Public Document Pack

WIRRAL

Local Pensions Board

Date:	**Wednesday, 27 March 2019**
Time:	**1.00 p.m.**
Venue:	Rm G40 Merseytravel, Mann Island

Contact Officer: Pat Phillips
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AGENDA

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

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

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

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

3. **AUDIT PLAN (Pages 7 - 20)**

4. **LGPS UPDATE (Pages 21 - 40)**

5. **PENSION FUND BUDGET (Pages 41 - 48)**

6. **MEMBER DEVELOPMENT PROGRAMME (Pages 49 - 54)**

7. **FAIR DEAL CONSULTATION (Pages 55 - 70)**

8. **TREASURY MANAGEMENT STRATEGY (Pages 71 - 88)**

9. **LIABILITY RISK MANAGEMENT (Pages 89 - 94)**

10. **POOLING UPDATE (Pages 95 - 100)**

11. **WORKING PARTY MINUTES (Pages 101 - 102)**

12. **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

The following items contain exempt information.

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

13. **LIABILITY RISK MANAGEMENT (Pages 103 - 108)**

14. **POOLING UPDATE (Pages 109 - 118)**

15. **ADMINISTRATION KPI REPORT (Pages 119 - 150)**

16. **WORKING PARTY MINUTES (Pages 151 - 172)**

17. **INTERNAL INVESTMENT MANAGEMENT EXEMPT REPORT (Pages 173 - 178)**

LOCAL PENSIONS BOARD

Tuesday, 16 October 2018

Present:	J Raisin (Chair)	
	M Hornby	P Wiggins
	K Beirne	R Irvine
	D Ridland	P Maloney
Apologies	L Robinson	

23 **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.

24 **MINUTES**

Resolved – That the accuracy of the Minutes of the Local Pension Board held on 13 June, 2018 be approved as a correct record.

25 **AUDIT FINDINGS REPORT**

Members gave consideration to the Audit Findings Report 2017 - 2018 prepared by Grant Thornton UK LLP that had been considered by the Pensions Committee on 16 July, 2018. Donna Smith, Head of Finance and Risk, gave an outline of the report and responded to Members questions.

The report informed that the draft financial statements and working papers had been received in accordance with the agreed timetable; the draft accounts had again been prepared to a good standard and had taken into account areas for improvement identified in last year's audit. It was further reported that the audit had not identified any significant issues in terms of the financial statements or the Annual report.

Resolved – That the report be noted.

26 **STATEMENT OF ACCOUNTS/LETTER OF REPRESENTATION/REPORT & ACCOUNTS**

A report of the Head of Finance and Risk provided Board members with copies of the Fund's Statement of Accounts report, Letter of Representation and Report and Accounts that had been reported to Pensions Committee in July 2018.

The purpose of the Statement of Audited Accounts was to present the overall financial position of the Fund at financial year and was contained in the Fund's annual report (appendix 3 to the report). Once it had been considered by Pensions Committee, the Statement of Accounts had been referred to Wirral's Audit & Risk Management Committee. The Letter of Representation had given assurances to the Auditor in respect of various Pension Fund matters (appendix 2 to the report). The Fund's approved report and accounts were attached at appendix 3 to the report.

Resolved – That;

1 the report be noted.

2 the Board notes that the draft accounts had been prepared to a good standard and commends the staff on the preparation for this.

27 **BUDGET OUTTURN 17/18, FINAL BUDGET 18/19**

A report of the Director of Finance and Risk provided Board members with a copy of the recent Budget report taken to Pensions Committee.

It was noted that, on an annual basis, the Fund reported the budget outturn for the previous year and sought approval from Pensions Committee for a budget for the current financial year. Pensions Committee had been informed that the actual out-turn for 2017/18 was £18.0m, lower than the original budget that had been 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. It was further noted that the 2018/19 budget reported in January been updated to reflect an 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.

Resolved – That the report be noted.

28 **LGPS UPDATE**

A report of the Director of Pensions provided Board members with copies of recent LGPS update reports taken to Pensions Committee. The report informed Members that the Local Government Pension Scheme (Amendment) Regulations had been laid before Parliament on 19 April 2018, becoming operational on 14 May 2018. The report further outlined the key changes that affected the administration of the Fund. Yvonne Caddock, Head of Pensions Administration, outlined the report and responded to members questions.

Resolved – That the report be noted.

29 **TREASURY MANAGEMENT ANNUAL REPORT**

A report of the Head of Finance & Risk provided Board members with a copy of the Treasury Management Annual report that had been taken to Pensions Committee. The report 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. It had been prepared in accordance with the revised CIPFA Treasury Management Code.

Resolved – That the report be noted.

30 **PENSION BOARD REVISED TERMS OF REFERENCE**

Members gave consideration to a report of the Director of Pensions that provided Board members with a copy of a report recently taken to Pensions Committee recommending a revision to the Board's terms of reference. The revised terms of reference were attached as an appendix to the report.

The Director of Pensions informed Members that it was proposed that the Board's Terms of Reference be revised to increase the number of meetings and to allow the Scheme Manager greater discretion in the appointment and term of Board membership.

Resolved – That the report be noted.

31 **DRAFT FUNDING STRATEGY STATEMENT**

Members gave consideration to a report of Yvonne Caddock, Head of Pension Administration. The report set out that as required under regulation 58 (3) of the Local Government Pension Scheme 2013 Regulations, the administering authority must keep its Funding Strategy Statement (FSS) under review between triennial actuarial valuations. This ensured that it remained appropriate in the event of changes to the Investment Strategy Statement or overarching legislation.

The LGPS (Amendment) Regulations 2018 had introduced the provision to refund a surplus to an employer, defined as an "Exit Credit" with effect from 14 May 2018. As this was a material change in funding arrangements it had been necessary to review the impact on the termination policy and consult with employers on any proposed changes to the FSS.

The Fund had 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 had closed on 6 August 2018.

The revised draft FSS was attached as an appendix to the report, together with the Fund's response to the questions and issues raised by employers, and the Independent Chair of the Pension Board, during the consultation.

On behalf of the Board the Chair thanked the Head of Pension Administration and noted that consultation with the Chair had resulted in the draft being amended that demonstrated the value of the Local Pensions Board.

Resolved – That prior to presentation at Pension Committee on 29 October 2018, where it would be recommended for ratification, the consultation document and the draft Funding Statement be noted.

32 POOLING UPDATE

A report of the Director of Pensions provided Board members with copies of recent Pooling update reports taken to Pensions Committee. Peter Wallach, Director of Pensions, outlined the report and responded to members questions.

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.

33 MANAGEMENT OF CARBON RISK

Members gave consideration to a report of the Director of Pensions that provided Board members with a copy of a recent report to Pensions Committee on this subject.

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.

34 WORKING PARTY MINUTES

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.

35 **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.

36 **POOLING UPDATE**

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

37 **MANAGEMENT OF CARBON RISK**

The appendices to the report on Management of Carbon Risk were exempt by virtue of paragraph 3.

38 **INTERIM ACTUARIAL VALUATION**

The report on Interim Actuarial Valuation was exempt by virtue of paragraph 3.

39 **ADMINISTRATION KPI REPORT**

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

40 **WORKING PARTY MINUTES**

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

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External Audit Plan

Year ending 31 March 2019

Merseyside Pension Fund

March 2019

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Agenda Item 3

Contents

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Merseyside Pension Fund ('the Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set *in the Terms of Appointment and Statement of Responsibilities* issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Merseyside Pension Fund. We draw your attention to both of these documents on the PSAA website.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Fund's financial statements that have been prepared by management with the oversight of those charged with governance (TCWG). For this purpose the Audit and Risk Management Committee of Wirral MBC are ultimately TCWG in respect of the Pension Fund financial statements but we have determined that Pensions Committee is the appropriate committee to communicate with given its roles and responsibilities in relation to the Fund.

The audit of the financial statements does not relieve management or the Pensions or Audit and Risk Management Committees of their responsibilities.

Our audit approach is based on a thorough understanding of the Fund's business and is risk based.

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Significant risks	Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as: • Management override of controls • Valuation of Level 3 investments We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.
Materiality	We have determined materiality at the planning stage of our audit to be £85.0m (PY £87.334m) for the Fund, which equates to 1% of your net assets as at December 2018. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £4.25m (PY £4.4m).
Audit logistics	Our interim visit will take place in March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our fee for the audit will be £28,399 (PY: £36,882) for the Fund, subject to management meeting our requirements set out on page 11. Where we are required to respond to requests received from other auditors of other bodies for assurance in respect of information held by the Fund and provided to the actuary to support their individual IAS 19 calculations these will be billed in addition to the audit fee on a case by case basis.
Independence	We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Key matters impacting our audit of the Fund

External Factors

SI 493/2018 – LGPS (Amendment) Regulations 2018

Introduces a new provision for employers to receive credit for any surplus assets in a fund upon ceasing to be a Scheme employer. This could potentially lead to material impacts on funding arrangements and the need for updated of Funding Strategy Statements.

Guaranteed Minimum Pension (GMP)

- Pension funds are continuing to work through the GMP reconciliation process.
- In January 2018 the government extended its "interim solution" for indexation and equalisation for public service pension schemes until April 2021. Currently the view is that the October 2018 High Court ruling in respect of GMP equalisation is therefore not likely to have an immediate impact upon the LGPS.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of IFRS 9 Financial Instruments. In practice, IFRS 9 is anticipated to have limited impact for pension funds as most assets and liabilities held are already classed as fair value through profit and loss.

