



Pensions Committee

Date:	Monday, 4 November 2019
Time:	6.00 p.m.
Venue:	Council Chamber - Birkenhead Town Hall

This meeting will be webcast at
<https://wirral.public-i.tv/core/portal/home>

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AGENDA

1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

2. MINUTES (Pages 1 - 12)

To approve the accuracy of the minutes of the meeting held on 16 July 2019.

3. LGPS UPDATE (Pages 13 - 18)

4. CATALYST FUND UPDATE (Pages 19 - 26)

5. GOVERNANCE STATEMENT (Pages 27 - 48)

6. THE PENSION REGULATOR ENGAGEMENT REPORT (Pages 49 - 54)

7. PENSION BOARD TERMS OF REFERENCE (Pages 55 - 72)

8. TRAINING & DEVELOPMENT OPPORTUNITIES (Pages 73 - 78)

9. PENSION BOARD MINUTES 17/07/2019 (Pages 79 - 88)

10. COMPLIANCE MANUAL (Pages 89 - 92)

11. **POOLING UPDATE (Pages 93 - 96)**
12. **WORKING PARTY MINUTES (Pages 97 - 110)**
13. **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

The following items contain exempt information.

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

14. **COMPLIANCE MANUAL (Pages 111 - 120)**
15. **POOLING UPDATE (Pages 121 - 132)**
16. **WORKING PARTY MINUTES (Pages 133 - 140)**

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PENSIONS COMMITTEE

Tuesday, 16 July 2019

Present:

Councillor P Cleary (Chair)

Councillors G Davies B Kenny
A Gardner G Watt
T Jones
H Cameron (dep for
Cllr C Povall)

Councillors Ms J Aston, Knowsley Council
J Fulham, St Helens Council
P Lappin, Sefton Council

R Bannister, Unison retired member
representative

Apologies

Councillors C Carubia
S Whittingham

S Brunskill

13 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

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

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

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

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

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

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

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

14 **MINUTES**

Resolved – That the accuracy of the Minutes of the Pensions Committee held on 25 March, 2019 be agreed.

15 **VOTE OF THANKS - PAUL DOUGHTY**

On behalf of Members Councillor John Fulham offered a vote of thanks to former Councillor Paul Doughty who had attended the last meeting of the Pension Committee in his role as Chair. The Chair and members of the Committee endorsed this and commented that Paul Doughty had been an excellent Chair to the Committee, recorded their thanks to him for representing the Committee during his time as Chair and wished him well for the future.

16 **APPOINTMENT OF VICE-CHAIR AND REPRESENTATION AT NLGPS MEETINGS**

Resolved – That;

- 1 Councillor George Davies be appointed Vice-Chair of the Pensions Committee for the municipal year 2019-2020.**
- 2 Spokespersons be invited to attend future Pooling meetings at a maximum of two Spokespersons per meeting and names to be advised to Chair of the Pensions Committee and the Director of Pensions.**

17 **AUDIT FINDINGS REPORT**

Members gave consideration to the Audit Findings Report 2018 - 2019 prepared by Grant Thornton UK LLP. Grant Patterson, Key Audit Partner and Stuart Basnett, Engagement Manager attended the meeting and reported upon the key issues contained in the report including the potential impact of the McCloud judgement.

It was reported that the audit was now substantially complete and subject to outstanding queries being resolved it was anticipated that an unqualified audit opinion would be provided in respect of the financial statements as shown in Appendix B: Audit opinion of the report.

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

Resolved – That;

- 1 the Audit Findings report be noted.**

2 the Audit Findings report be recommended to the Audit and Risk Committee.

18 STATEMENT OF ACCOUNTS/LETTER OF REPRESENTATION

Members gave consideration to a report of the Director of Finance & Investment (S151) that presented Members with the audited statement of accounts of Merseyside Pension Fund for 2018/19 and responded to the Audit Findings Report from Grant Thornton.

Donna Smith, Head of Finance & Risk, informed the Committee that subject to outstanding work, Grant Thornton had indicated there would be an unqualified opinion and there were no adjustments affecting the Fund's reported financial position for the year ended 31 March 2019 of net assets of £8.9bn and no recommendations.

It was reported that the one misclassification identified by Grant Thornton within the fair value hierarchy disclosure note had been agreed and amended.

During the audit period the Fund had obtained a revised actuarial statement on the value of retirement benefits that reflected the McCloud position.

A Letter of Representation had been prepared on behalf of the Committee that gave assurances to the Auditor on various aspects relating to the Pension Fund and was included as an appendix to the report.

Resolved – That;

- 1 having considered the amendments to the accounts, the Audit Findings Report and the Letter of Representation the audited Statement of Accounts for 2018/19 be approved.**
- 2 the recommendations be referred to the Audit and Risk Management Committee.**

19 DRAFT ANNUAL REPORT AND ACCOUNTS

A report of the Director of Pensions provided Members with the draft Annual Report of Merseyside Pension Fund for 2018/19.

Donna Smith, Head of Finance & Risk informed Members that the LGPS regulations required the Pension Fund Annual Report to contain the Fund Accounts and Net Asset Statement with supporting notes and disclosures prepared in accordance with proper practices.

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

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

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

20 **BUDGET OUTTURN 18/19, FINAL BUDGET**

Members gave consideration to a report of the Director of Pensions that requested that Members note and approve:

- The out-turn for the financial year 2018/19.
- The finalised budget for the financial year 2019/20.
- The 3 year budget for MPF as required for the annual report.

It was reported that the actual out-turn for 2018/19 was £17.6m, lower than the original budget approved 16 July 2018 of £22.0m and lower than the projected out-turn of £19.4m as reported at Pensions Committee on 21 January 2019. This lower figure was principally due to the Q4 sell-off in equity markets which reduced investment management costs.

The report informed that the 2019/20 budget reported in January had been updated to reflect agreed reduction in unpaid leave, along with revised salary overheads, IT, actuary and departmental & central support charges; the finalised 2019/20 budget was £22.3m.

The appendices to the report contained the budget for 2019/20 including the out-turn for 2018/19 and the original appendix as reported to Members on 21 January 2019 were attached to the report for Members information.

Resolved – That;

- 1 the out turn for 2018/19 be noted.**
- 2 the finalised budget for 2019/20 be approved.**
- 3 other issues for inclusion in the 2018/19 Annual Report including 3 year financial estimates be approved.**

21 **WIRRAL COUNCIL MOTION**

A report of the Director of Pensions informed Members of a Wirral Council motion debated at Council on 18 March 2019 (minute 125 refers).

An extract from the Council papers in relation to the motion 'Future Pensions Fit for Purpose' Proposed by Councillor Pat Cleary and Seconded by Councillor Paul Doughty was provided for members information.

