed at the Committee's meeting on 15 November 2016 and finalised following the Committee meeting on 21 March 2017 after the Fund received feedback from the employing bodies. A further consultation took place following the publication of the 2018 Amendment Regulations and the introduction of exit credits. The revisions to the FSS have been incorporated into this draft and the updated draft was finalised following the Committee meeting on 29 October 2019.

Governance risks are as follows:-

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond.
- An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements.
- Political risk that the academies guarantee from the Department for Education is removed, especially given the large increase in the number of academies in the Fund.

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

PENSIONS COMMITTEE

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

The Pensions Committee is made up of fifteen voting representatives and Wirral Council, as the Administering Authority, nominates ten members, each of the other four local councils nominate a member and a representative of the remaining employers is elected by ballot. There are three non-voting members drawn from trade unions representing all actives, deferred members and pensioners. Aside from the trade union and non-council representatives, Member changes to Committee are subject to the political leadership of the Councils, although efforts are made to limit rotation where possible.

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

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

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

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

LOCAL PENSION BOARD

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

Membership

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

The employer representatives are office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity.

Member representatives are scheme members of Merseyside Pension Fund and have the capacity to represent scheme members of the Fund

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

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

- comply with the scheme regulations and other legislation relating to the governance and administration of the scheme; and
- any requirements imposed by the regulator.

A member of the Pension Board must be conversant with:

- the rules of the scheme and the law relating to pensions, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

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

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

http://mpfund.uk/pensionboard

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MONITORING AND REVIEW

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

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

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

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

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employing authorities will be contacted. In the case of an employer who may exit the Fund, there is statutory provision for rates to be amended between valuations and this will be considered in conjunction with the employer affected and any associated guarantor of the employer's liabilities (if relevant).

APPENDIX A - ACTUARIAL METHOD AND ASSUMPTIONS

METHOD

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

FINANCIAL ASSUMPTIONS – SOLVENCY FUNDING TARGET

Investment return (discount rate)

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

For those employers who are funding on a lower risk investment strategy, the discount rate used will be linked to low risk generating assets and this will be notified to the employers separately.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Scheme's accrued liabilities, but subject to an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index

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

Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.5% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. In addition to the long term salary increase assumption allowance has been made for expected short term pay restraint for some employers as budgeted in their financial plan. Depending on the circumstances of the employer, the variants on short term pay that have been applied are either no

allowance or allowances of 1%, 1.5%, 2% or 2.5% per annum for each year from the valuation date up to 2020. The allowance made has been notified to each employer separately on their individual results schedule.

Pension increases/Indexation of CARE benefits

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

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

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

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

Commutation

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

Other Demographics

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

Expenses

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

Discretionary Benefits

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

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

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

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

At the valuation date, the financial assumptions in relation to future service (i.e. the normal cost) are based on an overall assumed real discount rate of 2.75% per annum above the long term average assumption for consumer price inflation of 2.2% per annum.

EMPLOYER ASSET SHARES

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

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

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

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

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

Long-term yields	
Market implied RPI inflation	3.20% p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate	4.20% p.a.
CPI price inflation	2.20% p.a.
Long Term Salary increases*	3.70% p.a.
Pension increases/indexation of CARE benefits	2.20% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	4.95% p.a.
CPI price inflation	2.20% p.a.
Long Term Salary increases*	3.70% p.a.
Pension increases/indexation of CARE benefits	2.20% p.a.

*short term salary increases also apply

Life expectancy assumptions

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

-Post retirement mortality tables

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

-Life expectancies at age 65

Membership Category	Male Life Expectancy at 65	Female Life Expectancy at 65
Pensioners	21.8	24.6
Actives aged 45 now	24.8	27.5
Deferreds aged 45 now	22.7	26.4

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

APPENDIX B – EMPLOYER DEFICIT RECOVERY PLANS

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

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

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

The determination of recovery periods are summarised in the table below, however there are a small number of employers that have different recovery periods to those set out below and these employers have been notified separately:

Category	Average Deficit Recovery Period	Derivation
Fund Employers	19 years	Determined by reducing the period from the preceding valuation to ensure (as far as possible) deficit contributions do not reduce versus those expected from the existing recovery plan.
Open Admitted Bodies	9 years	Determined by reducing the period from the preceding valuation to ensure deficit contributions (as far as possible) do not reduce versus those expected from the existing recovery plan.
Closed Employers	The deficit recovery period for closed admission bodies is a minimum of 9 years or the lower of the future working lifetime of the membership	Determined by reducing the period from the preceding valuation to ensure deficit contributions (as far as possible) do not reduce versus those expected from the existing recovery plan.
Employers with a limited participation in the Fund	Determined on a case by case basis	Length of expected period of participation in the Fund

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

- The size of the funding shortfall;
- The business plans of the employer;

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

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the deficit contributions at the expected monetary levels from the preceding valuation.

Other factors affecting the Employer Deficit Recovery Plans

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

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

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

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

APPENDIX C - TERMINATION POLICY

EXITING THE FUND

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

On the cessation of an employer's participation in the Fund where an employer becomes an exiting employer, the Actuary will be asked to make a termination assessment. Depending on the circumstances of the termination this assessment may incorporate a more cautious basis of assessment of the final liabilities for the employer. Typically this will be where the employer does not have a guarantor in the Fund who has agreed to subsume the orphaned liabilities from the exiting employer.

Where it may be appropriate to use a more cautious basis, the discount rate assumption used will be derived to be consistent with a lower risk investment strategy linked to low risk income generating assets which make up the lower risk investment "bucket". This is subject to the financial assumptions used being no less cautious than the equivalent valuation assumptions updated appropriately based on the advice of the actuary. For the avoidance of doubt this includes any variation to assumptions for those employers whose assets are invested in the medium risk asset bucket. The Administering Authority retains the discretion to adopt a different approach for any particular employer related to the size of the risk and the employer will be notified of this accordingly.

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

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

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

1. Assessing the final termination liabilities using assumptions consistent with the most recent valuation basis adjusted as necessary to reflect the expected return outlook in relation to the investment strategy which supports the exiting employer's liabilities.

2. Assessing the final liabilities using a discount rate which is linked to a low risk income generating investment strategy which make up the lower risk investment "bucket". As part of this assessment the Actuary will use a deduction from the discount rate to reflect a reasonable estimate of the potential asset default and reinvestment risk associated with the asset strategy, the associated costs of termination and any other reasonable prudential margins that are appropriate based on the advice of the Actuary. This will be reviewed from time-to-time dependent on market conditions. In addition, the Actuary will apply the more prudent mortality assumption as described above.

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

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

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

For employers that are guaranteed by a guarantor (usually the original employer or letting authority), the Fund's policy at the point of cessation is for the guarantor to subsume the residual assets, liabilities and any surplus or deficit. This is subject to the agreement of all parties involved (i.e. the Fund, the exiting employer and the guarantor) who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor.

If all parties do not agree then the surplus will be paid directly to the exiting employer within 3 months of cessation (despite any other agreements that may be in place). In maintaining a consistent approach, the Fund will seek to recover the deficit from the exiting employer in the first instance. However, if this is not possible, the deficit will be subsumed by the guarantor and all remaining assets and liabilities will then be subsumed by the guarantor.

The Fund will inform the guarantor of the exiting employer's request to receive the surplus before making payment of the exit credit. However the Fund will not become embroiled in any disagreement over the refund of any surplus which is contrary to commercial agreements.

Ultimately the Fund will have to comply with the Regulations and therefore pay any exit credit. It is then up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.

If a guarantor unjustifiably deviates from the policy to subsume the residual assets, liabilities and any surplus or deficit, future termination events with regard to the payment of the surplus or deficit will be treated in line with the approach adopted for employers without a guarantor in the Fund (the ongoing valuation basis will still be adopted in this case).