The Pensions Regulator (tPR)

tPRs Corporate Plan for 2018-2021 includes three new Key Performance Indicators (KPIs) directly related to public service pension schemes and TPR has chosen the LGPS as a cohort for proactive engagement throughout 2018 and 2019.

New audit methodology

We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Pension Fund into our risk assessment and testing approach.

Internal Factors

Pooling

Arrangements in respect of Northern LGPS, which Merseyside Pension Fund are party to, are still under discussion. MHCLG have issued draft statutory guidance on LGPS asset pooling for consultation. If adopted as drafted, the most significant implication for Northern LGPS would be the requirement to establish a pool company for the majority of assets which 'must be a company regulated by the Financial Conduct Authority (FCA).

Northern LGPS's current preferred approach is via a joint committee with the other fund representatives.

Our response

- We will continue to monitor the position in respect of GMP equalisation and reconciliation. For pension funds the immediate impact is expected to be largely administrative rather than financial.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.
- We will keep under review any interaction the Fund has with tPR and tailor our audit approach where necessary.

- You will see changes in the terminology we use in our reports that will align more closely with the ISAs
- We will be testing more of your controls over benefits payable.
- We will ensure that our resources and testing are best directed to address your risks in an effective way.

- We will continue to discuss the arrangements for Northern LGPS with officers as they develop and monitor the consultation process in respect of the draft MHCLG statutory guidance which has been issued.
- We will share updates with you as soon as they are announced.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Wirral Metropolitan Borough Council, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Merseyside Pension Fund. No specific work is planned as the presumed risk has been rebutted.
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund faces external scrutiny of its spending and stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 Investments	The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (c£2bn) and the sensitivity of this estimate to changes in key assumptions. Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2019. We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We will: • evaluate management's processes for valuing Level 3 investments • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2019 with reference to known movements in the intervening period and • in the absence of available audited accounts, we will consider the competence, expertise and objectivity of level 3 investment managers as experts and gain an understanding of how the valuation of these investments has been reached. • where they have occurred sample test revaluations made during the year to confirm they have been input correctly into the Fund's asset register.

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

Other matters

Other work

The Fund is administered by Wirral Metropolitan Borough Council (the 'Council'), and the Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
    - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
    - issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
    - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
    - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

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Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Fund's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

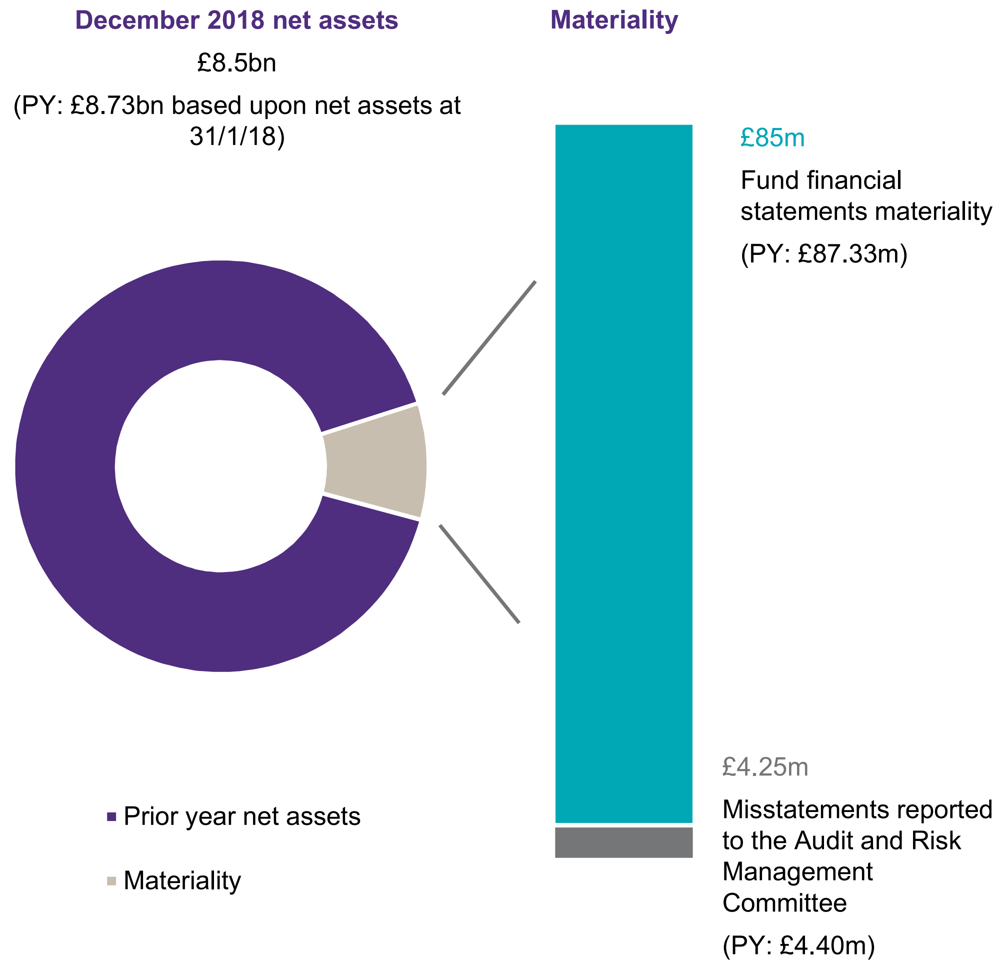
We have determined materiality at the planning stage of our audit to be £85.00m (PY £87.334m) for the Fund. We consider the proportion of the net assets of the Fund to be the appropriate benchmark for the financial year. In the prior year we used the same benchmark. Our materiality equates to 1% of your actual net assets as at December 2018.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

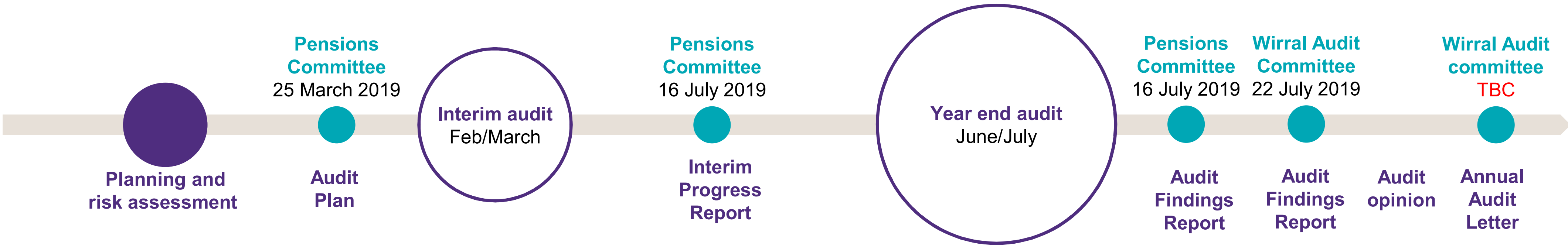
Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Risk Management Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £4.25m (PY £4.40m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Risk Management Committee to assist it in fulfilling its governance responsibilities.



Audit logistics, team & fees



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Grant Patterson, Engagement Lead

Grant leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Fund.

Stuart Basnett, Audit Manager

Stuart plans, manages and leads the delivery of the audit, is the key point of contact for your finance team, and is the first point of contact for discussing any issues.

Chris Blakemore, Audit Incharge

Chris assists in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively and efficiently and supervising and co-ordinating the on-site audit team.

Audit fees

The planned audit fees are £28,399 (PY: £36,882) for the financial statements audit completed under the Code, which are in line with the scale fee published by PSAA. £2,180 (PY: £2,180) of fees are planned for the provision of IAS19 assurance letters to PSAA appointed auditors of scheduled bodies. In setting your fee, we have assumed that the scope of the audit, and the Fund and its activities, do not significantly change.

Where we are required to respond to requests received from other auditors of other bodies for assurance in respect of information held by the Fund and provided to the actuary to support their individual IAS 19 calculations these will be billed in addition to the audit fee on a case by case basis.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Any proposed fee variations will need to be approved by PSAA.

Early close

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts in England was brought forward to 31 July. Wales and Scotland currently have different deadlines but there is convergence towards earlier close. This is a significant challenge for Pension Funds and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors there is a shorter period to complete our work and an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 9). Where the elapsed time to complete an audit exceeds that agreed due to a client not meetings its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council’s Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in December 2017 and PSAA’s Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Fund. No other services were identified.

Where requested by auditors of employers within the Fund we do provide assurance on certain aspects of our work. The additional costs of this work is charged to the Fund who have the discretion to recharge employers.

Appendices

A. Audit Approach

Audit approach

Use of audit, data interrogation and analytics software

LEAP

Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft

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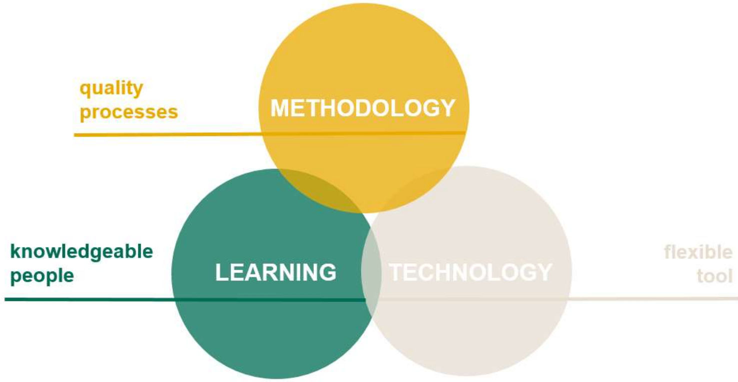

IDEA

- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

Appian

Business process management

- Clear timeline for account review:
  - disclosure dealing
  - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

Inflo

Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.