Members welcomed the report and commented that it would be useful if motions that are directly relevant to the Pension Fund, from this and other Authorities, could be brought to future meetings of the Committee for Members information.

Resolved – That the report be noted.

22 LGPS UPDATE

Members gave consideration to a report of the Director of Pensions that covered two government consultations, 'Restricting Exit Payments in the Public Sector' published by HM Treasury, and 'Changes to the Local Valuation Cycle and Management of Employer Risk' by the Ministry of Housing Communities & Local Government (MHCLG).

The HM Treasury consultation had been issued on 10 April 2019 with a closing date of 3 July and the MHCLG consultation had issued on 8 May 2019, closing on 31 July.

It was reported that the Fund response to the HM Treasury consultation had been shared with the Chairs of Pension Committee and Pension Board for comment and approval prior to submission and were attached as Appendix A to the report for noting.

A draft response to the MHCLG consultation was attached as Appendix B to the report for Members consideration, comment and approval.

The report also updated Members of recent developments on the Scheme Advisory Board review of governance models for the LGPS.

Yvonne Murphy, Head of Pension Administration outlined the report to the Committee, responded to Members questions and highlighted that, as the Committee were aware, as reported at the Committee meeting dated 15 November 2016 (minute 128 refers), of the Government's intent to cap the cost of early retirement packages within the public sector at a total cost of £95,000 per employee. The cap would include the value of any early retirement strain payments, and it was envisaged that the ability to take an unreduced early retirement pension would be severely restricted for a number of members. As such the new regulations would reduce pension costs for affected employers given that the total exit payments made to employees would now be capped. Separate administrative processes would need to be implemented by the Fund for those employers covered by the cap, and for those not covered. The Fund would need to establish and keep a clear record of which employers fall into each category.

With regard to the MHCLG consultation the proposal to remove the requirement for further education corporations, sixth form college corporations and higher education corporations to offer membership of the LGPS to new entrants could lead to a reduction in the active membership base with an adverse impact on cash flow and the pace of scheme maturity. Members were apprised of the late submission of comments from the Chair of the Pension Board vehemently opposing this proposal.

Members shared the concerns and commented that this would be a retrograde step leading to a two-tier system and the diminishing of Funds. Committee requested the Fund's response to be strengthened to demonstrate opposition to the proposal from both an employee and Funding perspective.

Resolved – That;

- 1. the response sent to HM Treasury regarding the consultation on 'Restricting Exit Payments in the Public Sector' be noted, and;**
- 2. the Fund's draft response to the MHCLG consultation on 'changes to the Local Valuation Cycle and Management of Employer Risk' be revised to reflect the concerns raised and shared with Pension Committee for formal approval prior to submission to the government on 31 July 2019.**

23 SCHEME PAYS POLICY

A report of the Director of Pensions reviewed Merseyside Pension Fund's current policy decision, which had been recommended to the Pensions Committee at its meeting on 22 January 2018 (minute 58 refers), to not operate "Voluntary Scheme Pays" for scheme members who breach HMRC's Annual Allowance limit for pension saving growth.

It was reported that following a challenge to that recommendation and a survey of other LGPS Funds in regard to their approach to Scheme Pays, it was now recommended that the decision be revised to allow scheme members the opportunity to elect for the Fund to pay their tax charge under 'Voluntary Scheme Pays' in respect of their pension growth from tax year 2018/19.

Resolved – That the use of Voluntary Scheme Pays in the following circumstances be approved:

- a) Where a member's pension savings are subject to the tapered annual allowance in relation to pension growth with Merseyside Pension Fund and the tax charge is in excess of £2,000.**
- b) Where a member, as a result of administrative difficulties beyond their control, misses the 'mandatory Scheme pays' deadline (e.g. where the member was not provided with the necessary information on time).**
- c) Any other cases where it can be demonstrated that exceptional circumstances apply, that approval is delegated to the Head of Pension Administration.**

24 SYSTEMATIC INVESTMENT

Members gave consideration to a report of the Director of Pensions that provided Members with a further update on the progress made in the development of internally managed factor-based investment strategies.

The Director of Pensions provided a summary of the report and responded to Members questions. It was reported that in January 2018, Committee had given approval for the Director of Pensions to continue the development and implementation of an internally managed factor portfolio consistent with the philosophy outlined in the report to Committee.

The Director informed Committee that a global multifactor portfolio had been funded in March this year with an initial investment of around £200m. This had followed extensive back-testing and verification by the investment team in conjunction with FTSE Russell who provided assurance around the multifactor process that had been adopted. Considerable modification to internal operational processes and procedures had also been required and these had been reviewed by internal audit and a satisfactory audit opinion had been received. The Fund's Compliance Manual was being updated with these changes and would be brought to a future meeting of this Committee.

The appendix to the report provided an overview of the factor portfolio's philosophy and process which was intended to be complementary to the existing mix of internal and external portfolios.

Resolved – That the report and the progress made in increasing the proportion of internally managed assets be noted.

25 **AUTHORISED SIGNATORIES**

A report of the Director of Pensions informed members of the name change of an existing authorised signatory.

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

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

Resolved – That;

- 1 the name change of previously approved authorised signatories for Merseyside Pensions Fund be noted.**
- 2 subject to the title change of Paul Satoor, from Director for Corporate Resources and Reform to Chief Executive, the officers designated in section 2 of this report continue to be approved as authorised signatories for Merseyside Pensions Fund.**

26 TREASURY MANAGEMENT ANNUAL REPORT

Members gave consideration to a report that presented a review of treasury management activities within Merseyside Pension Fund (MPF) for the 2018/19 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.

Treasury Management in Local Government was governed by the CIPFA Code of Practice on Treasury Management in the Public Services and in this context was the “management of the Fund’s investments and cash flows, its banking, money market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks”.

On 22 January 2018 Pensions Committee had approved the Treasury Management Policy and Strategy 2018/19.

The report related to money managed in-house during the period. It excluded cash balances held by investment managers in respect of the external mandates and the internal UK and European investment managers.

Resolved – That the Treasury Management Annual Report for 2018/2019 be agreed.

27 POOL OPERATING AGREEMENT

The Director of Pensions introduced a report that provided Members with a progress report on the implementation of governance arrangements in relation to Merseyside Pension Fund’s participation in the Northern LGPS pool (NLGPS).

A copy of the Operating Agreement for the Northern LGPS, which had been taken to Council on 15 July for approval, was attached at Appendix A to the report. The Operating Agreement had been the subject of a report to Pensions Committee on 29 October 2018.

The report informed that in the July Budget 2015, the Chancellor had announced the Government’s intention to work with Local Government Pension Scheme (LGPS) (the Scheme) administering authorities to ensure that they pooled investments to significantly reduce costs while maintaining overall investment performance. The Government had subsequently issued the criteria which set out how administering authorities could deliver against the Government’s expectations of pooling assets. The report addressed the second of those criteria - Strong governance and decision making. Pooling has been a standing item on the Pensions Committee agenda since that time.