As the guarantor will absorb the residual assets and liabilities, it is the view of the Actuary that the ongoing valuation basis described above should be adopted for the termination calculations. For the avoidance of doubt this includes any variation to assumptions for those employers whose assets are invested in the medium or low risk asset bucket. This is the way the initial admission agreement would typically be structured i.e. the admission would be fully funded based on liabilities assessed on the valuation basis.

If the guarantor refuses to take responsibility then the residual deferred pensioner and pensioner liabilities should be assessed on the more cautious basis. In this situation the size of the termination payment would also depend on what happened to the active members and if they all transferred back to the original Scheme Employer (or elsewhere) and aggregated their previous benefits. As the transfer would normally be effected on a "fully funded" valuation basis the termination payment required would vary depending on the circumstances of the case. Where this occurs the exiting employer would then be treated as if it had no guarantor as per the policy below.

(II) NON-CONTRACT BASED ADMISSION BODIES WITH A GUARANTOR IN THE FUND

The approach for these will be the same as (i) above and will depend on whether the guarantor is prepared to accept responsibility for residual liabilities.

(III) ADMISSION BODIES WITH NO GUARANTOR IN THE FUND

These are cases where the residual liabilities would be “orphaned” within the Fund, although it is possible that a bond would be in place. The termination calculation would be on the more cautious basis as noted in 2. above although the approach in 3. above could apply at the discretion of the Administering Authority.

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

The policy for such employers will be:

- In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 3 months of cessation). This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date.

- In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as an immediate lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process.

The Administering Authority also reserves the right to modify this approach on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary.

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

RELEVANT REGULATIONS WITHIN THE LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013 (AS AMENDED BY THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2018)

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

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

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

If the Administering Authority becomes aware or is of the opinion of a Scheme employer becoming an exiting employer, Regulation 64 (4) provides that it may obtain from an actuary a certificate specifying, in the case of an admission body, the percentage or amount by which, in the actuary's opinion -

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

APPENDIX D – COVENANT ASSESSMENT AND MONITORING POLICY

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

An assessment of employer covenant focuses on determining the following:

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

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

RISK CRITERIA

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

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

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

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

ASSESSING EMPLOYER COVENANT

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

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

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

FREQUENCY OF MONITORING

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

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

COVENANT RISK MANAGEMENT

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

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

APPENDIX E – INSURANCE ARRANGEMENTS

OVERVIEW OF ARRANGEMENT

For certain employers in the Fund, following discussions with the Fund Actuary and after considering potential alternative insurance arrangements, a captive insurance arrangement is to be established by the Administering Authority to cover ill-health retirement costs. This will apply for all ill-health retirements from 1 April 2017.

The captive arrangement operates as follows:

- "Premiums" are paid by the eligible employers into the captive arrangement which is tracked separately by the Fund Actuary in the valuation calculations. The premiums are included in the employer's primary rate. The premium for 2017/20 is 1% p.a.
- The captive arrangement is then used to meet strain costs (over and above the premium paid) emerging from ill-health retirements in respect of both active and deferred members i.e. so there is no initial impact on the deficit position for employers within the captive.
- The premiums are set with the expectation that they will be sufficient to cover the costs in the 3 years following the valuation date. If any excess premiums over costs are built up in the Captive, these will be used to offset future adverse experience and/or lower premiums at the discretion of the Administering Authority based on the advice of the actuary.
- In the event of poor experience over a valuation period any shortfall in the captive fund is effectively underwritten by the other employers within the Fund. However the future premiums will be adjusted to recover any shortfall over a reasonable period with a view to keeping premiums as stable as possible for employers. Over time the captive arrangement should therefore be self-funding and smooth out fluctuations in the contribution requirements for those employers in the captive arrangement.
- Premiums payable are subject to review from valuation to valuation depending on experience and the expected ill health trends. They will also be adjusted for any changes in the LGPS benefits. They will be included in employer rates at each valuation or on commencement of participation for new employers.

EMPLOYERS COVERED BY THE ARRANGEMENT

Those employers (both existing and new) that will be included in the captive are Academies, Community related Admitted Bodies, Contract related Admitted Bodies (where the guarantor is also in the captive arrangement) and Designating/Resolution Bodies. These employers will be notified of their participation. New employers entering the Fund who fall into this category will also be included.

For all other employers who do not form part of the captive arrangement, the current treatment of ill-health retirements will still apply i.e. the Fund continues to monitor ill-health retirement strain costs incurred against the allowance certified with recovery of any excess costs from the employer once the allowance is exceeded either at the next valuation or at an earlier review of the contributions due including on termination of participation.

APPENDIX F - GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

Equity Protection: an insurance contract which provides protection against falls in equity markets. Depending on the pricing structure, this may be financed by giving up some of the upside potential in equity market gains.

Exit Credit: the amount payable from the Fund to an exiting employer in the case where the exiting employer is determined to be in surplus at the point of cessation based on a termination assessment by the Fund Actuary.

Hedging: a strategy that aims to reduce funding volatility using Liability Driven Investment (LDI) or other techniques. This is achieved by investing in assets that capture levels of yields based on agreed trigger levels so the assets mimic the change in liabilities.

Hedge ratio: The level of hedging in place as a percentage of the liabilities and can be 0% to 100%. This can be in relation to interest rates, inflation rates or real rates of return.

Investment Bucket: this describes a bespoke investment strategy which applies to one or more employers and is dependent on the liability and risk profile.

Ill Health Captive: this is a notional fund designed to immunise certain employers against excessive ill health costs in return for an agreed insurance premium.

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

Funding Strategy Statement: this is a key governance document that outlines how the Administering Authority will manage employer's contributions to the Fund.

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

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

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

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

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

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

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

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

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

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

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2013, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

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

MERSEYSIDE PENSION FUND

FUNDING STATEGY STATEMENT - CONSULTATION

The Funding Strategy Statement (FSS) consultation commenced on 6 July 2018 and closed on 6 August 2018 and in this time the Fund received a number of responses from employers. This document summarises the questions and concerns raised by employers and the Independent Chair of the Pension Board during the consultation period along with a response from the Fund.

For those employers who have responded to the consultation, the responses in general support and welcome the need to revise the FSS in the light of the updated Local Government Pension Scheme (Amendment) Regulations 2018.

The majority of the issues raised related to the treatment of employers who have a guarantor within the Fund at the time of termination. Whilst those employers that responded were largely in agreement that the surplus or deficit on termination should be subsumed by the guarantor where all parties agree, the main area of concern was what would happened in the event that all parties did not agree.

The issues raised and the responses from the Fund are summarised below.

1. Is it correct that in the case where an employer has a guarantor but all parties do not agree to subsume the surplus, the default position in the FSS is for the exiting employer to receive the surplus?

Yes. In the event that an employer exits the Fund with a surplus position on termination, the default position in the FSS is that if all parties do not agree that the guarantor can subsume the surplus, then the Fund will pay out the surplus to the exiting employer.

Ultimately the Fund is required to comply with the Regulations which state that upon termination, the exit credit must be paid to the exiting employer (see Regulation 64(2) LGPS Regulations 2013 as amended by Regulation 13(c) LGPS (Amendment) Regulations 2018). It is this requirement under the Regulations which has meant that the FSS has been drafted in this way.

2. Is it possible to change the FSS to have a default position whereby the guarantor subsumes the surplus? This would avoid a situation whereby the exiting employer picks and chooses based on the funding position at termination, for example:

- **if the exiting employer agrees to subsuming the deficit then they do not have to pay any money**
- **however, if the exiting employer disagrees to subsuming the surplus then they receive the exit credit.**

As stated above because the Fund is required to comply with the Regulations, it is not possible to have a default position whereby the surplus is automatically subsumed by the guarantor.