REQUEST & SHARE
- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring

ASSESS & SCOPE
- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment

VERIFY & REVIEW
- Automate sampling requests
- Download automated work papers

INTERROGATE & EVALUATE
- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs

FOCUS & ASSURE
- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance

INSIGHTS
- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons

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WIRRAL COUNCIL

PENSION BOARD

DATE 27 MARCH 2019

SUBJECT:	**LGPS UPDATE**
REPORT OF:	**HEAD OF PENSIONS ADMINISTRATION**

1.0 EXECUTIVE SUMMARY

1.1 This report provides Board members with copies of recent LGPS update reports taken to Pensions Committee

2.0 BACKGROUND AND KEY ISSUES

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

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

3.1 There are none arising from this report

4.0 RECOMMENDATION

4.1 That Board Members note the report.

5.0 REASON/S FOR RECOMMENDATION/S

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

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SUBJECT HISTORY

Reports/notes	**Date**
Standing item on agenda	

APPENDICES:

LGPS Update Report - 29 October 2018
LGPS Update Report - 21 January 2019
LGPS Update Report – 25 March 2019

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.

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WIRRAL COUNCIL

PENSION COMMITTEE

21 JANUARY 2019

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

1.0 EXECUTIVE SUMMARY

1.1 This report provides an update on the Scheme Advisory Board's key projects relating to the governance and administration of the Local Government Pension Scheme; specifically national initiatives to deal with inconsistencies across the Scheme for academies, the risks associated with Third-Tier employers and the conflicting interests at local authority employers who undertake the administering authority function.

1.2 In addition, it covers the policy consultation issued by the Ministry of Housing, Communities & Local Government on 'Technical Amendments to Benefits' and Merseyside Pension Fund's response.

1.3 Fund Officers sought comments and approval from the Chairs of both the Pension Committee and Pension Board on the policy perspective, before submitting the consultation response by the prescribed deadline of 29 November 2019.

1.4 The consultation response is attached as an Appendix to the report.

2 BACKGROUND AND KEY ISSUES

National Initiatives and Associated Scheme Advisory Board Activity

2.1 The Scheme Advisory Board (SAB) is coordinating a number of projects to resolve issues that have arisen within the LGPS, relating to; the inconsistent treatment of Academies across Funds and the affordability constraints of Third-Tier Employers.

In addition, further research is being undertaken to consider the dual role and conflicts of interest for a local authority employer undertaking the Scheme Manager function.

Academies Project

2.2 As previously reported to Pension Committee at its meeting dated 13 November 2017, minute 42 refers, Ministers agreed that the Department for Education (DfE), MHCLG and Government Actuary's Department (GAD) should work together to pursue solutions to achieve consistency across the LGPS in the administrative and funding arrangements for academy schools.

2.3 Two working groups have been set-up to address each specific issue, with activity currently ongoing to agree a standard data extract to simplify the administrative requirements and information exchanges for the academy sector.

2.4 To inform the funding review, GAD produced a report on 14 September 2018 which indicates that, in recognition of the DfE guarantee, on the whole, academies were treated consistently with Local Authority employers when funding plans were set for the 2016 Triennial Valuation.

2.5 MPF acknowledges the status of the DfE as a central government department, supported by tax receipts, when considering the guarantee and covenant strength of an academy.

The GAD report should assist in discussions with regard to the 2019 Triennial Valuation, to provide assurance to the sector that the ongoing funding arrangements applied by MPF are equitable to other participating employers underpinned by a statutory guarantee.

2.6 SAB's work is still ongoing to meet the stated objective of achieving a consistent and cost-effective operational and funding regime for academies participating in multiple funds across the LGPS.

Third-Tier Employer Project

2.7 SAB is committed to identify and manage the risk of default in respect of Fund employers with no tax raising powers or guarantees; defined as Third-Tier employers.

2.8 A SAB commissioned report has been published on associated issues, as identified through an information gathering exercise with stakeholders. The report summarises the findings and sets out a wide range of possible options to address the issues raised by employers and Pension Funds.

2.9 A working group, comprising of SAB members has been tasked to produce a set of recommendations in the near future, based on concerns expressed by third-tier employers.

Stakeholders will then be given the opportunity to comment on these recommendations and Fund Officers will update Members on progress and the final outcome in due course.

Separation Project

2.10 The objectives of the 'Separation Project' is to identify issues derived from current Scheme administration arrangements and to consider the potential benefits of increasing the level of separation to strengthen the delineation between the host authority and scheme manager role.

2.11 A report was produced by KPMG in 2015 which outlined a range of options, from removing the potential conflicts of interest for the Section 151 Officer, to each Fund operating as a standalone company.

2.12 The project was put on hold while pooling was in its initial stages. However, SAB has recently restarted the project and is commissioning professional advisers to take the project forward

2.13 Notwithstanding the objectives of the project, there is a consensus among most Funds that conflicts of interests amongst officers and the Pensions Committee are well managed.

Consultation on 'Technical Amendments to Benefits'

2.14 The MHCLG issued a policy consultation on 4 October 2018; in regard a number of technical amendments to the provisions of the LGPS as a result of a number of challenges in the Supreme Court.

These challenges related to survivor benefits as the scheme rules are inconsistent with the 1998 Human Rights Act.

The consultation document can be accessed from the following link:

http://lgpslibrary.org/assets/cons/lgpsew/20181004.pdf

2.15 The main change relates to survivors' benefits of same-sex marriages or civil partners, with the objective to equalise benefits to those of an opposite sex surviving spouse.

2.16 Surviving partners in a civil partnership or same sex marriage of either sex are all currently afforded benefits equivalent to widowers.

2.17 The Government has decided that all public service pension schemes should implement changes to ensure that survivors of a registered civil partnership or same-sex marriage are provided with benefits that replicate those provided to widows.

This change would be significant as post-retirement marriage is based on service from 1978 for widows but only from 1988 for widowers.

2.18 The Fund responded to the consultation on 28 November 2018, supporting the equalisation of survivor benefits but raised concern that the proposals do not extend to cover survivor pensions for opposite sex marriages or cohabitating partners. The response is attached as an appendix to the report.

3.0 Relevant Risks

As proposed, the 'Technical Amendments to Benefits' consultation do not address the inequitable payment of survivor benefits for members in opposite sex marriages or cohabiting partners.

This continuing inequality will inevitably lead to a tangible risk of further legal challenge with an associated drain on administering authority resource.

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 changes to Survivor pensions will apply from the date civil partnerships and same-sex marriages were implemented; resulting in the need for Pension Funds to revisit all awards made under the current rules to those members affected and pay any additional sums due.

8.2 As it has been estimated that the cost to extend the improvement in survivors' pensions to survivors of opposite sex marriages and cohabitating partners amounts to £2.8 billion across the public sector; there is no intent to take the provision forward at this time.

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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 MHCLG undertake equality impact assessments with regard to the statutory reform of the LGPS.

11.0 Carbon Reduction and Environmental Implications

11.1 There are none arising from this report

12.0 Planning And Community Safety Implications

12.1 There are none arising from this report

13.0 Recommendation

13.1 That Committee Members note:

a) the developments of the Scheme Advisory Board's projects

b) the response sent to MHCLG regarding the policy consultation issued in October.

14.0 Reason/s for Recommendations

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

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APPENDIX ONE

Merseyside Response to the consultation on ‘Technical Amendments to Benefits’

WIRRAL COUNCIL

PENSION COMMITTEE

25 MARCH 2019

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

1.0 EXECUTIVE SUMMARY

1.1 This report provides an update on developments relating to the cost management process for public service pension schemes - including the implications on the cost of the LGPS following the recent Court of Appeal decision in respect of the Judges' and Firefighter pension schemes.

2.0 BACKGROUND AND KEY ISSUES

Cost Management Process and the McCloud Judgement

2.1 Following the Hutton Review of public sector pensions, a cost management mechanism was implemented in all public sector schemes to ensure the cost of providing pensions is retained within an agreed range of costs.

Members considered the unique cost capping mechanism in operation within the LGPS at its meeting on 29 October 2018 (minute 26 refers); specifically the dual cost management processes undertaken by the Scheme Advisory Board (SAB) and Her Majesty's Treasury (HMT).

2.2 A recent review of the 2016 Valuation Results by the Government Actuary Department (GAD) determined that the costs of the LGPS are now below the 19.5% future service target cost . To bring costs back within the cost envelope the SAB has proposed the following improvements to the Scheme, which were due to be implemented on 1st April 2019:

- Removal of Tier 3 Ill Health;
- Minimum Death-in-Service lump sum of £75,000 per member (not Employment);

- Enhanced Early Retirement factors for all active members from 1st April 2019 to be applied to all service;
- Revised member contribution rates and bandings, which take account of varying tax relief:
- A 2.75% contribution rate for salaries between £0 and £12,850
- An expansion of Band 2, which will now include salaries between £12,501 and £22,500, and a contribution rate reduction from5.8% to 4.4%
- An expansion of the 6.8% contribution band from £45,200 to £53,500

2.3 The proposals take into consideration the change in the annual revaluation of CARE (Career Average Revalued Earnings) benefits to CPIH (Consumer Price Index including owner occupiers' housing costs), as opposed to CPI(Consumer Price Index) announced in the October 2018 budget.

2.4 It is expected that the proposals will result in an increase to the average employer contribution rate across the scheme of approximately 0.9% of payroll costs, although the impact on individual employers will vary and will be dependent on the 2019 valuation process.