It was reported that in response to the Government’s pooling requirements, eight pension pools had been established across England & Wales encapsulating the 88 local government pension funds - and a range of pooling structures had been put in place. Merseyside Pension Fund had formed the Northern LGPS pool with two other local government pension funds; Greater Manchester and West Yorkshire Pension Funds, all large, cost effective Metropolitan funds. The individual funds would retain

their current role of setting asset allocation and investment policy and would delegate the implementation of that policy to the Northern LGPS.

Members were informed that a Joint Governance Committee would be formed which would have responsibility for ensuring that the appropriate structure and resources were in place to implement the policy required by each fund, those resources to be provided by the three Funds. The principal activities of the Joint Governance Committee were set out in Schedule 2 of the appendix to the report.

The Director of Pensions advised that a meeting had been held in March 2018 with the advisors to all three funds and the NLGPS shadow Joint Governance Committee to consider options for developing the pool. The unanimously supported conclusion had been to design a simple, low cost pool that will continue delivering the performance the funds expect.

The Northern LGPS Operating Agreement was attached to the report as Appendix A, and set out how the Northern LGPS will operate, with the three partners having equal voting rights, being responsible for costs on an equal basis (except investment management costs which will be attributed in proportion to the assets being managed). The Agreement also appointed Tameside Borough Council (the administering authority for Greater Manchester Pension Fund) as the host council. The key items of note were those contained in the first three schedules to the agreement, which determined the:-

- Matters reserved to the Pooling Partners
- Joint Governance Committee Terms of Reference
- Joint Governance Committee Procedure

Following agreement by Pensions Committee on 29 October 2018, the Director of Pensions and the Borough Solicitor had been reviewing the Operating Agreement and liaising with pool partners and advisors with a view to ensuring a mutually acceptable agreement that provides Wirral, as administering authority, with the ability to discharge its responsibilities.

Recommended – That Committee approves and recommends to the Standards and Constitutional Oversight Committee and full Council the proposed principles of governance contained in the draft Operating Agreement and delegates to the Director of Pensions and the Director: Governance and Assurance the authority to negotiate and agree with Tameside and Bradford Councils the final draft of the Operating Agreement in consultation with the Chair.

28 TRAINING & DEVELOPMENT OPPORTUNITIES

Members gave consideration to a report of the Director of Pensions that provided additional information on training and development opportunities.

Members were informed that the CIPFA Pensions Panel had developed a technical knowledge and skills framework for the Local Government Pension Scheme. The framework had been adopted by Pensions Committee in 2010 as demonstrating best practice and enabled the Fund to determine that Committee had the appropriate mix of knowledge and skills necessary to discharge its governance requirements. It also

assisted Members in planning their training and development needs. An outline training programme was approved by Committee annually with further details of events provided nearer the time.

The appendix to the report provided further information on opportunities of which the Fund has been notified.

It was a statutory requirement that the Fund's annual report included detailed information on training events offered and attended by elected members. A register of Members' attendance at training and development events was kept and reviewed annually by the Governance & Risk Working Party. The Chair of the Pensions Committee encouraged Members attendance at the training events and it was;

Resolved – That;

- 1 the report be noted.**
- 2 details of forthcoming Conferences and Training events be circulated to Members by the PA to the Director of Pensions.**

29 **WORKING PARTY MINUTES**

A report of the Director of Pensions provided Members with the minutes of meetings of Working Parties held since the last meeting.

Resolved – That the minutes be approved.

30 **PENSION BOARD MINUTES 13/06/18**

Members gave consideration to a report of the Director of Pensions that provided the minutes of the previous meeting of the Local Pension Board.

The Chair of the Committee commented that the value of the Local Pension Board and the useful feedback it provided to the Pensions Committee was appreciated.

Resolved – That the report be noted.

31 **POOLING UPDATE**

Members of the report provided Members with an update on pooling arrangements in respect of MPF and the Northern LGPS. Since the previous update, progress had been made on the Operating Agreement which was the subject of a separate report to the Committee.

Approval was sought for a revision to the Fund's Investment Strategy Statement https://mpfmembers.org.uk/pdf/iss_1.pdf to reflect the way in which pooling was progressing. A draft of the revised wording was attached as appendix 1 to the report.

Appendix 2 to this report contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of Local Government Act 1972 i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information).

Resolved – That;

- 1 the pooling report and minutes of the Shadow Joint Committee meeting on 28 March 2019 be noted.**
- 2 the revised wording for the Fund’s Investment Strategy Statement be approved.**

32 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.

33 POOLING UPDATE EXEMPT APPENDIX 2

Appendix 2 to the report on Pooling Update was exempt by virtue of paragraph 3.

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WIRRAL COUNCIL

PENSION COMMITTEE

4 NOVEMBER 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 'McCloud Case', which relates to the transitional protections awarded to members who were closest to retirement age when the Judges' and Firefighter pension schemes were reformed in 2015.
- 1.2 In addition, it updates Members on the Scheme Advisory Board's (SAB) review of LGPS Governance models and the proposed changes to Equitable Life policies, the legacy Additional Voluntary Contributions (AVC) provider for Merseyside Pension Fund.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 Members were informed at the Committee meeting dated 25 March 2019 (minute 4 refers) of the Court of Appeal's decision, known as the 'McCloud Case'. The court ruled that the transitional protection afforded to older members of public service pension schemes was unlawful on the grounds of age discrimination.
- 2.2 On the 27 June 2019, the Supreme Court denied the Government's leave to appeal, which means that the Court of Appeal's decision will be upheld, and the case will be returned to an employment tribunal for a detailed decision.

Implications for the LGPS

- 2.3 Thereafter, on 15 July 2019, the Chief Secretary to the Treasury announced in a written statement that "the government believes that the difference in treatment will need to be remedied across all public sector schemes; including the NHS, civil service, local government, teachers, police, armed forces, judiciary and fire and rescue workers."

- 2.4 As the remedy will involve “levelling up” member benefits, it is expected that any agreed outcome will increase the cost of LGPS pensions. However, there is no certainty on the level of the increased cost.

Reasons for the uncertainty of cost

- 2.5 The uncertainty around cost stems from the fact that the form and detail of any proposed remedy to be applied to the LGPS is unknown. The most obvious solution would be to apply the current protections, offered to those within 10 years of retirement at 2012, to all members in the LGPS.