In the event that an exiting employer disagrees with the guarantor subsuming the surplus, under the Regulations the Fund will have to make a payment to the exiting employer. In this situation the Fund would inform the guarantor of this before making payment of the refund.

It would then be up to the guarantor to contest the surplus payment citing the commercial contract and the desire for equal treatment in the event of a deficit (i.e. if the guarantor would have been responsible for a deficit but does not receive the surplus).

The Fund accepts that the new provision could be inequitable as the guarantor could absorb any irrecoverable debt from the exiting employer, whereas any surplus could ultimately be paid to the contractor if requested.

It is therefore crucial for employers to revisit their historic commercial contracts and adjust their future commercial contracts to ensure that they are explicit around the potential treatment of any surplus at the end of the contract and that all parties are clear what the agreement is and how it works.

3. Please can you update the FSS to confirm what will happen in the event where an employer is exiting the Fund and there is a guarantor but all parties do not agree to the surplus or deficit being subsumed by the guarantor?

It might be useful to also highlight in the FSS the need for employers to consider both the surplus and the deficit position in the contract / partnership discussions in the future.

We agree that it would be helpful to clarify this within the FSS. The Funding Strategy Statement will therefore be updated as follows:

> *If all parties do not agree then the surplus will be paid directly to the exiting employer within 3 months of cessation (despite any other agreements that may be in place). In maintaining a consistent approach, the Fund will seek to recover the deficit from the exiting employer in the first instance. However, if this is not possible, the deficit will be subsumed by the guarantor and all remaining assets and liabilities will then be subsumed by the guarantor.*
>
> *The Fund will inform the guarantor of the exiting employer's request to receive the surplus before making payment of the exit credit. However the Fund will not become embroiled in any disagreement over the refund of any surplus which is contrary to commercial agreements.*
>
> *Ultimately the Fund will have to comply with the Regulations and therefore pay any exit credit. It is then up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.*

4. In the case where an employer has a guarantor and agreement has been reached that any deficit or surplus is to be subsumed at exit, is there anything specific in how the agreement should be communicated and documented to the Fund?

Ultimately it is up to the guarantor and contractor to have in place their own specific legal agreements on how any surplus or deficit should be treated at exit. As a Fund we are unable to give legal advice on how these agreements/contracts should be set up.

In the case of historic arrangements we note that the contracts may not contain any detail around the specific treatment of a refund of surplus. In this case we would suggest that guarantors and employers look to update the contract or where a variation to the contract is not possible, we would suggest that the guarantor should seek a legal letter from the exiting employer setting out the agreed position on the treatment of any surplus at the end of the contract.

For any commercial agreements and contracts drawn up since the new Regulations have been in force (since May 2018), we would expect these to include agreement on how surpluses and deficits are to be treated on exit in view of the new regulations.

We would recommend that future contracts cover the allocation of pension risk and they should be written with the Funding Strategy and new Regulations in mind. Therefore the Fund would expect guarantors to address the issues of exit credits and align future contractual arrangements with the new regulatory provision and the Fund's termination policy.

5. Will these new arrangements be captured within the Admission Agreement for employers with a guarantor? For example, as an addendum to the Admission Agreement which clearly states the potential implications of the employer exiting the fund and acts as a legally binding condition that the employer pays any deficit (if applicable).

Our view is that any agreements on how pension risk should be allocated should be documented via the commercial and contractual agreements not the admission agreements but this is something that guarantors and employers should take their own legal advice on.

It is not appropriate for the Fund to determine aspects of the commercial arrangements and risk transfer with regard to pension costs in isolation as this may be counterintuitive to the guarantor receiving the most economically advantageous contract price. Furthermore it may not provide the contractor with transparency when agreeing costs and transfer of risk.

6. Are the changes to the Funding Strategy policy subject to agreement from all interested parties or is it the application of the new policy on a case by case basis that is subject to agreement from all interested parties

The requirements in respect of preparing and changing the Funding Strategy Statement (FSS) are set out in Regulation 58 of the LGPS Regulations 2013. This requires that the Fund (Administering Authority) consult with relevant parties but that after such consultation *"prepare, maintain and publish a written statement setting out its funding strategy"* Therefore, after due consultation it is the responsibility of the Fund to determine the Funding Strategy Statement (FSS).

Agreement to the FSS - The Fund has a statutory duty to work collaboratively with employers on the proposed methodology of the FSS. As such the Fund met with the chief financial officers of the major employers (those to who the new Regulations would have the biggest impact on) on 12 June 2018 to discuss its proposals to deal with exit credits in accordance with the LGPS (Amendment) Regulations 2018. The aim of the discussion was to ensure that the employers who were likely to be the most affected understood the position in relation to the FSS and also afford them with the opportunity to comment upon the methodologies and raise awareness of the need to align commercial contracts with the new regulatory provisions and fund policy.

The Fund then prepared the draft FSS taking into account the views that were discussed at the meeting. This was then circulated to all participating employers for comment. All responses to the consultation will be fully considered but ultimately responsibility for finalisation and publication of the FSS rests with the administering authority as set out in the LGPS Regulations 2013.

Agreement to the treatment of exit credits – At the point that an employer exits the Fund (with a guarantor), agreement will be needed by all parties (on a case by case basis) as to whether the surplus or deficit should be subsumed by the guarantor or paid to / by the exiting employer. Where there is not agreement by all parties the default position is that any surplus is paid to the employer as set out in Regulation 64(2) LGPS Regulations 2013 as amended by Regulation 13(c) LGPS (Amendment) Regulations 2018.

7. Is it possible to adjust the actuarial assumptions for cases where a surplus is identified at termination so that the calculation is based on a more prudent set of assumptions?

The Fund is required to treat employers consistently and the termination policy must apply to all employers. Applying a more prudent termination basis would therefore reduce the surplus for some employers but could also significantly increase the deficit that the exiting employer would be required to pay. Particularly in cases where the exiting employer is responsible for the surplus/deficit rather than the guarantor, such employers could argue that the initial allocation of assets was insufficient.

In addition, it would not align with the treatment of the employer at the outset of the contract or the contract pricing. This is therefore not an option for the Fund.

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WIRRAL COUNCIL

PENSIONS COMMITTEE

29 OCTOBER 2018

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

1.0 EXECUTIVE SUMMARY

1.1 This report informs Members of a Responsible Investment event being organised by the Fund on 26 November on behalf of the Northern Pool and encourages attendance.

2.0 BACKGROUND AND KEY ISSUES

2.1 This conference is for those involved with the creation of the Northern Pool and others with a direct interest. The objective is to give those attending a reminder of what is required of the three administering authorities and funds to meet legislative requirements, achieve good investment returns together with developing a collective view on strong stewardship arrangements for the assets of the funds whether held directly or through the pooling arrangements.

2.2 The arrangements necessarily reflect the overarching requirement to ensure the maximisation of financial returns for the benefit of all those with a financial interest in the funds. However, in achieving that objective, it is still possible to hold investments that have a positive economic impact locally and good environmental and social outcomes. Similarly, the funds wish to maintain a robust approach to the corporate governance of their assets which is developing as the Pooling arrangements progress.

2.3 A mix of external and internal speakers will be attending. A number of areas of best practice will be discussed and case studies presented.

2.4 An agenda for the event will be circulated shortly.

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 Costs will be incurred for use of the venue, for travel and for catering which can be met from the Pension Fund Northern Pool 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 Committee notes the report and encourages attendance at the event.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Attendance at this conference will provide Members with an insight to the legislative requirements of the LGPS, the latest developments in the area of responsible investment and an opportunity to meet with colleagues from the other funds in the Northern Pool.