McCloud Case

2.5 A short consultation on the above regulation changes was expected during February; however, the decision to implement the proposed changes has been delayed as the Government has recently lost a case in the Court of Appeal which will have a direct bearing on the cost of all public sector pension schemes.

Consequently HMT and SAB have ‘paused’ the cost management mechanism and withdrawn the proposals to amend scheme provisions.

2.6 The appeal case known as the ‘McCloud Case’ concerns the transitional protections given to members of the judges’ and firefighter pension schemes who in 2012 were within 10 years of their normal retirement age.

On 20 December 2018, the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified.

2.7 The Government has applied to the Supreme Court for permission to appeal the decision and it is expected that the Court will provide notice whether to grant the application by mid-April 2019.

2.8 If the protections are deemed to be unlawful, those members who have been discriminated against will need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members.

Such remedies will need to be ‘upwards’ - that is the benefits of unprotected members will need to be raised rather than the benefits of protected members being reduced.

2.9 Protections were applied to all members within 10 years of retirement in all public service schemes, with the form of protection varying from scheme to scheme. Despite the case only applying to the judges’ and firefighter schemes it is anticipated that the outcome will apply to all public service schemes.

2.10 In light of the uncertainty of the outcome of the case, the SAB is consulting on the approach to be taken for the 2019 Actuarial Valuations.

Although it is clear that there will be increased costs emerging either by virtue of the cost capping mechanism or outcome of the McCloud case, it is unknown how these costs will impact on individual employers because of individual member profiles.

2.11 It is therefore likely that the 2019 Valuation will need to proceed based on current known costs. As such it will be necessary for administering authorities to document within their Funding Strategy Statement scope to revisit employer contributions, in order to deal with the emergent increase in costs following the outcome of the McCloud judgement.

3.0 Relevant Risks

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 It is expected that the SAB proposals to return the future service cost to the 19.5% target level will result in an increase to the average employer contribution rate across the scheme of approximately 0.9% of payroll costs.

8.2 In consideration of the suggested changes to employee contributions, employers with a high proportion of lower paid employees can expect increases in the region of 2% to 3% of payroll costs.

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 MHCLG undertake equality impact assessments with regard to the statutory reform of the LGPS.

11.0 Carbon Reduction and Environmental Implications

11.1 There are none arising from this report

12.0 Planning And Community Safety Implications

12.1 There are none arising from this report

13.0 Recommendation

13.1 That Committee Members note:

a) developments in respect of the cost management process, and;
b) the subsequent delay in implementing changes to the benefit package due to the McCloud case and the impact on the impending 2019 Triennial Valuation.

14.0 Reason/s for Recommendations

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

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Please ask for: Yvonne Caddock

Date: 28 November 2018

Dear Sirs

Consultation on Local Government Pension Scheme
Technical Amendments to Benefits

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

The Fund is part of the Local Government Pension Scheme (LGPS) and the 4th largest of the 88 funds in England and Wales, with assets of £8bn. MPF undertakes the LGPS pension administration and investments on behalf of the five Merseyside district authorities, over 180 other employers on Merseyside and elsewhere throughout the UK. The Fund has over 130,000 active, deferred and pensioner members.

1/ Equitable Treatment for Survivor Benefits

The Fund supports the Local Government Association's response dated 23 November 2018; as this concentrates on matters that we also believe the Government should carefully consider, before reaching any conclusions and the formalisation of any overarching policy.

Whilst the proposals in relation to same-sex survivors are understandable following the recent Supreme Court judgement on the case of Walker v Innospec, it is difficult to see how the Government could legitimately maintain the differential treatment for widowers in an opposite-sex marriage.

Once the proposed changes are in force, a female member in an opposite-sex marriage will have a strong argument for inequality on the grounds of sexual orientation; given that the widower's benefits paid in respect of her LGPS membership are less favourable than the more generous widow's benefits payable if she were in a same-sex marriage.

The contingent benefits payable to cohabitating partners are also inferior to the benefits that will be payable to survivors of civil partners or same sex marriages, further compounding the inequalities that the proposals would generate.

The Fund further support's the LGA contention that inequitable payment of survivor benefits to the above mentioned membership cohorts will inevitably lead to further legal challenge and an unwelcomed drain on administering authority resources.

2/ Power to issue statutory guidance

The Fund acknowledges that it would be useful to provide more flexibility within the regulatory framework through the issue of statutory guidance as, the inflexibility of the LGPS regulations often creates problem for funds, as the drafting of the regulations is frequently prescriptive.

In addition, the inordinate delay in Parliamentary time to make regulatory changes following ground breaking court decisions can often lead to inconsistencies across Funds on the approach to the revised payment of benefits.

The Fund is apprehensive to see increased central government control over the LGPS and a reduction of local influence, and would thus appreciate an assurance that there will be widespread engagement across Funds prior to the issue of any statutory guidance.

3/ Early access to benefits for deferred members of 1995 Scheme

The Fund agrees to the technical amendment in order to afford members who left with deferred benefits prior to 1 April 1998 (pre-98 members) the same automatic early access rights to benefits from age 55 as afforded other deferred members in the LGPS.

However, the proposal to time limit the facility to claim benefits from 14 May 2018 for a six month period for pre-98 deferred members, should also apply to all other applications to access deferred benefits as a consequence of the enactment of the 2018 amendment regulations. This would limit the opportunity for all members who left with deferred benefits prior to 1 April 2014, from making a backdated application from 14 May 2018. Currently the regulations permit members over age 55 to access benefits from May 2018 at any time in the future and claim accumulated arrears.

I hope the above is useful and assists the Ministry in formulating the final policy position.

Yours faithfully

Y Caddock

Yvonne Caddock
Head of Pensions Administration

WIRRAL COUNCIL

PENSION BOARD

DATE 27 MARCH 2019

SUBJECT:	**MERSEYSIDE PENSION FUND BUDGET FINANCIAL YEAR 2019/20**
REPORT OF:	**DIRECTOR OF PENSIONS**

1.0 EXECUTIVE SUMMARY

1.1 This report provides Board members with a copy of the pension fund budget report recently approved by Pensions Committee

2.0 BACKGROUND AND KEY ISSUES

2.1 Approval for the pension fund budget is sought annually from Pensions Committee.

2.2 The Funds major expenditure is on investment management fees. These are mostly charged on an ad-valorem basis with, on some occasions, a performance fee. This means that when the Fund’s investments rise in value and/or outperform benchmarks, the fees can rise substantially. Accordingly when this expenditure rises there is benefit to the Fund in terms of capital appreciation that far exceeds the increases in fees paid.

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

3.1 There are none arising from this report

4.0 RECOMMENDATION

4.1 That Board Members note the report.

5.0 REASON/S FOR RECOMMENDATION/S

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

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SUBJECT HISTORY

Reports/notes	Date
Standing item on agenda	

APPENDIX

Pension Fund Budget report and appendix

WIRRAL COUNCIL

PENSIONS COMMITTEE
21 JANUARY 2019

SUBJECT:	**MERSEYSIDE PENSION FUND BUDGET FINANCIAL YEAR 2019/20**
WARD/S AFFECTED:	**ALL**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to request that Members approve the budget for the financial year 2019/20.

1.2 The headline figures are that, during the financial year 2019/20, we are estimating that MPF will pay £332m in pensions and receive £213m in contributions from employers and employees. The Fund has a value of £8.9bn at 30 September 2018. The proposed administration costs of £22.0m including £14.0m of investment management charges to external managers represent a cost of £160.65 per member of the scheme or 0.25% of assets under management. Taken separately the external investment management costs are approximately £102.15 per member or 0.16% of assets under management.

1.3 The budget for 2019/20 at £22.0m is higher than the projected outturn for 2018/19, but in line with the £22.0m set in 2018/19 primarily due to a number of projects and areas of spend being deferred and carried forward to the next financial year.

2.0 BACKGROUND AND KEY ISSUES

2.1 The method used to compile estimates of expenditure for 2019/20 is as follows:

Staffing		Current structure to be fully staffed throughout year at the top of the grade.
Investment management Fees		Estimate based on normal market conditions.
Premises		Agreed as a notional charge based on market rates (MPF owns building).
Transport, Conferences and Subsistence		Estimated requirements for current year.
Services and Supplies		Contracts where usage and cost is fixed, plus estimate for variable elements.
Inflation adjustments		CPI 2.4% as at September 2018.
Investment Performance		4% bonds; 8% equities; 50% of

		performance targets met for active management.

2.2 This report includes a predicted out-turn for 2018/19. Due to the volatility in financial markets and delays in billing from certain third party suppliers it is not possible to predict the outturn with complete accuracy. Therefore, some estimates have been used, and it is proposed to report on the actual outturn at the July meeting of Pensions Committee. At present, the outturn is lower than predicted largely due to investment market volatility and budgeted projects and areas of work being deferred to 2019/20.

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

2.4 The second highest expenditure is on staffing. The outturn for 2018/19 will be underspent due to assumptions used and vacancies. In the light of the new pooling guidance, a further review of staffing requirements will be undertaken and any material changes will be reported to a subsequent meeting of this Committee.

2.5 The predicted 2018/19 outturn for supplies is lower than estimated largely due to an underspend on costs associated with investment selection services and pooling; this budget has been carried forward to 2019/20.

2.6 IT expenditure costs rise in 2019/20 for system upgrades and the workflow and image migration project continuing during 2019/20.

2.7 For departmental & central support charges, at present, the estimates have been left the same as last year; the figure reported to Committee last year was £363,879. Officers at the Fund will continue to negotiate service level agreements with Wirral support service functions.