However, decisions need to be made around areas such as:

- **Eligibility** – would it only apply to scheme members who were active in 2012 or conversely to all those active when the scheme changed at 31 March 2014?
- **Operating period of the underpin** – will the underpin only apply to service accrued up to 2022 i.e. 10 years after 2012, or will it apply for all service accrued from 1 April 2014 until retirement?
- **Retrospection**- how will the benefits for members who have left service since 2014 be rectified?
- **Administration** – any remedy needs to be relatively easy to administer to avoid further complexity and exponential resource cost. What may seem an obvious remedy may be very complex to operate with disproportionate administration costs.

- 2.6 Each decision about the form of remedy is likely to have a material impact on the overall cost of the benefit structure and administration requirements. Consequently, it is difficult to anticipate the definitive cost of the McCloud case on both future and past service benefits.

Impact on Triennial Valuation

- 2.7 As the LGPS is in the middle of the 2019 Triennial Valuation and with no sight of a proposed remedy, the SAB has issued a directive to Administering Authorities to calculate the valuation position as per the current LGPS benefit structure. It has been clear in its message management that the uncertainty and risk associated with the McCloud case should be considered locally when setting employer contribution rates.
- 2.8 The Fund is currently working with both the Fund Actuary and the Merseyside Finance Director Group to analyse the potential ongoing risk to the Fund and employers in setting its funding policy, contribution rates and managing the uncertainty associated with McCloud.

- 2.9 Once the McCloud case is remedied, Funds must revisit employer contribution rates to ensure they remain appropriate in considering any additional costs.
- 2.10 The SAB website provides an overview of the case along with FAQ and can be accessed from the following link:

<https://www.lgpsboard.org/index.php/structure-reform/mccloud-page>

Good Governance Report

- 2.11 Members considered the scope of the SAB's review of governance models for the LGPS at its last meeting on 16 July 2019 (minute 22 refers) and further to the completion of Hymans Robertson's analysis and fact finding exercise, the SAB published its 'Good Governance Report' at the end of July.
- 2.12 To progress the project forward, two stakeholder working groups, supported by Hymans Robertson, have been established to focus on;
- defining good outcomes and the guidance needed to accomplish successful governance structures through clear strategies and policies.
 - Options for the independent assessment of outcomes and mechanisms to improve the delivery of those outcomes.
- 2.13 The aim is for an options report to be considered by the SAB in November. Any proposals agreed by the Board would be subject to a stakeholder consultation before being presented to MHCLG.
- 2.14 A copy of the Good Governance Report is available from the following link:

<https://lgpsboard.org/images/PDF/GGreport.pdf>

Equitable Life – Overview of Events

- 2.15 LGPS administering authorities are required by statute to provide an Additional Voluntary Contribution (AVC) arrangement to complement scheme members' retirement savings and to facilitate early access to higher pension benefits.
- 2.16 MPF has a legacy AVC arrangement with Equitable Life.
- 378 active and deferred members have an Equitable Life AVC, with 178 of those invested in With Profits funds.

- 2.17 Committee may be aware of the well documented problems which commenced in 1999 when the Equitable Life Society launched court proceedings to enable it to force policyholders to accept bonus cuts.
- 2.18 The Society won the first stage of the action, but the proposals were subsequently overturned by the House of Lords. Consequently, in December 2000, a decision was taken by the Society to not write any new business and to operate in a 'run-off status'.

The Proposal – Transfer to Utmost Life and Pensions

2.19 In June 2018, Equitable Life announced that it had entered into an agreement to transfer its business to 'Utmost Life and Pensions'.

2.20 The proposal is made up of two main parts:

1. The Scheme

- increasing with-profits investments with an immediate one-off 'Uplift'
- removing any investment guarantees,
- converting with-profits policies to unit-linked investments

2. The Transfer

- to transfer all business of Equitable Life to Utmost Life and Pensions except for certain excluded policies.

2.21 In August 2019, Equitable Life wrote to all the LGPS administering authorities affected by the transfer to advise them that as both 'Scheme Policy Holders' and 'Eligible Members' they are able to vote:

1) to approve the 'Scheme'

2) to 'Change the Articles' which would make Utmost Life and Pensions the Equitable Life's only Member

2.22 The deadline for the receipt of postal and online votes is 10am on 30 October 2019.

2.23 If enough Scheme Policyholders support the proposals, Equitable Life intends to return to the High Court on 22 November 2019 to ask it to approve the Scheme and the Transfer.

2.24 If the Proposal does not become effective, no Scheme Policyholder would receive any uplift and Equitable life would continue to run as it does currently.

It is likely that they would try to find a different solution to the challenges faced by the business.

2.25 The Fund together with its advisors is currently in the process of considering the members' projected fund values, uplifts and financial assumptions to assess the impact of the proposal on members' investments. However, it is important to note that AVC's are separate from the main scheme benefits and these investments are held with Equitable and are not assets of the Fund.

3.0 Relevant Risks

3.1 The outline risks are covered within the body of the report.

4.0 Other Options Considered

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 As part of the external audit of the Pension Fund accounts, the potential impact of McCloud was estimated at £78m at whole fund level. The cost will vary across the employer base depending on the membership and liability profiles for each organisation.

9.0 Legal Implications

9.1 The Local Government Association has sought advice from Leading Counsel in relation to Administering Authorities' rights and duties in relation to the Equitable Life vote. The advice confirms that Administering Authorities have fiduciary duties to employers and members to secure that the value of additional benefits from AVCs is reasonable.

9.2 Leading Counsel's advice also addresses several other points regarding voting and concludes "it is for Administering Authorities as policyholders to determine how they exercise their votes and they should not abdicate their responsibility in this regard".

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:

- a) note that the administering authority gave due regard to Leading Counsel's advice and the requirement to act reasonably in determining its vote on the proposed Equitable Life Scheme and Change to Articles as outlined at paragraph 2.21
- b) note the national developments relating to the McCloud Case and the SAB governance review.

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.

**REPORT
AUTHOR**

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WIRRAL COUNCIL

PENSIONS COMMITTEE 4 NOVEMBER 2019

SUBJECT:	CATALYST FUND UPDATE
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 update on the Catalyst Fund.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Catalyst Fund was launched in 2016 with the aim of helping to deliver economic growth projects in Merseyside by providing debt and equity financing, whilst producing a commercial return for the Pension Fund. The Fund is looking to partner with public and private entities in developing projects that will deliver economic growth.
- 2.2 The Fund has a flexible investment approach designed to help deliver development in growth areas identified in the Liverpool City Region Growth Prospectus and the devolution deal agreed by Central Government and Liverpool City Region Combined Authority. Its principal focus is the provision of debt financing to local property-related or asset-backed opportunities.
- 2.3 The appendix provides information on two recent projects which were reported to the Investment Monitoring Working Party in September.

3.0 RELEVANT RISKS

- 3.1 Local investments can be more resource-intensive in terms of management, monitoring and the knowledge requirement. There is also greater potential for conflicts of interest which must be managed through suitably robust governance arrangements.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Not relevant to this report.