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APPENDICES

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSIONS COMMITTEE

29 OCTOBER 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 and seeks approval for the Director of Pensions, in conjunction with the Borough Solicitor, to conclude an inter-authority operating agreement between the three funds of the Northern Pool and any constitutional amendments that may be required.

2.0 BACKGROUND AND KEY ISSUES

2.1 MPF has continued to work with its pooling partners to finalise governance arrangements for the Pool's Joint Committee. An underpinning element of this is a Northern Pool inter-authority operating agreement between the three funds which is close to being concluded.

2.2 The vast majority of the benefits of pooling for the funds in the Northern Pool are in respect of alternative assets where there is greatest scope to generate further economies of scale and to combine resources to make increasingly direct investments. Following detailed discussions and consideration of professional advice, it was agreed in March 2017 by each of the participating funds that in order to meet the Reduced Costs and Excellent Value for Money criteria set by Government most effectively, the Northern Pool should focus resource on making collective investments in alternative assets such as private equity and direct infrastructure. The private equity and direct infrastructure investments would initially be made via joint ventures and partnerships to enable pooled investments to be made and start generating material cost savings from an early stage.

2.3 It pleasing to report that GLIL has now invested more than £1bn into UK infrastructure and three private equity commitments have been made through NPEP.

2.4 The Northern Pool Joint Committee will be established via the approval of an inter-authority agreement between the administering authorities to the participating funds. The role of the Joint Committee is to:

i) provide monitoring and oversight of the Pool to ensure that the Pool is effectively implementing the participating authorities' strategic asset allocation decisions;
ii) oversee reporting to the participating authorities' pension committees.
iii) act as a forum for the participating authorities to express the views of their pension committees;
iv) ensure segregation of duties in investment decision making between elected members and officers;
v) monitor performance of portfolios; and
vi) monitor the appointment of investment managers.

2.5 Reporting processes of the Pool include regular written reports on the performance of Pool investments to the Joint Committee, which are discussed at formal meetings. The Joint Committee will not be undertaking any regulated activities.

2.6 The Pool's governing documentation grants the Joint Committee and each administering authority certain powers regarding the operation of the Pool, which can be used to ensure the effective performance of the Pool.

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. These are updated in the latest progress report to MHCLG.

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 pooling report.

13.2 That Members give approval for the Director of Pensions, in conjunction with the Borough Solicitor, to conclude an inter-authority operating agreement between the three funds of the Northern Pool and any constitutional amendments that may be required.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Pooling will result in fundamental changes to the 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

29 OCTOBER 2018

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

1.0 EXECUTIVE SUMMARY

1.1 This report recommends that the Committee approves attendance by the Chair and party spokespersons at the Local Authority Pension Fund Forum (LAPFF) Annual Conference, organised by PIRC, to be held in Bournemouth from 5 to 7 December 2018.

2.0 BACKGROUND AND KEY ISSUES

2.1 MPF is a member of LAPFF and its Annual General Meeting and annual conference provides a forum for Responsible Investment matters and topical issues affecting Local Authority Pension Funds to be discussed and addressed. With sustainability issues gaining a higher profile it is proposed that the arrangements pertaining last year are continued and invitations extended to party spokespersons as well as the Chair.

2.2 An agenda for the conference is attached as an appendix. The conference will commence on the Wednesday afternoon and conclude around midday on the Friday.

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 LAPFF membership allows for two free conference places. Additional places will cost £500 per head with travel and accommodation costs an additional expense.

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 LAPFF conference by the Chair and party spokespersons be approved

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Attendance at this conference is a part of the development programme approved by Members in January 2018.

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APPENDICES

Agenda

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Annual report to Pensions Committee	

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THE FINANCIAL ASPECTS OF CORPORATE GOVERNANCE

Back to the future

5-7 December 2018, Bournemouth Hilton Hotel

Local Authority Pension Fund Forum

Wednesday 5 Dec

1.30pm Light lunch available for arriving delegates. Registration

2.30pm Chair's welcome, Cllr Ian Greenwood

2.45pm **LAPFF Engagement updates** including Ryanair, Tesla and National Express
MODERATOR: Cllr Barney Crockett, LAPFF Executive

3.45pm Refreshment break and book signing

4.10pm **Hired: six months undercover in low-wage Britain**
James Bloodworth
MODERATOR: Cllr Ian Brookfield, LAPFF Executive

4.45pm Q&A

5.00pm Conference day ends

7.30pm Drinks reception Sponsored by Darwin Property Investment Management

8.15pm Dinner Sponsored by Sarasin & Partners

10.30pm After dinner drinks in the Sky Bar Sponsored by Blackrock

Midnight Close

Thursday 6 Dec

9.30am Chair's welcome, Cllr Ian Greenwood

9.45am **Directors' remuneration**
Deborah Hargreaves, Founder, High Pay Centre, author of 'Are Chief Executives Overpaid'
MODERATOR: Cllr Doug McMurdo, LAPFF Executive

10.30am Refreshments

10.50am **Carillion case study**
Speaker to be announced
MODERATOR: Cllr Paul Doughty, Vice Chair, LAPFF

11.20am **Fair Value accounting?**
Jonathan Ford, FT journalist
MODERATOR: Cllr Eddie Pope, LAPFF Executive

12.00pm **What's wrong with the Financial Conduct Authority?**
Alan Miller, SCA Capital
MODERATOR: Cllr Alasdair Rankin, LAPFF Executive

12.45pm Lunch

2.15pm **Changing our ways**
Julia King, Baroness Brown of Cambridge Chair of Adaptation Committee on Climate Change
MODERATOR: Tom Harrington, LAPFF Executive

3.00pm **The triumph of the accountants and how they broke capitalism**
Richard Brooks, Private Eye journalist, author Bean Counter
MODERATOR: Tim Bush, PIRC Ltd

3.45pm Refreshments and book signing

4.05pm **How companies are responding to the plastics crisis**
Mike Barry, Marks & Spencer plc (invited)
Representative from Morrisons plc (invited)
Nick Brown, Head of Sustainability, Coca Cola European Partners, Great Britain
MODERATOR: Cllr Yvonne Johnson, LAPFF Executive

4.45pm **The future of the FRC**
Baroness Sharon Bowles
MODERATOR: Rodney Barton, LAPFF Executive

5.30pm Conference day close and book signing

7.30pm Cocktails in the Sky Bar

8.00pm Buffet dinner in the Sky Bar Sponsored by Robbins Geller Rudman & Dowd

10.30pm Evening ends

Friday 7 Dec

9.30am Chair's welcome back, Cllr Ian Greenwood

9.35am **Directors' remuneration at Diageo and developments since the Davies Report**
Lord Mervyn Davies of Abersoch, CBE
MODERATOR: Cllr Rob Chapman, LAPFF Executive

10.10am Refreshments

10.30am **Closing the gender pay gap**
Ann Franke, Managers Organisation
MODERATOR: Abigail Leech, LAPFF Executive

11.00am **The bank that lived a little: Barclays in the age of the very free market**
Philip Augar
MODERATOR: Chris Hitchen, LAPFF Executive

11.30am **Whatever happened to the financial crisis?**
Philip Augar, George Magnus (invited)
MODERATOR: John Plender, Financial Times

12.30pm Grab and Go lunch

The conference badges sponsored by Pictet Asset Management

The conference bag sponsored by Investec Asset Management

The conference notebook sponsored by Capital Dynamics

The conference pen sponsored by First Eagle Investment Management

Complimentary copies of 'Hired', 'Bean Counters', 'The Bank That Lived a Little' and 'Are Chief Executives Overpaid' sponsored by Robbins Geller Rudman & Dowd

Many thanks to all our sponsors.

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WIRRAL COUNCIL

PENSION COMMITTEE

29 OCTOBER 2018

SUBJECT:	**ANNUAL EMPLOYERS' CONFERENCE**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**DIRECTOR OF PENSIONS**
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report informs Members of the arrangements for the annual Employers' Conference to be held on Thursday 29 November 2018.