3.0 RELEVANT RISKS

3.1 The Chair of the CIPFA Pensions Panel has previously written to all administering authorities reminding them of their responsibilities regarding the resourcing requirement of LGPS funds. The Fund regularly reviews its requirements and updates its Risk Register to reflect identified key risks and mitigating controls for these risks. A key feature of the controls is having appropriate resources available to administer the fund adequately and to manage investments. This budget provides adequate resources for these two core functions.

4.0 OTHER OPTIONS CONSIDERED

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

5.0 CONSULTATION

5.1 Not relevant for this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are no implications arising directly from this report.

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

8.1 The costs of the Pension Fund are charged directly to the Pension Fund and are then ultimately covered by investment income and employee and employer contributions, the full costs are estimated to be £160.65 per member (including active contributors, deferred and pensioners). The costs per member at Merseyside Pension Fund are competitive with other pension funds of similar size in both the public and private sector particularly when analysed net of investment performance.

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

9.0 LEGAL IMPLICATIONS

9.1 There are no implications arising directly from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

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

13.0 RECOMMENDATION/S

13.1 Members approve the budget for 2019/20. (Subject to review of charges from the administering authority for support services and changes in recharges for pension deficit recovery)

13.2 That a further report on the outturn for 2018/19 with finalised estimates in particular for salary overheads and departmental & central support charges for 2019/20 be presented to Pensions Committee Members in July.

14.0 REASON/S FOR RECOMMENDATION/S

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

REPORT AUTHOR: **Donna Smith**
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APPENDICES

The budget for 2019/20 is attached as appendix 1 to this report.

BACKGROUND PAPERS/REFERENCE MATERIAL

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

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee: **Pension Fund Budget**	**16 July 2018** **22 January 2018** **17 July 2017** **23 January 2017** **4 July 2016** **25 January 2016** **22 June 2015** **19 January 2015**

Appendix 1

Value of the Fund	£8.9bn	*30/09/2018*
Investment income Received	£221m	*Projected 2019/20*
Pensions Paid	£332m	*Projected 2019/20*
Contributions Received (see note 1)	£213m	*Projected 2019/20*
Active Contributing members	49,151	*31 March 2018*
Deferred members	38,176	*31 March 2018*
Pensioners	50,160	*31 March 2018*
Total Members	137,487	*31 March 2018*

		Budget 2018/19 (£)	Probable Out-Turn 2018/19	Budget 2019/20 (£)
Employees				
	Pay, NI and Pension	3,339,555	2,706,004	3,498,471
	Training	20,000	11,533	20,000
	Other Staffing Costs	270,758	276,217	267,360
		3,630,313	**2,993,754**	**3,785,831**
Premises				
	Rents	190,608	190,608	197,259
		190,608	**190,608**	**197,259**
Transport				
	Public Transport Expenses	53,733	28,007	52,190
	Car Allowances	1,630	1,838	1,862
		55,363	**29,845**	**54,052**
Supplies				

Furniture and Office Equipment	14,000	7,630	14,000
Printing and Stationery	32,000	14,333	26,500
Computer Development and Hardware	643,000	634,406	668,000
Postages and Telephones	97,250	88,053	94,000
External Audit	41,000	41,000	30,000
Services and Consultants Fees	1,588,350	985,542	1,638,680
Conferences and Subsistence	47,893	22,123	40,097
Subscriptions	147,360	139,972	145,392
Other	65,835	57,804	61,400
	2,676,688	**1,990,863**	**2,718,069**
Third Party			
Medical Fees	3,500	840	3,500
Bank Charges	20,000	12,426	10,000
Investment Management Fees	14,235,600	13,202,978	14,044,397
Custodian Fees	300,000	172,434	300,000
Actuarial Fees	280,000	280,000	310,000
Other Hired and Contracted Services	277,033	242,829	300,010
	15,116,133	**13,911,507**	**14,967,907**
Departmental & Central Support Charges	363,879	363,879	363,879
	363,879	**363,879**	**363,879**
Total Expenditure	**22,032,984**	**19,480,456**	**22,086,997**

Note 1 The estimated contributions for 2019/20 are lower than reported in previous years due to a number of employers of the Fund opting to pay their 3 year deficit calculated by the actuary as part of the 31 March 2016 triennial valuation as a one off payment. This has resulted in the Fund receiving additional contributions during 2017/18, with the subsequent 2 years contributions being lower to account for the upfront payments.

WIRRAL COUNCIL

PENSION BOARD

DATE 27 MARCH 2019

SUBJECT:	**MEMBER DEVELOPMENT PROGRAMME**
REPORT OF:	**DIRECTOR OF PENSIONS**

1.0 EXECUTIVE SUMMARY

1.1 This report provides Board members with a copy of the development programme for Pension Committee members. A number of these opportunities are also available to Board members.

2.0 BACKGROUND AND KEY ISSUES

2.1 In accordance with the Pensions Act 2004 every member of the Wirral Pension Board must be conversant with key areas of knowledge and understanding of the law relating to pensions with particular reference to:

- Background and understanding of the legislative framework of the LGPS;
- General pension legislation applicable to the LGPS;
- Role and responsibilities of the Local Pension Board;
- Role and responsibilities of the Administering Authority;
- Funding and investment;
- Role and responsibilities of Scheme Employers;
- Tax and contracting out;
- Role of advisors and key pensions;
- Key bodies connected to the LGPS.

2.2 Pension Board members are expected to complete induction training within the first three months of their appointment. This consists of an online training course provided in a Trustee Toolkit by The Pension Regulator (TPR).

2.3 Board members will be invited to events as they arise.

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

3.1 There are none arising from this report. A budget for training has been allocated to the Board.

4.0 RECOMMENDATION

4.1 That Board Members note the report.

5.0 REASON/S FOR RECOMMENDATION/S

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

REPORT AUTHOR	Peter Wallach	Director of Pensions
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SUBJECT HISTORY

Reports/notes	Date
Pensions Committee	**January 2018**
Pensions Committee	**January 2017**
Pensions Committee	**January 2016**

APPENDIX

Members' Development report 2019

WIRRAL COUNCIL

PENSIONS COMMITTEE
21 JANUARY 2019

SUBJECT:	**MEMBERS' DEVELOPMENT 2019**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to provide Members with an outline of the proposed programme for member development in 2019.

2.0 BACKGROUND AND KEY ISSUES

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

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

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

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

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

3.0 RELEVANT RISKS

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

4.0 OTHER OPTIONS CONSIDERED

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

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 None

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

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

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are none arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members note and approve the proposed training and development plan for 2019.

14.0 REASON/S FOR RECOMMENDATION/S

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

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APPENDICES

Appendix 1- Development Programme

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date
Pensions Committee	**January 2018**
Pensions Committee	**January 2017**
Pensions Committee	**January 2016**

APPENDIX 1

MONTH (2019)	**EVENT**	**REPRESENTATION***
23 January	Responsible Investment Event Aintree	
28 February - 1 March	LGC Investment Summit, Chester	All Members
6 - 8 March	PLSA Investment Conference, Edinburgh	Chair
5 March	Investment Monitoring Working Party	All Members
13 - 15 May	PLSA Local Authority Conference, Cotswolds	Party Spokespersons
6 June	Investment Monitoring Working Party	All Members
July	CIPFA Conference	Chair
4 - 6 September	LGC Investment Seminar, Celtic Manor	Party Spokespersons
18 September	Investment Monitoring Working Party	All Members
October	Local Government Pension Investment Forum	Party Spokespersons
16-18 October	PLSA Annual Conference, Manchester	All Members
November	Annual Employers Conference, Aintree	All Members
October – December	Fundamentals training days; multiple dates & locations	All Members
4 – 6 December	LAPFF Annual Conference, Bournemouth	Party Spokespersons

**Reflects previous attendance*

WIRRAL COUNCIL

PENSIONS BOARD

27 MARCH 2019

SUBJECT:	**GOVERNMENT CONSULTATION:** **LGPS FAIR DEAL – STRENGTHENING PENSION PROTECTION**
REPORT OF:	**DIRECTOR OF PENSIONS**

1.0 EXECUTIVE SUMMARY

1.1 This report covers the consultation issued by the Ministry of Housing, Communities & Local Government (MHCLG) on 'New Fair Deal'.

The consultation relates to the introduction of greater pensions protection for employees of LGPS employers who are compulsorily transferred to service providers.

1.2 The consultation was issued on 10 January 2019 with a request for consultation responses to be submitted by 4 April 2019.

1.3 A draft response is attached as an appendix to the report. The response is to be considered by Pensions Committee on 25 March 2018 with officers seeking Members' approval for submission to MHCLG.

1.4 The draft response has also been shared with the Independent Chair of the Pension Board for his review and comment.

2.0 BACKGROUND AND KEY ISSUES

2.1 MHCLG issued a consultation in May 2016 regarding the introduction of greater pension protection for employees of LGPS employers who are compulsorily transferred to service providers.

2.2 In line with the Government's Fair Deal Guidance dated October 2013, the 2016 consultation document proposed that these employees should have continued access to the LGPS with the new service provider.

2.3 A further consultation was published on 10th January and takes into consideration some of the concerns raised in the initial consultation.

The full consultation document can be accessed from the following link:

https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection

Consultation and Proposed Changes

2.4 The latest consultation is requesting views on the following proposals:

- Amendments that would require service providers to offer LGPS membership to individuals who have been compulsorily transferred from an LGPS employer, removing the option of offering a broadly comparable scheme.
- Automatic transfer of LGPS assets and liabilities when employers in the scheme are involved in a merger or takeover.