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

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

13.1 That Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 That Members are kept informed of the progress of the Catalyst Fund.

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APPENDICES

Appendix 1- Catalyst Fund investments

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

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MPF- Catalyst Fund

IMWP Update – 18th September 2019

Prepared by:
Adil Manzoor ACA – Portfolio Manager Infrastructure
and Local Investment

www.merseysidecatalystfund.org



1 Catalyst Fund

Catalyst Fund is MPF's local investment initiative and the Catalyst platform enables MPF to invest in regional projects that support development and regeneration, creating jobs and contributing to the improvement of the region whilst delivering a commercial return in line with our target return.

Total capital allocated to Catalyst Fund is 1%. Although the fund can look at any potential regional investment opportunity and invest anywhere in the capital stack from Equity to Debt, our expectation is that majority of the fund will be deployed in property related opportunities and more likely in debt instruments than equity.

To date, the Catalyst Fund has three investments – Iliad Ropewalks, North Western Hotel and Peel Heat Networks – with total committed funds of £42.16m over three loan facilities.

1.1 Strategy

The Catalyst Fund strategy is to support development and refurbishment projects in the Merseyside area that are additive to the regeneration of the Liverpool City Region and align with the economic plans for the area.

The Fund is able to accept a modestly reduced return in comparison to the broader strategy. The Fund can invest via both equity and debt, however, current market characteristics mean that lending is preferred due to superior risk adjusted returns.

Investments will typically be shorter term, from 18 months to 36 months with an individual investment range of £5 million to £30 million to ensure greater support for local projects.

The strategy is supportive of local developers and investors with the aim of investing into projects that will generate a return for the Fund but, if necessary, can tolerate a slightly higher risk position than would normally be pursued under the wider real estate strategy.



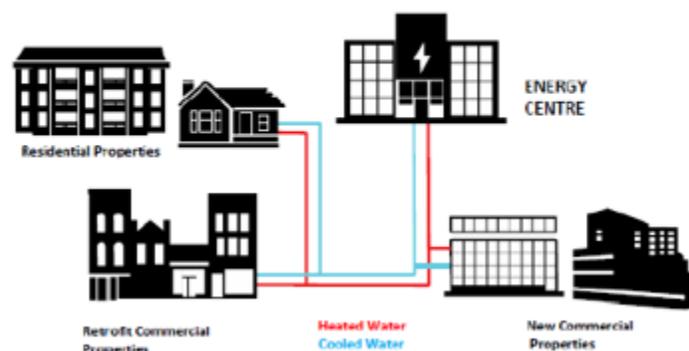
2 Mersey Heat Network (District Heating)

Catalyst Fund provided an unsecured corporate loan of around £13 million to a district heating project. The project is being developed by Mersey Heat Ltd (a subsidiary of Peel Group). This investment will accelerate the delivery of an important regeneration project in the LCR as well as facilitate low carbon heat and energy in keeping with UK Govt.'s clean growth strategy. This project will be able to provide district heating facility to around 10,000 residential units and some commercial units. Although it is an unsecured debt, the investment benefits from a full corporate guarantee for the performance and repayment of loan from a parent company with £500m of net assets. In a scenario where the Borrower (Mersey Heat Ltd) is unable to complete the project the Fund will have rights to call on the Guarantee and repayment of the loan from Peel Group. Therefore, the Fund is not exposed to any construction risk on the project.

Projected net return to MPF is at premium to comparable corporate loans. It will be lower than the other Catalyst Fund commitments to date, but this is due to significantly lower risk profile of the investment with a corporate guarantee from an entity with substantial net assets. As an infrastructure loan this investment complements and diversifies existing Catalyst commitments in the hotel and residential sector whilst supporting a strategically important development for the City Region. Peel is a large landowner and developer of the City Region's key regeneration projects. The loan also presents an opportunity to build a relationship with Peel Group and source further investment opportunities for the Catalyst Fund.

District heating is the supply to multiple buildings with heating and hot water from a centralised generation source, typically a CHP plant, via insulated underground pipes. Buildings collectively served by the same central heating plant is widely developed and mostly implemented in Europe (specifically in the Nordics), although not largely implemented in the UK. Mersey Heat Ltd initially aims to serve residential and commercial units with Liverpool Waters area but this project has the potential to expand to serve adjoining developments.

DISTRICT HEATING NETWORK



3 The Eight Building (Iliad) – Development Loan

The Fund has committed £10.25 million of senior debt (a two-year Senior Loan Facility) to provide for the construction costs to deliver a 120-unit residential development in the Rope Walks area of Liverpool. The completed building will be called the Eight Building and is to be developed by the Iliad Group, a Merseyside specialist and one of the most active developers in Merseyside.

The development is 0.70-acre site that currently has a vacant community centre and associated outdoor play area in Ropewalks, Central Liverpool. The site is a 10-minute walk from Liverpool City Centre, Liverpool One and Liverpool Central Station. The Project once complete will have 120 residential units (a mix of 1, 2 and 3 bedroom apartments), 2,519 Sq. ft of commercial space (the long leasehold already pre-sold for £250k to Liverpool City Council) and 19 car parking spaces.

The Fund benefits from a first charge over the property and full senior debt security package. (debenture, charged rental account, full step in rights). The investment is expected to achieve a strong return for a debt investment secured with a first charge against a prime Liverpool freehold.

The development has support from the City Council and is in line with the Liverpool City Region Growth Strategy, upgrading the City Region housing offer, regenerating deprived communities and maximising the use of new spaces in the City.



WIRRAL COUNCIL

PENSIONS COMMITTEE

4 NOVEMBER 2019

SUBJECT:	GOVERNANCE POLICY
WARD/S AFFECTED:	NONE
REPORT OF:	DIRECTOR OF PENSIONS
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report informs Members of amendments to the Fund's Governance Policy to reflect changes to the Fund's governance arrangements as a consequence of 'Investment Pooling'.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Fund's Governance Policy Statement needs to be updated to reflect the new arrangements pertaining to investment pooling and a revised statement is attached for members to consider.
- 2.2 As Members will be aware from the separate report on this agenda, MPF has been working with its pooling partners to conclude governance arrangements for the Northern LGPS's Joint Committee. An underpinning element of this is a Northern LGPS inter-authority operating agreement between the three funds. This operating agreement and the associated Constitutional changes were considered and approved at the Standards and Constitutional Overview Committee on 28 September and at Full Council on 14 October 2019.
- 2.3 Regulation 55 of the LGPS Regulations 2013 sets out the requirements for the publication of a Governance Policy Statement by the Fund. The policy was last reviewed by this Committee on 16 November 2015.

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 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.