2.0 BACKGROUND AND KEY ISSUES

2.1 The 2018 conference will be held at Aintree Racecourse on **Thursday 29 November**.

2.2 In addition to the annual reports on investment performance and the administration of the Pension Fund over the previous year, a presentation will be given by Mercer, the Fund Actuary, summarising the recent interim valuation and an outline of next year's triennial valuation.

2.3 The Fund also welcomes the attendance of Bob Holloway, Pensions Secretary for the Scheme Advisory Board. Mr Holloway has presented at our conferences in the past, when he worked for the former Department of Communities & Local Government. This year, he will be updating delegates on the numerous workstreams currently being undertaken by the Scheme Advisory Board.

2.4 The draft programme commences with Coffee and Registration from 9.15am, with a start time of 10am. There will be an open forum for questions and an anticipated finish time of 1pm. Lunch will be provided for delegates.

2.5 Members are invited to attend the Conference and further details will be circulated to all Members of this Committee as soon as arrangements are finalised.

3.0 RELEVANT RISKS

3.1 There are none rising directly from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report.

5.0 CONSULTATION

5.1 The location, public transport links and overall quality of the venue has been consistently commended by delegates as an excellent or very good venue.

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 associated with the subject matter.

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

8.1 The cost of holding the Conference is estimated at £8,000; provision for which is contained within the budget.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10 EQUALITIES IMPLICATIONS

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

Yes - Access for delegates with limited mobility has been assessed; appropriate emergency arrangements in place. A hearing loop and relay screens will be provided for people with sensory impairments.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION

13.1 That members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The event provides a forum for officers, advisors and the Local Pension Board to report to employers and key stakeholders on the progress of the Fund.

14.2 The value of holding an annual conference was recognised following the successful re-introduction of this event in November 1997.

14.3 Feedback from attendees has consistently demonstrated the value that employers place in the opportunity to hear presentations on topical issues and receive reports on current Fund activity and performance.

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BRIEFING NOTES HISTORY

Briefing Note	Date

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WIRRAL COUNCIL

PENSIONS COMMITTEE

29 OCTOBER 2018

SUBJECT:	**LOCAL PENSION BOARD MINUTES**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report provides members with the minutes of the previous meeting of the Local Pension Board.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Local Pension Board was established in 2015 in accordance with section 5 of the Public Service Pensions Act 2013 to assist the Administering Authority in its role as a scheme manager of the Scheme.

2.2 The Local Pension Board provides reports to the Administering Authority on its activities and, as a part of that reporting, the minutes of its meetings are shared with Pensions Committee.

3.0 RELEVANT RISKS

3.1 There are none arising from this report

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 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 There are no implications 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 note the minutes of the Local Pension Board

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The Local Pension Board provides reports to the Administering Authority on its activities and, as a part of that reporting, it is best practice that its minutes are shared with Pensions Committee on a regular basis.

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APPENDICES

Appendix 1 Pension Board minutes

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Minutes of Local Pension Board meetings are brought to the subsequent Pensions Committee meeting.	

LOCAL PENSIONS BOARD

Wednesday, 13 June 2018

Present: J Raisin (Chair)

G Broadhead
M Hornby
K Beirne
D Ridland
P Wiggins
R Irvine
L Robinson
P Maloney

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

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

No such declarations were made.

2 **MINUTES**

Resolved – That the accuracy of the Minutes of the Local Pension Board held on 20 March, 2018 be approved as a correct record.

3 **ORDER OF BUSINESS**

The Chair sought and received approval from the Committee to alter the order of the consideration of the agenda.

4 **LGPS UPDATE**

A report of the Director of Pensions provided Board members with copies of recent LGPS update reports taken to Pensions Committee. Yvonne Caddock, Head of Pensions Administration, outlined the report and responded to members questions.

Resolved – That the report be noted.

5 **DRAFT COMMUNICATIONS STRATEGY**

Members gave consideration to a report of Guy Hayton, Operations & Information Governance Manager, which reported that in accordance with regulations the Fund was required to publish a statement of policy concerning how it communicated with members and scheme employers. It was reported that the Communications Policy had last been changed in January 2012. The

revised draft policy attached as Appendix 1 to the report took into consideration the Fund's move to more electronic communications and the increasing use of technology by members and employers. Guy Hayton outlined the report, responded to members questions and invited any further comments from members to be returned to him by 21 June, 2018. The Chair commented that he was glad to see that the public enquiry counter would be maintained.

Resolved - That;

1. the report be noted.

2. any suggested amendments to the proposed Communications Policy be submitted to Guy Hayton by 21 June, 2018 before the final draft is presented to the Pension Committee in July 2018.

6 **AUDIT PLAN**

Members gave consideration to the External Audit Plan prepared by Grant Thornton for the year ending 31 March 2018 and had been submitted to the Audit and Risk Management Committee and the Pensions Committee. Donna Smith, Head of Finance and Risk, Merseyside Pension Fund outlined the report and responded to members questions.

Resolved – That the report be noted.

7 **DRAFT DATA PROTECTION POLICY & GDPR UPDATE**

The Pension Board gave consideration to the Draft Data Protection Policy prior to its submission to the Pension Committee. Guy Hayton, Operations & Information Manager, Merseyside Pension Fund outlined the report and responded to members questions.

Members noted some minor typographical errors and made suggestions regarding the inclusion of additional narrative to Section 9 of the Policy. Guy Hayton indicated that if members had any further comments/corrections they should get in touch with him before 21 June, 2018.

Resolved – That;

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

2. any suggested amendments to the proposed Data Protection policy be submitted by 21 June, 2018 before the final draft is presented to the Pension Committee in July 2018.

8 **ENGAGEMENT WITH THE PENSION REGULATOR**

Members gave consideration to a report of the Head of Pensions Administration that provided Board members with an update on The Pensions Regulator's plans for engagement with LGPS Funds. The report also recommended an early proactive engagement plan with the Regulator, as proposed by the Metropolitan Pension Fund Group.

Yvonne Caddock, Head of Pensions Administration, informed members that the Pensions Regulator (TPR) had started to become more heavily involved in the work of LGPS funds; particularly in the area of data and Funds were expected to face further scrutiny in regard the quality of their data. The white paper entitled "Protecting Defined Benefit Pension Schemes" published on 19 March 2018 stated that the Government intended to support TPR to become a clearer, quicker and tougher organisation by giving it new and improved powers to gather information and require employer co-operation.

Inherent within the regulator's 2018-2021 Corporate Plan was a collective project to engage with particular cohorts of pension administrators with a clear line of sight on the LGPS. The Metropolitan Pension Fund Group (Mets) which is made up of the largest LGPS Funds in England and Wales had approached TPR in an attempt to proactively engage at a high-level to explore ideas and, where possible to receive direction and guidance from TPR to shape actions and develop best practice amongst the group.

Members discussed the possibility of arranging an additional meeting of the Local Pension Board as the frequency of Board meetings had been highlighted by TPR. The Chair noted that Board members were good attendees and engaged proactively with the TPR. The Director of Pensions indicated that an additional meeting would enable timings to be more easily aligned with meetings of the Pensions Committee

Resolved - That;

1. **MPF's intent to work collectively with the Metropolitan Pension Fund Group, specifically to establish a programme of proactive engagement with the Pension Regulator, be agreed. The objective being to demonstrate compliance against Code of Practice 14 through the process of peer reviews.**

2. **Local Pension Board meetings increase to 4 meetings per year and that the arrangements to enable this be delegated to the Director of Pensions.**

9 **GIFTS & HOSPITALITY**

A report of the Director of Pensions provided Board members with a copy of the recent report taken to Pensions Committee on the monitoring of gifts and hospitality received by officers and attendance at subsidised business events. The appendices to the report provided schedules of declarations from January 2017 to December 2017.