2.5 It is also proposed that all LGPS scheme employers will be considered as Fair Deal employers with the exception of:

- Further Education corporations, Sixth Form College corporations and Higher Education corporations, and
- Admission bodies.

2.1 The proposed regulations introduce the new concept of a 'protected transferee', for individuals who are eligible for membership of the LGPS and who are employees of a Fair Deal employer before the compulsory transfer of their employment to a new service provider.

These employees must be given access to the LGPS whilst they remain a protected transferee and have entitlement to membership of the Scheme.

2.7 Transitional arrangements will cover staff who have already been outsourced, in order for them to become protected transferees if and when services are re-tendered.

2.8 The consultation also proposes that service providers do not necessarily need to become admission bodies to participate in the LGPS.

Instead, employers could be given 'deemed employer' status, a classification of employer which already exists within LGPS regulations, for example, the deemed employer of a voluntary school is the associated local authority.

2.9 The LGPS Scheme Advisory Board (SAB) will issue guidance to assist employers under Fair Deal to address inherent pension risks when outsourcing contracts.

2.10 The admission body route will remain an option so that Fair Deal employers can decide if they wish for a service provider to become a full scheme employer in the LGPS. This approach may be more appropriate for larger, longer term contracts where it is more fitting for a service provider to have full employer responsibilities under the LGPS regulations.

2.11 The draft regulations include an additional paragraph within Part 3 of Schedule 2 of the LGPS Regulations 2013, confirming that admission agreements may contain details of the risk sharing arrangements agreed between the Fair Deal employer and the service provider.

It is anticipated that advice issued by the SAB will contain further details regarding the risk sharing provisions that may be included within admission agreements.

3.0 RELEVANT RISKS

3.1 Under the new proposals, the Fair Deal employer will have the option to remain the deemed employer of the transferred staff and retain the majority of the pension risk.

3.2 Any risks they wish to share with the new service provider would be set out in the service contract.

4.0 RESOURCE IMPLICATIONS: FINANCIAL: IT; STAFFING and ASSETS

4.1 The proposed removal of the GAD certified broadly comparable option will help to maintain LGPS membership levels and dampen the pace of scheme maturity.

5.0 RECOMMENDATION

5.1 The Pension Board is requested to note the consultation document and the attached formal response,

6.0 REASONS FOR RECOMMENDATIONS

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

REPORT AUTHOR	Yvonne Caddock Head of Pensions Administration	
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APPENDIX ONE

Merseyside Response to the consultation: Fair Deal –Strengthening Pension Protection

WIRRAL COUNCIL

PENSION COMMITTEE

25 MARCH 2019

SUBJECT:	**GOVERNMENT CONSULTATION:** **LGPS FAIR DEAL – STRENGTHENING PENSION PROTECTION**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 This report covers the consultation issued by the Ministry of Housing, Communities & Local Government (MHCLG) on 'New Fair Deal'.

The consultation relates to the introduction of greater pensions protection for employees of LGPS employers who are compulsorily transferred to service providers.

1.2 The consultation was issued on 10 January 2019 with a request for consultation responses to be submitted by 4 April 2019.

1.3 A draft response is attached as an appendix to the report for Members' consideration, comment and approval. The draft response has also been shared with the Independent Chair of the Pension Board for his review and comment.

2.0 BACKGROUND AND KEY ISSUES

2.1 MHCLG issued a consultation in May 2016 regarding the introduction of greater pension protection for employees of LGPS employers who are compulsorily transferred to service providers.

2.2 In line with the Government's Fair Deal Guidance dated October 2013, the 2016 consultation document proposed that these employees should have continued access to the LGPS with the new service provider.

2.3 A further consultation was published on 10th January and takes into consideration some of the concerns raised in the initial consultation.

The full consultation document can be accessed from the following link:

https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection

Consultation and Proposed Changes

2.4 The latest consultation is requesting views on the following proposals:

- Amendments that would require service providers to offer LGPS membership to individuals who have been compulsorily transferred from an LGPS employer, removing the option of offering a broadly comparable scheme.
- Automatic transfer of LGPS assets and liabilities when employers in the scheme are involved in a merger or takeover.

2.5 It is also proposed that all LGPS scheme employers will be considered as Fair Deal employers with the exception of:

- Further Education corporations, Sixth Form College corporations and Higher Education corporations, and
- Admission bodies.

2.1 The proposed regulations introduce the new concept of a 'protected transferee', for individuals who are eligible for membership of the LGPS and who are employees of a Fair Deal employer before the compulsory transfer of their employment to a new service provider.

These employees <u>must</u> be given access to the LGPS whilst they remain a protected transferee and have entitlement to membership of the Scheme.

2.7 Transitional arrangements will cover staff who have already been outsourced, in order for them to become protected transferees if and when services are re-tendered.

2.8 The consultation also proposes that service providers do not necessarily need to become admission bodies to participate in the LGPS.

Instead, employers could be given 'deemed employer' status, a classification of employer which already exists within LGPS regulations, for example, the deemed employer of a voluntary school is the associated local authority.

2.9 The LGPS Scheme Advisory Board (SAB) will issue guidance to assist employers under Fair Deal to address inherent pension risks when outsourcing contracts.

2.10 The admission body route will remain an option so that Fair Deal employers can decide if they wish for a service provider to become a full scheme employer in the LGPS. This approach may be more appropriate for larger, longer term contracts where it is more fitting for a service provider to have full employer responsibilities under the LGPS regulations.

2.11 The draft regulations include an additional paragraph within Part 3 of Schedule 2 of the LGPS Regulations 2013, confirming that admission agreements may contain details of the risk sharing arrangements agreed between the Fair Deal employer and the service provider.

It is anticipated that advice issued by the SAB will contain further details regarding the risk sharing provisions that may be included within admission agreements.

3.0 RELEVANT RISKS

3.1 Under the new proposals, the Fair Deal employer will have the option to remain the deemed employer of the transferred staff and retain the majority of the pension risk.

3.2 Any risks they wish to share with the new service provider would be set out in the service contract.

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 proposed removal of the GAD certified broadly comparable option will help to maintain LGPS membership levels and dampen the pace of scheme maturity.

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 MHCLG undertake equality impact assessments with regard to the statutory reform of the LGPS.

11.0 CARBON REDUCTION and ENVIROMENTAL IMPLICATIONS

11.1 There are none arising from this report

12.0 PLANNING And COMMUNITY SAFTEY IMPLICATIONS

12.1 There are none arising from this report

13.0 RECOMMENDATION

13.1 That Committee Members note the scope of the consultation on strengthening pension protection and provide approval for submission of the Fund response to MHCLG

14.0 REASONS for RECOMMENDATIONS

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

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APPENDIX ONE

Merseyside Response to the consultation: Fair Deal –Strengthening Pension Protection

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Merseyside
PENSION FUND

LGF Reform and Pensions Team
Ministry of Housing, Communities & Local Government
2nd Floor, Fry Building
2 Marsham Street
London
SW1P 4DF

c/o **LGPensions@communities.gsi.gov.uk**

Direct Line: 0151 242 1390

Please ask for: Yvonne Caddock

Date: 26 March 2019

Dear Sirs

Local Government Pension Scheme

Fair Deal - Strengthening Pension Protection

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

The Fund is part of the Local Government Pension Scheme (LGPS) and the 4th largest of the 88 funds, with assets in excess of £8.5bn. MPF undertakes the LGPS pension administration and investments on behalf of the five Merseyside district authorities, over 180 other employers on Merseyside and elsewhere throughout the UK. The Fund has over 130,000 active, deferred and pensioner members.

Our Response

Principally MPF concurs with the overall policy intent of the regulations and the statutory requirement for employees who are compulsorily transferred from a “Fair Deal employer” to be granted guaranteed access to the LGPS.

The removal of the ‘broadly comparable’ option along with the use of the current admitted body framework will avoid any ambiguity for staff in regard their future pension provision. It should also assist in simplifying the tender documentation for Scheme Employers when outsourcing contracts.

Furthermore ‘broadly comparable’ schemes are, in practice, relatively rare and their removal from the legislative process will achieve a consistency of approach with other public sector schemes.

In considering the individual questions posed, we provide the following comments:

Q1 - Do you agree with the definition of protected transferees?

MPF agrees with the stated definition of a protected transferee and that a member who has transferred from a Fair Deal employer should retain eligibility to participate in the LGPS.

We note the continuation of current practice where contractors enter into an ‘open’ admission agreement in order to permit access to the LGPS for staff employed on the service delivery post-transfer. We recognise these staff would be treated as protected transferees under the regulations if the Fair Deal employer and service provider both agree under the contractual arrangements.

The draft regulations include provisions for either the Fair Deal employer or the service provider to determine whether staff employed post-transfer are no longer protected transferees, and as these staff will not acquire protected status when the contract is retendered it appears disingenuous to attach protected transferee status in these circumstances.

Although in the main MPF's experience is that the majority of admission applications are "closed" to new members and as such the incidences of employers and service providers reversing an employees protected pension status is likely to be minimal.

Q2 - Do you agree with the definition of a Fair Deal employer?

The definition of a Fair Deal employer does not seem unreasonable as the scope is similar to existing provisions, although a little wider which simplifies administration and provides greater clarity for staff, employers and service providers.

MPF is of the opinion that excluding higher and further education corporations may increase future out-sourcing in this sector, leading to a reduction in membership and long-term participation of the LGPS - although we are cognisant of the different approach being undertaken due to their status as private sector employers.