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 approve the revised Governance Policy Statement.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 There is a requirement for Members of Pensions Committee to be kept up to date with legislative developments and for Fund policies to be reviewed regularly and revised as appropriate.

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Director of Pensions

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APPENDICES

Revised Governance Policy Statement

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
An update report is brought to each Pensions Committee	

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Merseyside Pension Fund **Governance Policy**

Draft

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Introduction

This statement sets out the scheme of delegation, the terms of reference, structure and operational procedures of the delegation.

Relationship of Merseyside Pension Fund and Wirral Council

Wirral Council is the administering authority of the Merseyside Pension Fund under the Local Government Pension Scheme Regulations 2013 and is the Scheme Manager as defined by Section 4 of the Public Service Pension Act 2013. In its capacity as Scheme Manager the council is authorised to manage the Pension Fund's assets and liabilities and carry out any other specified activities associated with the operation of the Scheme. The authority is not authorised to give investment advice.

Due to this status, the Fund is not required to be regulated by the Financial Conduct Authority (FCA) in order to operate its business. It is regulated by the Ministry of Housing, Communities and Local Government (MHCLG).

As an administering authority, Wirral Council is required to act as if the Fund were set up under trust with the authority itself as the sole trustee, although the assets are not trust assets in the legal sense.

Scheme of Delegation of (Non-Executive) Functions to Committees

Under its Constitution, the council delegates, under Section 101 of the Local Government Act 1972 to Pensions Committee all those non-Executive functions vested in it, identified in the terms of reference for the Committee (see page 5).

The scheme delegates powers and duties within broad functional descriptions and includes powers and duties under all legislation present and future within those descriptions and all powers and duties including any statutory re-enactment or moderation of the legislation referred to in this scheme.

Any exercise or responsibility for functions or delegated powers shall comply with:

- any statutory requirements;
- the Council's Constitution;
- the Council's Budget and Policy Framework and approved budget;
- the Members' Code of Conduct;
- the Code of Recommended Practice on local authority publicity;
- the agreed arrangements for recording decisions;

This scheme does not delegate any matters reserved by law to the full Council or assigned to the Executive.

Pensions Committee

Membership

The Committee is comprised of fifteen voting members; ten of whom are members of Wirral Council, four members from the other local authorities and one member representing the other employing organisations in the Fund. Three trade union representatives, with observer status, are invited and represent active, deferred and pensioner members.

Terms of Reference

1. To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as administering authority of Merseyside Pension Fund, and in particular the following:
2. To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance.
3. To appoint and terminate professional advisors to, and external managers of, the Fund and agree the basis for their commission and remuneration.
4. To receive actuarial valuations of the Fund and determine the level of employers' contributions necessary to balance the Fund.
5. To monitor the Local Government Pension Scheme Regulations and overriding pension law, overseeing the governance of the Fund including the day to day administration and policy decisions relating to the management of the Scheme.
6. To consider any views expressed by employing organisations, staff representatives and other stakeholders relating to the Fund.
7. To appoint members of the Investment Monitoring Working Party, which shall have responsibility for reviewing the performance of the Fund's investments, and its asset allocation and regularly reporting their findings to the Pensions Committee.
8. To appoint members of the Governance and Risk Working Party, which shall have responsibility for reviewing governance and risk issues, and regularly reporting their findings to the Pensions Committee.
9. To award contracts for goods and services relating to the Fund in accordance with the Contract Procedure Rules after taking into account the recommendations of officers and external professional advisors (where appropriate).

Local Pension Board

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

Membership

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

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

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

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

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

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

A member of the Pension Board must be conversant with:

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

The Council considers that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision-making body in relation to the management of the Pension Fund but merely makes recommendations to assist in such management.

Full details of the operational procedures are set out in the Pension Board's Terms of Reference which can be accessed at: mpfund.uk/pensionboard

Joint Governance Committee

Membership

The membership of the Joint Governance Committee shall consist of the chair and deputy-chair of each of the Pooling Partners' Pensions Committees or such alternative persons nominated by the Pooling Partners.

In addition, up to three trade union representatives may be appointed after being nominated by the Trades Union Council and subject to the agreement of the Pooling Partners.

Terms of Reference

The primary purposes of the Joint Committee are to:

1. exercise oversight over the investment performance of the Pooling Partners' Funds
2. deliver the Shared Objectives
3. agree on any recommended changes to the Shared Objectives
4. report to the Pool

Scheme of Delegation of Functions to Officers

Director of Pensions

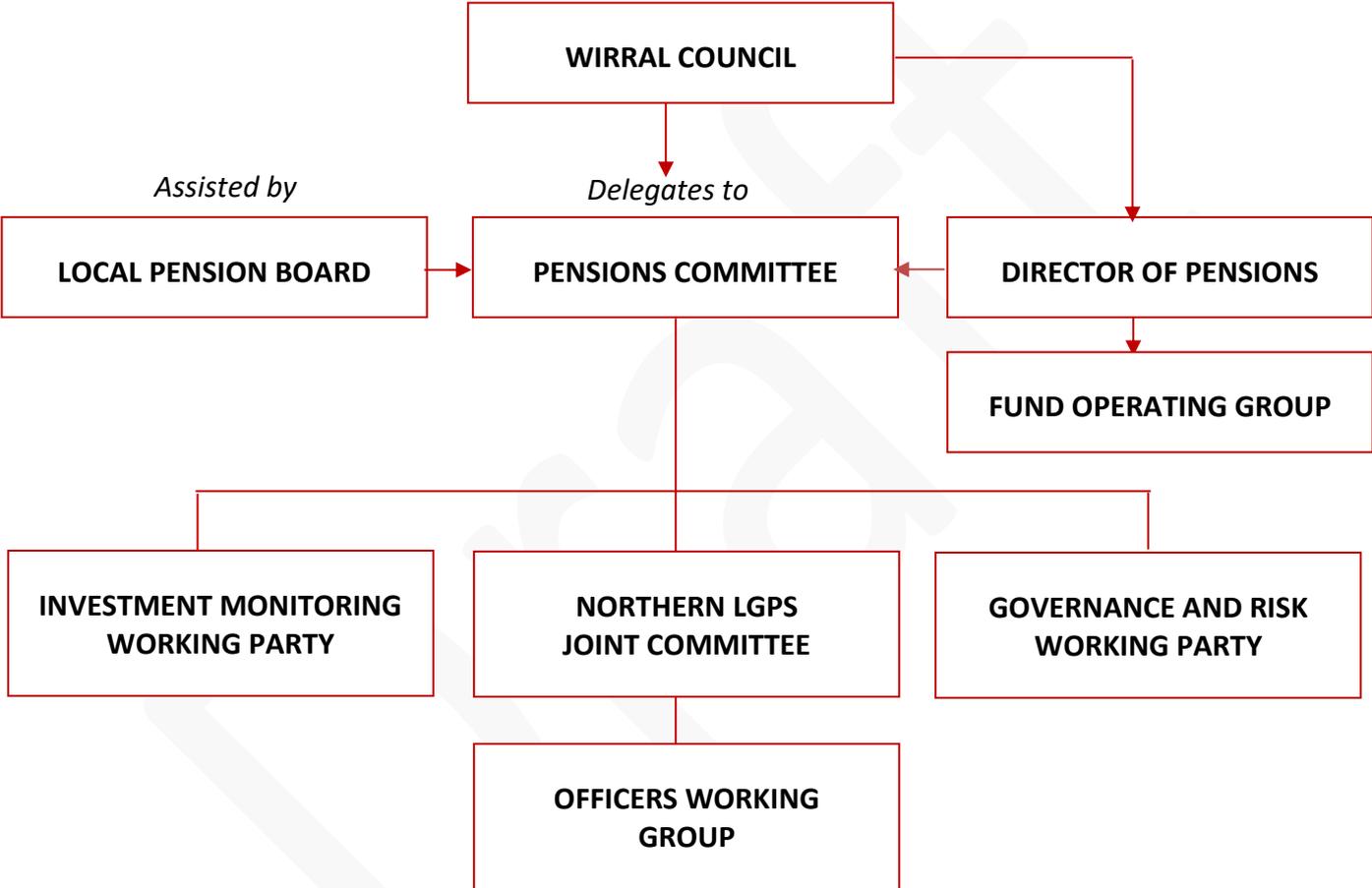
The following functions, particular to the Pension Fund, are delegated to the Director of Pensions pursuant to Section 101 of the Local Government Act 1972 and by the Executive under Section 15 of the Local Government Act 2000.