Resolved – That the report be noted.

10 **DRAFT ANNUAL BOARD REPORT**

A report of the Independent Chair of the Pension Board, which has been prepared in accordance with the Terms of Reference of the Pension Board, was considered by the Board. The report 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 the Wirral MBC Pensions Committee. Following consideration by the Board, an approved version of this review would be presented by the Independent Chair to the Pensions Committee. On behalf of the Board the Director of Pensions thanked the Independent Chair for the report and it was;

Resolved – That;

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

2. the proposed Work Plan 2018-19 be approved.

11 **POOLING UPDATE**

A report of the Director of Pensions provided Board members with copies of recent Pooling update reports taken to Pensions Committee. The Director of Pensions outlined the report and responded to members' questions. Members raised the question of how the Pension Board could contribute to Pooling and requested that the Director of Pensions raise this with the Chair of the Northern Pool on behalf of the Board. The Director highlighted that a meeting of the Northern Pool Shadow Joint Committee had taken place on 26 February, 2018 and Mr Ian Greenwood had been agreed as Chair. The report also set out the principal ongoing work streams for the Northern Pool and these were reported as making satisfactory progress.

The appendix to this report contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of Local Government Act 1972

i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information).

Resolved – That the report be noted.

12 **MONITORING OF INVESTMENT MANDATES & GOVERNANCE**

A report of the Director of Pensions provided Board members with a copy of the report to Pensions Committee that had sought approval for a revised policy for the monitoring of investment mandates for Merseyside Pension Fund.

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 report be noted.

13 **PROPERTY ARREARS**

Members gave consideration to a report of the Director of Pensions that provided Board members with a copy of the report to Pensions Committee that sought approval for the write-off of irrecoverable rent arrears arising from the Fund's property portfolio.

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 report be noted.

14 **WORKING PARTY MINUTES 16/11/17 & 30/01/18**

A report of the Director of Pensions provided Board members with copies of working party minutes since the previous Board meeting.

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 report be noted.

15 **MR GEOFF BROADHEAD**

The Director of Pensions informed members that this Board meeting could be the last one attended by Geoff Broadhead as he would be retiring from his post in September 2018. The Director offered his thanks to Mr Broadhead for his invaluable contribution to the Local Pension Board.

16 **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

Resolved – That in accordance with section 100 (A) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business, on the grounds that it involved the likely disclosure of exempt information as defined by relevant paragraphs of Part 1 of Schedule 12A (as amended) to that Act. The public interest test had been applied and favoured exclusion.

17 **AUDIT PROGRAMME & SUMMARY EXEMPT REPORT**

Mark Niblock, Chief Internal Auditor and Tony Dennis, Programme Auditor attended the meeting to present the Merseyside Pension Fund Internal Audit Annual Report to the Board and responded to members questions. The report was exempt by virtue of paragraph 3.

Resolved: -That;

1. **the representatives from Audit be thanked for the report.**

2. **the Pension Board notes that Internal Audit has, during 2017-18, undertaken a number of reviews of aspects of the operations of the Merseyside Pension Fund and on the basis of this work has provided a view that significant assurance can be placed on the adequacy and effectiveness of the Merseyside Pension Fund internal control environment.**

3. **the Pension Board commends the decision mutually agreed between the Merseyside Pension Fund and Internal Audit to increase the number of Audit days going forward by 50 to 150 to reflect the challenges, complexity and to further demonstrate and facilitate good governance at the Fund.**

18 **POOLING UPDATE EXEMPT REPORTS**

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

19 **MONITORING OF INVESTMENT MANDATES EXEMPT REPORT**

The report on Monitoring of Investment Mandates was exempt by virtue of paragraph 3.

20 **PROPERTY ARREARS EXEMPT REPORTS**

The appendices to the report on Property Arrears were exempt by virtue of paragraph 3.

21 **ADMINISTRATION KPI EXEMPT REPORT**

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

22 **WORKING PARTY EXEMPT MINUTES**

The appendices to the report on Working Party Exempt Minutes were exempt by virtue of paragraph 3.

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WIRRAL COUNCIL

PENSIONS COMMITTEE

29 OCTOBER 2018

SUBJECT:	**LGPS GOVERNANCE 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 15th Annual LGPS Governance Conference, organised by the Local Government Pensions Committee, to be held in Bristol between 17 and 18 January 2019.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Conference "Clarity in Confusion" is aimed at elected members and others involved in pensions committees and local pension boards. It provides an update on the latest developments in the LGPS and an insight to the current governance and investment issues in the LGPS.

2.2 Attendance would be beneficial to Members in fulfilling the Committee's Knowledge and Skills objectives as set out by CIPFA. The programme is attached as an appendix to this report.

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 The cost is £515 + VAT with transport costs an additional expense.

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 Committee considers if it wishes to send a delegation to attend this conference and, if so, to determine the number and allocation of places.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Ongoing development is an important aspect of Pensions Committee membership.

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

Programme

BACKGROUND PAPERS/REFERENCE MATERIAL

None

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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15th Annual LGPS Governance Conference

17-18 January 2019

Double Tree by Hilton Hotel, Redcliffe Way, Bristol

Clarity in Confusion

Why you should be there

- the conference is aimed at elected members and others (e.g. employer and member representatives, as well as officers) who attend pensions committees and local pension boards
- it is suitable for an audience with a wide range of knowledge and experience
- the agenda and content is not influenced by our sponsors

Attending the event will provide:

- an update on the latest developments in the LGPS
- insight into the current governance and investment issues in the LGPS
- the opportunity to share experiences with local authority colleagues in a relaxed environment and discover how they are handling the challenging environment

What previous attendees have said

"The whole conference has been informative and enjoyable

"Thank you for organising such a useful and friendly conference

"The conference is an excellent networking opportunity. It is very useful for updating your knowledge and understanding of current issues facing pension funds

Day one – Thursday 17 January 2019		
12:30 – 13:50	**Registration and buffet lunch**	
13:50 – 14:00	**Welcome from the chair**	**Denise Le Gal** Chair of Local Government Pension Committee (LGPC)
14:00 – 14:30	**Keynote address**	**Martin Clarke** Government Actuary
14:30 – 15:00	**Impact investment in the LGPS**	**Karen Shackleton** Pensions for Purpose
15:00 – 15:30	**Refreshments and networking**	
15:30 – 16:00	**Panel session – responsible investment in the LGPS** An expert panel will set out their thoughts on the duties and responsibilities when making investment decisions based on ethical considerations	**Cllr Doug McMurdo** Bedford Pension Fund **Rachel Haworth** ShareAction **William Bourne** Investment consultant
16:00 – 16:30	**Knowledge and Skills Framework** A summary of the survey undertaken last year to assess the confidence of elected members across all aspects of CIPFA's Knowledge and Skills Framework	**Andrew McKerns** Hymans Robertson
16:30 – 17:10	**Panel session – Looking forward to the valuation** An opportunity to question an expert panel about the forthcoming valuation	**Melanie Durrant** Barnett Waddingham **Alison Murray** Aon **Catherine McFadayen** Hymans Robertson **John Livesey** Mercer
17:10 -17:15	**Closing remarks from the chair**	**Denise Le Gal** Chair of Local Government Pension Committee (LGPC)
20:00	**Conference dinner**	

SPONSORED BY:

Day two – Friday 18 January 2019		
09:30 – 09:35	**Welcome from the chair**	**Denise Le Gal** Chair of Local Government Pension Committee (LGPC)
09:35 -10:00	**What does investment cost?** An expert insight into the real cost of investments and their reporting	**Dr Christopher Sier** UK Treasury Fintech Envoy Professor of Financial Technology, University of Leeds
10:00 – 10:25	**Legal update** All you need to know to keep the lawyers at bay, including MIFID II, IORP, GDPR and relevant Court cases	**Kirsty Bartlett** Squire Patton Boggs
10:25 – 10:45	**Panel Session – make administration simple** Quality data and better administration saves money. Find out why and how	**Annemarie Allen** Barnett Waddingham **Colin Lewis** Aquila Heywood **Rachel Brothwood** West Midlands Pension Fund
10:45 – 11:15	**Refreshments and networking**	
11:15 – 11:50	**An evolving scheme** Despite the impact of Brexit, the LGPS is a living breathing scheme that must change to survive in an increasingly more complex world. Find out from the scheme's Responsible Authority what is on the regulation to do list	**Jeremy Hughes** MHCLG
11:50 – 12:25	**Investment spotlight** We end the conference with our ever-popular tour of investments across the globe	**Investec Asset Management**
12:25 – 12:30	**Closing remarks from the chair**	**Denise Le Gal** Chair of Local Government Pension Committee (LGPC)
12:30	**Buffet lunch and networking**	

Book your place now at the LGA events page.

Cost is £515 plus VAT (includes all meals and overnight accommodation at the Double Tree)

WIRRAL COUNCIL

PENSION COMMITTEE

29 OCTOBER 2018

SUBJECT:	**INTERIM VALUTION 2018 - WHOLE FUND RESULT**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**DIRECTOR OF PENSIONS**
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report outlines the scope of the interim funding review for Merseyside Pension Fund, undertaken by the Fund Actuary, Mercer Ltd, assessed at 31 March 2018.

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 BACKGROUND AND KEY ISSUES

2.1 In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary carried out a triennial valuation at 31 March 2016.

2.2 The main purpose of the valuation is to estimate the liabilities for the future payment of pensions, evaluate the obligations against the funds' assets and calculate the overall solvency position. This position is then used to determine any required deficit cash payments or surplus adjustments and to set future employer contribution rates.

2.3 In the years between full valuations the Actuary is asked to undertake interim valuations to assess the approximate financial position of the Fund.

2.4 As part of the interim assessment, key factors such as asset values, and liabilities based on current market conditions, are updated from the last full valuation.

2.5 The demographic assumptions are generally not updated, although it is usual to consider national data on life expectancy trends. As a number of approximations are made regarding membership movements and pay growth, it is important to note that the results are indicative of the underlying position.

3.0 RELEVANT RISKS

3.1 Noted in the exempt appendix.

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 Noted in the exempt appendix.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

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

No, because the Ministry of Housing, Communities and Local Government undertake equality impact assessments with regard to the statutory policies governing the triennial valuation.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report

13.0 RECOMMENDATION

13.1 The Pension Committee is requested to note the outcome of the interim valuation at 31 March 2018, updated to 31 August 2018.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 It is a requirement for the Scheme Manager to be kept informed of the solvency position of the Fund and revisions to the costs of future accruals as a result of changes in the expected return outlook

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Briefing Note	Date
Actuarial Valuation 2016	**21 March 2017**

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WIRRAL COUNCIL

PENSION COMMITTEE

29 OCTOBER 2018

SUBJECT:	**ADMISSION BODY APPLICATION**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**DIRECTOR OF PENSIONS**
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report seeks the approval of Pension Committee to admit both New Torus 62, and its principal subsidiary ComMutual, as community admission bodies of Merseyside Pension Fund; with effect from 1 December 2018.

1.2 The appendix attached to the report contains exempt information. This is by virtue of paragraph 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 Paragraph 1 (a) Part 3 of Schedule 2 of the Local Government Pension Scheme Regulations 2013, provides for an Administering Authority to make an admission agreement, enabling employees of the body to be active members of the Local Government Pension Scheme.

2.2 Helena Partnership and Liverpool Mutual Homes (LMH) previously gained access to Merseyside Pension Fund as community admission bodies following the transfer of housing stock from St Helens Council on 1 July 2002 and from Liverpool City Council on 1 April 2008.

2.3 Helena Partnership and LMH are registered non-profit making community benefit societies under the Co-operative and Community Benefit Society Act 2014, with Helena Partnership operating as a subsidiary of the parent group Torus 62 Limited.

2.4 The intent of the respective boards of each society is to amalgamate the existing Torus and Liverpool Mutual Homes group of companies to form a new, stronger merged organisation, which will retain concentrations of housing stock in Liverpool and St Helens; in order to achieve greater outcomes in social housing for residents and communities in the North West.

2.5 As part of the operating model restructure, 403 staff will transfer from Helena Partnerships and Liverpool Mutual Homes into a new legal entity "Torus62 Limited". A new admission agreement with Merseyside Pension Fund will be sought to cover the existing members of the Helena and LMH admission agreements.

2.6 In addition 4 staff will transfer from Helena Partnership to ComMutual, which is a charitable company with the principal purpose to advance education and to provide facilities in the interests of social welfare - with the objective of improving conditions of life for residents in Merseyside.

An admission application has also been sought from ComMutual to enable continued access to the LGPS for the transferred staff.

2.7 The Fund solicitor has considered the governance structure of the new Torus 62 Limited and ComMutual, and he is satisfied that the objectives and operations of both organisations align with the regulatory criteria to participate as community interest admission bodies under the LGPS regulations.

Financial Implications

2.8 The transfer of staff from the existing Helena Partnership and LMH admission agreements will result in a termination event under Reg. 64 of the 2013 LGPS regulations, with the requirement to crystallise the exit debt for each outgoing organisation.

2.9 In conformance with the Fund's termination policy, there is a requirement to seek immediate payment of the exit debt, although the Administering Authority may modify the policy in consideration of the financial strength of the new body and the availability of security to cover the exit debt.

2.10 The boards of Helena Partnership and LMH have requested MPF to defer collection of the cumulative exit debt and to allocate the residual assets and liabilities to the new Torus 62 admitted body. This approach would permit the organisation to continue to operate and compete for opportunities in the housing market - to achieve better outcomes for residents.

2.11 Fund Officers are mindful of the Pension Regulator's directive that Pension Scheme Managers should avoid actions which hamper the sustainable growth of an employer's business operations, whilst also being fully aware of the fiduciary responsibility to protect all employers and the solvency of the Fund.

As such the Fund actuary, Mercer, was engaged to undertake a review of the financial strength of Torus 62, to provide an informed view of the risks in deviating from the default policy to recover the outgoing debts as immediate cash payments.

2.12 The opinion of Mercer's covenant expert was that new "Torus62 Limited" projects strong performance, strong cash generation, strong asset backing and comfortable financing through a period of investment.

2.13 The conclusive view is that the provision of security, along with a formal transfer agreement would provide a high level of comfort and mitigate the Fund's risk exposure in deferring recovery of the exit debt. The recovery of any exit debt would now only materialise upon the subsequent termination of the new admission agreements.

3.0 RELEVANT RISKS

3.1 The potential risk of financial loss to the Fund from admittance of the two companies is mitigated by the provision of a surety bond and parent company guarantee. In addition, the monetary value of the risk and employer covenant is reviewed regularly to ensure adequate coverage of the risk exposure.

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report

5.0 CONSULTATION

5.1 Not relevant for this report

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 None associated with the subject matter.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report

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

8.1 The admission application process is resource intensive and the Pensions Administration Strategy provides the scope to levy an administration charge for the operational processing connected with the on-boarding of new employers.

9.0 LEGAL IMPLICATIONS

9.1 Admitted bodies enter into a legal admission agreement with the administering authority in order to become a constituent employer of Merseyside Pension Fund. This agreement sets out the statutory responsibilities of an employer, as provided for under the Regulations governing the LGPS.