It appears that draft regulation 3B(1) and 3B(11) suggest that employees working for a different Fair Deal employer from the one carrying out the outsourcing are not protected; for example, in circumstances where an academy school sources services from a local authority, and then subsequently outsources the service. As the staff are employees of the local authority, then the academy is not the "Fair Deal employer" and our interpretation of the draft Regulations is that these employees' pension rights are not protected.

However, if they had been working directly for the academy school then the academy would be their "Fair Deal employer" so the employees would be protected. This anomaly requires clarification for all parties along with a policy decision to remove any ambiguity in dealing with future contracts or inequitable treatment of staff.

Q3 - Do you agree with these transitional measures?
Q4 - Do you agree with our proposals regarding the calculation of inward transfer values?

As it is the intent for new Fair Deal to supersede the Best Value Direction it is fit and proper that those previously covered under the direction become protected transferees under the LGPS Amendment Regulations 2019.

When an existing contract comes to an end, which operated with a broadly comparable scheme, it is reasonable to allow staff to transfer benefits accrued upon their re-joining the LGPS – thus securing career average benefits using normal LGPS transfer-in terms.

As broadly comparable schemes connected to outsourced contracts are rare and with the proposals only applying to those in service at the end of the contract, it is likely that the transfer route will have limited effect.

It is noteworthy that inward transfer values would not provide the employees with full continuity of pension benefits. However, as the transfers terms in operation by the LGPS are relatively generous compared to those in the private sector, it is likely members will not suffer any detriment to their pension savings.

The former Fair Deal guidance promoted the use of Bulk transfers to facilitate the seamless movement of pension rights for outsourced contracts. In our experience bulk exercises are usually lengthy processes involving actuaries on both sides, and individual transfers would be quicker to resolve with no actuary fees incurred.

Q5 - Do you agree with the proposal on deemed employer status?
Q6 - What advice should the Scheme Advisory Board provide to ensure the deemed employer status works effectively?

MPF believes that the proposed approach to introduce deemed employer status is practical and is a simplified method of achieving pension protection, as it avoids the new employer having to consider and enter into an admission agreement.

Deemed employer status will be less onerous where contracts are constructed on a pure "pass through" basis and avoids the need to assess exit debts or credits at the end of the contract. This approach could be used in conjunction with limited risk sharing arrangements between the Fair Deal employer and the new service provider, for example, where early retirement strains are picked up by the contractor. Although in the event of the full pension risks passing to the service provider the existing admission agreement approach is appropriate.

It is imperative that the Scheme Advisory Board (SAB) provide a comprehensive statement of the various pension risks for consideration along with a comprehensive list of the full responsibilities that each party has to the administering authority in their respective roles.

Specifically, it will be necessary for the Scheme Advisory Board to provide direction for administrative purposes as to whether:

- Funds should deal with the Fair Deal employer or the new employer;
- Funds need to establish a separate employer code for the new employer e.g. for dealing with reconciliation of contributions and payroll queries;
- The new employer operates its own discretions policy or whether the Fair Deal employer's policies will apply;
- The employer contribution rate in respect of the outsourced employees is remitted to the Fund from the service provider or the deemed employer along with the mechanism for making payment under any risk sharing arrangements.

In addition, engagement between schools and local authorities must improve to ensure that all are aware of potential outsourcing exercises. Schools need to recognise the importance of pensions when outsourcing services and the requirement to proactively liaise with the local authority in determining the appropriate route to provide pension protection.

Q7 - Should the LGPS Regulations 2013 specify other costs and responsibilities for the service provider where deemed employer status is used?

As there is no direct link between the Fund and the new employer we would expect there to be clear statutory direction as to how pension costs are to be funded between the parties under cover of the contractual arrangements or for the regulations to provide a default position.

Furthermore, specific allocation of costs would mean that deemed employers would still need to be monitored, unless there was a complete pass through of all costs to the Fair Deal entity.

Q8 - Is this the right approach to existing arrangements.

The admission agreement approach works better than Deemed Employer where the outsourced employer takes on wider risks, as the admission agreement route provides for better segregation of the assets and liabilities from those of the Fair Deal employer.

The provision to include risk sharing arrangements within admission agreements should add more flexibility to the drafting of admission agreements. To date MPF has used standard admission agreements and any risk sharing arrangements are covered in the contractual agreements as they are a matter for the authority and the outsourced employer.

MPF is mindful that the inclusion of risk sharing clauses will provide Funds with clarity on how the employer should be treated at termination of the admission agreement. This is particularly important with the introduction of Exit Credits in 2018, as many Funds are not party to the agreements between the authority and the outsourced employer and this can result in unnecessary payment of monies out of the Fund when an employer exits with a surplus funding position.

Q9 - What further steps can be taken to encourage pensions issues to be given full and timely consideration by Fair Deal employers when services or functions are outsourced?

Full statutory guidance should be cascaded to employers within the LGPS, to ensure that they comply with guidelines and understand the full implications of their responsibilities.

Fair Deal employers should be required to declare the approach they are taking at the tender initiation stage to avoid ambiguity amongst all parties and to facilitate administering authorities and employers to plan appropriate resources and support the timely consideration of pension issues.

Q10 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by our Fair Deal proposals?

No

Q11 – Is the proposed approach to transferring pension assets and liabilities the right approach?
Q12 – Do the draft regulations effectively achieve our aims?
Q13 – What should guidance issued by the Secretary of State regarding the terms of asset and liability transfers?

There has been concern across the LGPS about the potential for employers to be dissolved without paying off any exit debt. This amendment seeks to change that, by making any successor employer responsible for the original employer's LGPS assets and liabilities, even if the successor employer is in a different LGPS Fund.

MPF believe the aim of this policy is sensible, and on the whole it will work well when the intention is for the assets and liabilities to simply consolidate into one Fund.

Although, we have concerns about it not needing the consent of the receiving Fund, as it could increase risk to taxpayers if the employer could not support the combined liabilities in the long term. We therefore think it appropriate that consent should be required from the receiving Fund in order to seek relevant protections. Furthermore, a simplified version of the Secretary of State Direction regime to gain agreement for consolidation would be preferred.

In conclusion, MPF supports the majority of the proposals for strengthening pension protection, on the assumption that there is clear Statutory Guidance issued by SAB.

Principally the consultation raises issues which need to be considered in detail by employers, and it is critical that each employer engaged in outsourcing forms its own view and policies on the issues raised. Whilst there will be an impact on Funds, this will be in terms of putting in the correct administrative processes so that decisions reached by employers can be implemented in an efficient and effective manner.

Yours faithfully

Y Caddock

Yvonne Caddock

Head of Pensions Administration

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WIRRAL COUNCIL

PENSION BOARD

DATE 27 MARCH 2019

SUBJECT:	**TREASURY MANAGEMENT POLICY**
REPORT OF:	**DIRECTOR OF PENSIONS**

1.0 EXECUTIVE SUMMARY

1.1 This report provides Board members with a copy of the Treasury Management Policy recently taken to Pensions Committee.

2.0 BACKGROUND AND KEY ISSUES

2.1 The annual approval of the treasury management policy statement and the treasury management annual plan and strategy for Merseyside Pension Fund by Pensions Committee forms part of the governance arrangements of Merseyside Pension Fund.

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

3.1 There are none arising from this report.

4.0 RECOMMENDATION

4.1 That Board Members note the report.

5.0 REASON/S FOR RECOMMENDATION/S

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

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SUBJECT HISTORY

Reports/notes	Date

APPENDIX

Treasury Management Policy 2019/20

WIRRAL COUNCIL

PENSIONS COMMITTEE
21 JANUARY 2019

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

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to request that Members approve the treasury management policy statement and the treasury management practices and annual plan for Merseyside Pension Fund (MPF) for the year 2019/20.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services requires Pensions Committee to receive an annual report on the strategy and plan to be pursued in the coming year. The plan and strategy were last approved by the Pensions Committee on 22 January 2018.

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

2.3 The policy statement is attached as Appendix 1 to this report. There are no significant changes to the policy followed for 2018/19.

2.4 Plan and Strategy

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

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

- Internally managed investment cashflows will be channelled through the Custodian, to maximise benefits and efficiencies agreed under the new contract.

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

- The UK Bank Rate has increased from 0.50% to 0.75%, and is anticipated to increase further during 2019/20. Short-term money market rates and bank deposit rates are likely to remain at low levels for an extended period which will have an impact on investment income.

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

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

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

3.0 RELEVANT RISKS

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

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report.

5.0 CONSULTATION

5.1 Not relevant for this report.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no outstanding previously approved actions.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are no implications arising directly from this report.

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

8.1 There are no implications arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are no implications arising directly from this report.

10.0 EQUALITIES IMPLICATIONS

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

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

13.0 RECOMMENDATION/S

13.1 That Members approve the treasury management policy statement and the treasury management annual plan and strategy for Merseyside Pension Fund for the financial year 2019/20.

14.0 REASON/S FOR RECOMMENDATION/S

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

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APPENDICES

The Treasury Management Policy Statement 2019/20 is attached as appendix 1 to this report.

BACKGROUND PAPERS/REFERENCE MATERIAL

CIPFA Treasury Management Code of Practice and Guidance Notes.