Undertake all day to day administration of, and investment decisions for, the Merseyside Pension Fund within the policy laid down by the Pensions Committee including the authorisation of admission agreements with contractor admission bodies pursuant to Best Value arrangements, as required by the Local Government Pensions Scheme Regulations.

Terminate a contract of an external investment manager and enter into any consequential arrangements for the transitional management of the Fund's investments pending the decision of the Pensions Committee on the award of a new contract.

The Director of Pensions may authorise officers in his department to exercise on his behalf, functions delegated to him. Any decisions taken under this authority shall remain the responsibility of the Head of Pension Fund and must be taken in his name, and he shall remain accountable and responsible for such decisions.

Governance Structure



Functions

The functions for the various elements are as follows:

Pensions Committee

To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as administering authority of the County of Merseyside Pension Fund.

Local Pension Board (LPB)

To assist the Scheme Manager in complying with the Scheme Regulations and other regulations relating to the governance and administration of the Scheme.

Investment Monitoring Working Party (IMWP)

Has responsibility for reviewing the performance of the Fund's investments and its asset allocation and regularly reporting their findings to the Pensions Committee.

Governance and Risk Working Party (GRWP)

Has responsibility for reviewing governance and risk issues and regularly reporting their findings to the Pension Committee.

Fund Operating Group (FOG)

Forum for formal monthly reports to the Director of Pensions on the day-to-day operations of the Fund.

Director of Pensions

Responsible to the Strategic Director of Finance & Investment and has delegated authority to make investments or to delegate to other employees' investment decisions in accordance with the Fund's strategic benchmark and delegated dealing limits.

Northern LGPS Joint Committee

The partner funds of the Northern LGPS Investment Pool (Greater Manchester Pension Fund, Merseyside Pension Fund and West Yorkshire Pension Fund) have formed a Joint Committee to oversee the activities of the Pool.

Officer Working Group (OWG)

The OWG consists of the Directors of the Pooling Partners supported by officers of the Pooling Partners as required. This role is to provide a central resource for advice, guidance and support for the Joint Governance Committee.

Draft

Accountability and Publication of Information

Details of Pensions Committee and Pension Board meetings are published on the Wirral Council website together with agendas, reports to be considered by the Committee and Board and minutes of proceedings. Details of Northern LGPS Joint Committee meetings are published on the Tameside Council website together with agendas, reports to be considered by the Committee and minutes of proceedings.

Meetings of both the Pensions Committee and Local Pension Board are open to the public.

An Annual Pension Fund Report & Accounts is published and circulated to all employing bodies reporting on the activities and investment performance of the Fund during the year. Details of matters considered during the year and meetings held are reported and a copy of the annual report is available on the Fund website.

Meetings with Stakeholders

An Annual Employer Conference is held to which all Fund employers and members of the Pensions Committee and Pension Board are invited to attend. The annual conference is an opportunity for employers to question and challenge officers and elected members on matters of interest to their authorities and organisations.

The Fund also holds other meetings as required with Employers to discuss important issues such as the Funding Strategy which underpins the actuarial valuation of the Fund and determines both employers' liabilities and contribution schedules.

Compliance Statement

The Fund fully complies with the best practice guidelines on governance issued by the Ministry of Housing, Communities and Local Government (MHCLG) and details can be found at **Annex 2** attached.

Annex 1

Training and Expenses Policy for Members of Pension Committee and Local Pension Board

Introduction

1.1 Myners' first principle recommends that "decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively". Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

1.2 Trustees should ensure that they have sufficient in-house staff to support them in their investment responsibilities and should assess whether they have the right set of skills, both individually and collectively, and the right structures and processes to carry out their role effectively.

Legal Considerations

2.1 Elected members have a fiduciary responsibility to the Fund, Scheme members and local council tax payers in relation to the Local Government Pension Scheme. They can delegate functions to officers but they retain overall responsibility for the management of the Fund and its investment strategy.

2.2 Administering authorities are required to take proper advice to enable them to fulfil their obligations under the above regulations. 'Proper advice' is defined in the regulations as 'the advice of a person who is reasonably believed...to be qualified by his ability in and practical experience of financial matters....'

2.3 The Local Pension Board (LPB) has a statutory duty under the Public Service Pension Act 2013 to be conversant with the rules of the Scheme and to discharge their responsibilities as set out in the Pension Regulator's Code of Practice No 14 and to comply with the Knowledge and Understanding Policy specific to Wirral Pension Board.

Training Policy and Plan

3.1 The Fund has had regard to the legal requirements set out in the Local Government Pension Scheme Regulations, other relevant legislation and best practice guidance published by CIPFA and other professional and regulatory bodies in drawing up this policy to ensure that all those involved in

the decision-making and oversight process receive all relevant training required to properly discharge their responsibilities

3.2 The Fund arranges an annual programme of external and internal training events throughout the year designed to meet the requirements of new members of the Committee and the LPB along with the ongoing needs of existing members.

3.3 These events are reported, formally, to Members of Pensions Committee and the LPB on an annual basis. Individual reports, to authorise attendance at these events are put to Committee on an event-by-event basis. Attendance of training events for the LPB is as agreed by the Independent Chair and the Director of Pensions.