10.0 EQUALITIES IMPLICATIONS

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

No, because the Ministry of Housing, Communities and Local Government undertake equality impact assessments with regard to the regulations governing the admission of community admission bodies to the LGPS.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report

13.0 RECOMMENDATION

13.1 It is recommended that Pension Committee:

- approve in principle the applications from New Torus 62 Limited and ComMutual for admission to Merseyside Pension Fund, as community admission bodies, with effect from 1 December 2018; and

- delegate the completion of the detailed terms of the pension transfer agreement, including the statutory guarantees, to the Head of Pension Administration and to the Borough Solicitor.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The applications for admission satisfy all prescribed regulatory and financial requirements under the Local Pension Scheme Regulations.

REPORT AUTHOR Yvonne Caddock
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Briefing Note	Date

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WIRRAL COUNCIL

PENSION COMMITTEE

29 OCTOBER 2018

SUBJECT:	**NON-RECOVERY OF PENSION OVERPAYMENTS**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**DIRECTOR OF PENSIONS**
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report requests approval to write off a sum of £113,071.36, in respect of pension overpayments that have arisen and which are now Statute Barred or irrecoverable; they are now recommended by Legal Services for write off.

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 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 Overpayment of pension benefits can arise in a number of circumstances where information that should result in the termination of a payment is not received, or only received some considerable time after an event.

2.2 Attempts are made to recover overpayments in accordance with an established debt recovery procedure. Each case is considered on an individual basis with regard to its particular nature and sensitivity, particularly as the great majority of cases relate to the decease of a pensioner member.

This involves sundry debtor accounts being raised against the notified beneficiary and pursued under the debt recovery process

2.3 The delegated authority of the Section 151 Officer to write-off debt is limited to £1,000 in any one case. As the individual amounts in these cases are above that figure, committee approval is requested.

2.4 Details of the individual cases of overpayment are provided in the exempt appendix.

2.5 The total overpayment for write-off represents 0.05% of the current annual payroll.

3.0 RELEVANT RISKS

3.1 If recovery action is pursued, further legal costs will be incurred and the recovery of the sums likely to prove unsuccessful as the majority of the debts are statute barred.

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report

5.0 CONSULTATION

5.1 Not relevant for this report

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 None associated with the subject matter.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report

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

8.1 There are no other financial implications arising from this report apart from the total of £113,071.36 under consideration for write-off.

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?

Not applicable for this report

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 the sum of £113,071.36 is approved for write-off.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Further attempts to recover the overpayments are deemed by Legal Services as not cost effective, unreasonable or with no realistic prospect of recovery with the majority of the debts now being Statute Barred.

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APPENDICES

Exempt Appendix One

BRIEFING NOTES HISTORY

Briefing Note	Date
NON-RECOVERY OF PENSION OVERPAYMENTS	**19 SEPTEMBER 2016**

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WIRRAL COUNCIL

PENSIONS COMMITTEE

29 OCTOBER 2018

SUBJECT:	**PROPERTY PORTFOLIO RENT ARREARS AND WRITE OFFS**
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 agree to the write off of £93,246.69 of unrecoverable rent arrears from the Fund's property portfolio. The annual property rental income for 2017/18 was £26.8 million.

1.2 Appendix 1 to the report, (A report from CBRE detailing property rent arrears), 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 As Members will be aware, CBRE are the managing agents for the Fund's property portfolio. Amongst other functions, they have responsibility for the collection of rent and management of arrears. On an annual basis they produce a report on uncollectable arrears which is attached as an appendix to this report.

2.2 CBRE has protocols in place to manage tenants who are experiencing cashflow and other financial difficulties and seek to support them in working through such situations where justifiable. As illustrated in the appendix, there will be instances where tenants enter administration and rent and related property costs are irrecoverable.

3.0 RELEVANT RISKS

3.1 Not relevant for this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 CBRE considers a number of actions for the recovery of rental arrears before any write off is recommended.

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 total amount recommended for write off in this report is £93,246.69. The annual property rental income for 2017/18 was £26.8 million.

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 Pensions Committee approves the write-off of uncollectable property rental income of £93,246.69.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 CBRE considers these rental arrears to be irrecoverable. The approval of the write off of irrecoverable rent arrears by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

REPORT AUTHOR: **Donna Smith**
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APPENDICES

The report from CBRE is attached as an exempt appendix to this report.

BACKGROUND PAPERS/REFERENCE MATERIAL

No reference material used in the production of this report.

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee: **Property portfolio rent arrears and write offs**	**22 January 2018** **15 November 2016** **25 January 2016** **19 January 2015**

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WIRRAL COUNCIL
PENSIONS COMMITTEE
29 NOVEMBER 2018

SUBJECT:	**MINUTES OF WORKING PARTY MEETINGS**
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 meetings of Working Parties held since the last meeting.

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 Investment Monitoring and Governance & Risk Working Parties enable Members and their advisors to consider pension matters relating to Merseyside Pension Fund in greater detail. They are not decision-making bodies but minutes and action points arising are reported to Committee.

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 attached as an appendix to this report.

13.0 REASONS FOR RECOMMENDATIONS

13.1 The approval of working party minutes by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund. These arrangements were approved by Pensions Committee as part of the Fund's Governance Statement at its meeting on 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 and GRWP meetings are brought to the subsequent Pensions Committee.	

Minutes of the Meeting of the Governance and Risk Working Party

Thursday 12 July 2018

Present:

Councillor Paul Doughty (Chair)	Peter Wallach (Director of MPF)
Roger Bannister (Unison)	Yvonne Caddock (Head of Pension Administration)
	Guy Hayton (Senior Manager Operations & Information Governance)
	Donna Smith (Head of Finance)

Apologies were received from:

Councillor Cherry Povall (WBC)	Councillor George Davies (WBC)
Councillor Brian Kenny (WBC)	Councillor John Fulham
Councillor Tony Jones (WBC)	Councillor Jayne Aston (WBC)
Councillor Pat Cleary (WBC)	Councillor Pat Hackett (WBC)
Councillor Paulette Lappin (Sefton)	Patrick Cleary (Unison)

Minutes of Investment Monitoring Working Party, 11 September 2018

Attendees

Name	Initials	Organisation
Councillor Cherry Povall (Deputy Chair/Acting Chair)	CP	WBC
Peter Wallach (Director of MPF)	PW	MPF
Councillor Andrew Gardner	AG	WBC
Roger Bannister	RB	Unison
Rohan Worrall	RW	Independent Advisor

Noel Mills	NM	Independent Advisor
Louis Paul Hill (AON Hewitt)	LPH	AON Hewitt
Linda Desforges (Senior Portfolio Manager)	LD	MPF
Allister Golding (Senior Investment Manager)	AG	MPF
Susannah Friar (Property Manager)	SF	MPF
Owen Thorne (Portfolio Manager – Monitoring & Responsible Investment)	OT	MPF
Adil Manzoor (Portfolio Manager)	AM	MPF
Daniel Proudfoot (Senior Investment Analyst)	DP	MPF
Emma Jones (PA to Director of Pension Fund)	EJ	MPF

Apologies

Name	Initials	Organisation
Councillor Paul Doughty (Chair)	PD	WBC
Councillor George Davies	GD	WBC
Councillor Patrick Hackett	PH	WBC
Patrick Cleary	PC	Unison
Councillor Terry Byron	TB	Knowsley Council
Councillor Brian Kenny	BK	WBC
Councillor Paulette Lappin (Sefton Council)	PL	WBC
Councillor John Fulham	JF	St. Helens Council
Councillor Tony Jones	TJ	WBC
Councillor Patrick Cleary	PC	WBC

Declarations of interest.

Councillor Andrew Gardner and Roger Bannister declared an interest as members of Merseyside Pension Fund.

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