SUBJECT HISTORY

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee – Treasury Management Annual Report	16 July 2018
Pensions Committee – Treasury Management Policy and Strategy	22 January 2018
Pensions Committee – Treasury Management Annual Report	17 July 2017
Pensions Committee – Treasury Management Policy and Strategy	23 January 2017
Pensions Committee – Treasury Management Annual Report	4 July 2016
Pensions Committee – Treasury Management Policy and Strategy	25 January 2016

Appendix 1

MERSEYSIDE PENSION FUND
TREASURY MANAGEMENT POLICY STATEMENT

1 INTRODUCTION

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

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

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

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

2 DELEGATION

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

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

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

3 DEFINITION

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

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

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

TREASURY MANAGEMENT PRACTICES (TMPs)

4 TMP 1 RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

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

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

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

5 TMP 2 Performance Measurement

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

6 TMP 3 Decision Making and analysis

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

7 TMP 4 Approved Instruments, methods and techniques

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

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

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

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

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

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

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

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

9 TMP 6 Reporting Requirements and Management Information Requirements

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

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

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

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

10 TMP 7 Budgeting, accounting and audit arrangements

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

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

11 TMP 8 Cash and cash flow management

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

12 TMP 9 Money Laundering

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

13 TMP 10 Training and Qualifications

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

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

14 TMP 11 Use of external service providers

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

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

15 TMP 12 Corporate Governance

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

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

MERSEYSIDE PENSION FUND:

SCHEDULE TO TREASURY MANAGEMENT POLICY

SCHEDULE 1:
RISK MANAGEMENT

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

CATEGORY	**LIMIT Per Institution/Group**
Fund's Bank	£50m
Approved Bank	£20m
Approved Building Societies	£15m
All Local Authorities	£20m
Money Market Funds with a Constant Net Asset value	£30m
Fund's Custodian (Money Market Fund) (Internal and External Managers guideline)	£100m*
Fund's Custodian (Money Market Fund)	£50m

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

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

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

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

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

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

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

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

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

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

SCHEDULE 2:

PERFORMANCE MEASUREMENT

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

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

SCHEDULE 3:
DECISION MAKING AND ANALYSIS

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

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

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

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

SCHEDULE 4:
APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SCHEDULE 6:
REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

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

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

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

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

SCHEDULE 7:
BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

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

SCHEDULE 8:
CASH FLOW

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

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

SCHEDULE 9:
USE OF EXTERNAL PROVIDERS

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

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

9.3 The Fund's Custodian contract is subject of regular tendering exercises.

SCHEDULE 10:
CORPORATE GOVERNANCE AUDIT AND COMPLIANCE

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

- Internal policies
- Internal records of deals
- Counterparty confirmations

WIRRAL COUNCIL

PENSION BOARD

DATE 27 MARCH 2019

SUBJECT:	LIABILITY RISK MANAGEMENT
REPORT OF:	DIRECTOR OF PENSIONS

1.0 EXECUTIVE SUMMARY

1.1 This report provides Board members with a copy of a recent report to Pensions Committee on this subject.

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 report provides the Board with information on the development of risk reduction strategies for the Fund.

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

3.1 There are none arising from this report.

4.0 RECOMMENDATION

4.1 That Board Members note the report.

5.0 REASON/S FOR RECOMMENDATION/S

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

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SUBJECT HISTORY

Reports/notes	Date

APPENDIX

Risk Management report to Pensions Committee Jan 2019.
EXEMPT appendix 1 Framework of equity downside protection managers.
EXEMPT appendix 2 Letter of confirmation.

WIRRAL COUNCIL

PENSIONS COMMITTEE

21 JANUARY 2019

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

1.0 EXECUTIVE SUMMARY

1.1 This report informs Members of the appointment of investment managers providing equity downside protection strategies to a framework agreement and implementation of a bespoke investment strategy in relation to a substantial employing body in the Fund.

2.0 BACKGROUND AND KEY ISSUES

2.1 Members will be aware that officers have been actively developing risk reduction strategies for the Fund. As advised to this Committee in January 2018, one area of interest has been the potential use of equity option strategies and, following an in-depth review of these strategies, a framework of investment managers able to implement these strategies has been put in place. The firms appointed are listed in appendix 1 to this report.

2.2 Additionally, following the 2016 actuarial valuation, the Fund introduced two additional investment strategies (medium risk and lower risk) to give employers the option of reducing the level of investment risk they wished to take.

2.3 The Fund was approached by an admitted body in the Scheme with a request to provide them with a lower risk strategy which would include explicit hedging of their liabilities' sensitivities to inflation and interest rate risk. Following detailed negotiations involving the Fund's actuary, officers and KPMG, advisors to the admitted body, a bespoke strategy has been agreed and designed to fulfil the requirements. The parameters of the strategy proposed by the employer are set out in appendix 2.

2.4 The majority of the strategy will comprise existing holdings of the Fund but in different proportions to the standard investment strategies. Additionally, it will involve an LDI mandate which will hedge a significant proportion of the interest rate and inflation sensitivities of the liabilities. This will provide scale efficiencies to the employing body and provide some simplification for the Fund in the operational management of the strategy. The LDI mandate is being provided by one of the Fund's incumbent bond managers.

2.5 The two principal operational challenges for the Fund has been to ensure that performance of the strategy is accurately provided to the employing body and that it pays its share of the investment and other costs arising from the strategy. Officers are satisfied that appropriate controls have been put in place.

3.0 RELEVANT RISKS

3.1 As with any insurance, equity option structures have a cost which will have the effect of reducing returns in the long term. The cost, purpose and duration of these strategies should be identified clearly before they are implemented.

3.2 Regarding alternative investment strategies, a failure to provide an auditable record of investment performance and of the investment and related costs arising from the strategy may result in a challenge from the employing body. The Fund has worked closely with its actuary to ensure robust arrangements have been put in place.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

5.1 Not relevant to this report

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 The costs of the strategy will be borne by the employing body. The Fund intends to use reports from its custodian to provide the requisite performance and cost data.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 It is important that members are informed of strategic developments within the Fund.

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APPENDICES

Framework of equity downside protection managers

Letter of confirmation.

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date

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WIRRAL COUNCIL

PENSION BOARD

DATE 27 MARCH 2019

SUBJECT:	POOLING UPDATE
REPORT OF:	DIRECTOR OF PENSIONS

1.0 EXECUTIVE SUMMARY

1.1 This report provides Board members with a copy of recent reports to Pensions Committee on this subject.

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 Pooling update is a standing item on the Pensions Committee agenda.

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

3.1 There are none arising from this report.

4.0 RECOMMENDATION

4.1 That Board Members note the report.

5.0 REASON/S FOR RECOMMENDATION/S

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

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SUBJECT HISTORY

Reports/notes	Date
An update report is brought to each Pensions Committee	

APPENDICES

Report to Pensions Committee January 2019
EXEMPT Statutory guidance on asset pooling.

WIRRAL COUNCIL

PENSIONS COMMITTEE

21 JANUARY 2019

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 details of a consultation issued by the Ministry of Housing, Communities and Local Government (MHCLG) on new statutory guidance on LGPS asset pooling.

2.0 BACKGROUND AND KEY ISSUES

2.1 On 3 January 2019, MHCLG issued draft statutory guidance on LGPS asset pooling. It sets out the requirements on administering authorities, replacing previous guidance, and builds on previous Ministerial communications and guidance on investment strategies. This will be an informal consultation with interested parties only, including the Scheme Advisory Board, Pensions Committees, Local Pension Boards, the pool Joint Committees or equivalent, the Cross Pool Collaboration Group, the pool operating companies where owned by participating funds, CIPFA and ALATS. The consultation will remain open for 12 weeks and will close on 28 March 2019.

2.2 The guidance sets out the requirements on administering authorities in relation to the pooling of LGPS assets, building on previous Ministerial communications and guidance on investment strategies, and taking account of the current state of progress on pooling. It is made under the powers conferred on the Secretary of State by Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 2016 Regulations). Administering authorities are required to act in accordance with it.

The guidance replaces the section at pages 7 to 8 of Part 2 of *Guidance for Preparing and Maintaining an Investment Strategy*, issued in September 2016 and revised in July 2017, which deals with regulation 7(2)(d) of the 2016 Regulations. It also replaces *Local Government Pension Scheme: Investment Reform Criteria and Guidance,* issued in November 2015.

2.3 It is recognised that the existing guidance is not always clear in defining the criteria and guidance for pooling arrangements and the new guidance seeks to address this as well as supporting further progress.

2.4 The guidance covers eight principal areas:

- Definitions
- Structure and scale
- Governance
- Transition of assets
- Investments outside the pool
- Infrastructure investments
- Reporting

2.5 A report providing further analysis of the proposals and a draft response will be brought to Committee in March. If adopted as drafted, the most significant implication for the Northern Pool would be the requirement, as set out in section 3, to establish a pool company for the majority of assets which 'must be a company regulated by the Financial Conduct Authority (FCA) with appropriate FCA permissions for regulated activities'.

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 as proposed in the new guidance will be substantially more than the existing intended arrangements.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members note the report.

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

Draft guidance on pooling - consultation

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

PENSION BOARD

DATE 27 MARCH 2019

SUBJECT:	**WORKING PARTY MINUTES**
REPORT OF:	**DIRECTOR OF PENSIONS**

1.0 EXECUTIVE SUMMARY

1.1 This report provides Board members with copies of working party minutes since the previous Pension Board 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 convene regularly to enable Pension Committee members to consider pension matters in greater detail. Minutes of the working parties are reported to Pension Committee.

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

3.1 There are none arising from this report.

4.0 RECOMMENDATION

4.1 That Board Members note the report.

5.0 REASON/S FOR RECOMMENDATION/S

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

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SUBJECT HISTORY

Reports/notes	Date
This is a standing item on the agenda	

APPENDICES

Exempt appendices 1-3:
Governance and Risk Working Party 12 July 2018
Investment Monitoring Working Party 11 September 2018
Investment Monitoring Working Party 15 November 2018

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

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