Policy for Payment of Expenses

4.1 The Fund will reimburse all reasonable costs and expenses incurred in undertaking approved training for all members of the Pensions Committee and LPB.

4.2 Claims should be submitted to the Fund and supported by an official receipt.

4.3 Members serving on the Committee from other local authorities or organisations may choose to continue to claim any such expenses from these bodies instead if they prefer.

Annex 2

Merseyside Pension Fund Governance Compliance Statement

Part	Governance Requirement	Fully Compliant
II/A	Structure	
a.	The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council.	Yes
b.	That representatives of participating LGPS employers, admitted bodies and Scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Yes
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Yes
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Yes
II/B	Representation	
a.	That all key stakeholders are afforded the opportunity to be represented, within the main or secondary committee structure. These include:- i) employing authorities (including non-Scheme employers, e.g. admitted bodies); ii) Scheme members (including deferred and pensioner Scheme members), iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).	Yes

- b. That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights. Yes

II/C Selection and role of lay members

- a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. Yes

II/D Voting

- a. The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees. Yes

Following consultation undertaken with all stakeholders groups during 2008 the Fund confirmed that it believes its current representation and voting arrangements are appropriate to ensure good governance.

Although they do not have voting rights the three trade union members representing the interests of active, pensioner and deferred members are able to play a full role in all aspects of the Governance of the Fund, including attendance at the Pension Committee and Investment Monitoring Working Party. They receive copies of all reports and are included in all training and briefings.

II/E Training/Facility time/Expenses

- a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. Yes
- b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum. Yes

II/F Meetings (frequency/quorum)

- | | | |
|----|---|-----|
| a. | That an administering authority's main committee or committees meet at least quarterly. | Yes |
| b. | That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits. | Yes |
| c. | That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented. | Yes |
-

II/G Access

- | | | |
|----|--|-----|
| a. | That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee. | Yes |
|----|--|-----|
-

II/H Scope

- | | | |
|----|---|-----|
| a. | That administering authorities have taken steps to bring wider Scheme issues within the scope of their governance arrangements. | Yes |
|----|---|-----|
-

II/I Publicity

- | | | |
|----|--|-----|
| a. | That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the Scheme is governed, can express an interest in wanting to be part of those arrangements. | Yes |
|----|--|-----|
-

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Telephone:

0151 242 1390

Email:

mpfadmin@wirral.gov.uk

Members' Website

mpfmembers.org.uk

Employers' Website

mpfemployers.org.uk

Opening Times:

Mon. to Fri. 9am - 5pm

ADMINISTERING AUTHORITY



WIRRAL COUNCIL

PENSION COMMITTEE

4 NOVEMBER 2019

SUBJECT:	The Pensions Regulator's Engagement with Local Government Pension Funds
WARD/S AFFECTED:	NONE
REPORT OF:	DIRECTOR OF PENSIONS
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report updates members on the Pensions Regulator (TPR) review of governance and administration risks across the LGPS.
- 1.2 The catalyst for the review was the slowdown of improvements that emerged in the findings from TPR's Annual Governance and Administration survey published in 2018.
- 1.3 In order to understand the challenges facing LGPS funds, TPR undertook a formal engagement exercise with ten LGPS funds between October 2018 and July 2019.
- 1.4 The key findings from the engagement are summarised within a TPR report published on 19 September 2019, suggesting that focus needs to be placed on policies, processes and people.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 As good governance is a fundamental requirement to ensure the effective running of all pension schemes, the strength of governance across the LGPS is a key focus for both TPR and the Scheme Advisory Board (SAB).
- 2.2 LGPS Stakeholders have welcomed appropriate scrutiny from TPR to help drive forward continual improvement. Particularly in an environment of continuing uncertainty with the 'McCloud Case', the Cost Cap process, an increasingly complex benefit regime and a growing number of scheme employers.

TPR Engagement Strategy

- 2.3 The growing relationship between the LGPS and TPR materialised in a “Cohort engagement” exercise, providing TPR with insight into the administrative challenges of the LGPS and the opportunity for funds to understand the Regulator’s expectations and programme of intended action. This key area of work aligns closely with the Scheme Advisory Board’s Good Governance project covered as an earlier agenda item.
- 2.4 In order to understand the challenges facing LGPS funds, TPR undertook a formal engagement exercise with ten LGPS funds between October 2018 and July 2019.
- 2.5 The engagement exercise was informed by the Regulators’ Code of Practice No 14; the selected cohort funds were interviewed with a focus on nine risk areas, covering operational processes and overall governance measures which were tested against published standards.
- 2.6 The reviews were carried out at a high level by meetings with scheme managers along with an assessment of fund policies, documents and member communications.
- 2.7 There were five meeting with each fund covering key themes as follows:
- Record Keeping, administrator and member communication risk
 - Internal controls and the internal dispute resolution
 - Employer risks maintaining contributions and affordability
 - The Pension Board and knowledge & understanding
 - Cyber security, pension liberation and the misappropriation of assets.
- 2.8 The final report published on 19 September 2019 can be accessed from the following link:

<https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/governance-and-administration-risks-in-public-service-pension-schemes-an-engagement-report#0beb0d2047954672b2a73de451ef7eab>

Synopsis of Key Findings

- 2.9 TPR highlighted some areas of good practice and noted that many funds strive to provide the best outcomes for scheme members. Although several concerns were identified, there is a clear expectation that scheme managers will improve to reach required standards against Code of Practice No 14.
- 2.10 TPR acknowledge that ‘one size does not fit all’ as LGPS Funds differ by staffing structure, available budget and the level of separation from the host authority; the latter point determines the level of independence to shape strategies and policies.

- 2.11 The over reliance of funds on the host authority's policies and procedures is discouraged, with explicit directives for Funds to establish its own policies and procedures with the support from Local Pension Boards.
- 2.12 TPR promotes the benefits of partnership working between scheme managers to discuss common challenges and solutions either through formal events or ad hoc engagements to improve governance standards.
- 2.13 It is noted that the presence of good quality data and effective record keeping standards underpin all aspects of the successful running of an LGPS fund. This includes the requirements for data improvement plans to address any concerns regarding data quality and the requirement of formal reporting on the quality of scheme data to TPR.
- 2.14 There is an emphasis on the operation and vigour of internal controls and the need for regular review in recognition of the evolving risks to funds with specific reference to employer covenants, pension scammers and cyber-attacks.

Recommendations Emerging From findings

- 2.15 Overall TPR's acknowledgement of the different Fund structures across the LGPS is helpful, along with recognition that there are a variety of equally valid approaches to mitigating risks across the scheme.
- 2.16 Notwithstanding their understanding of varied structures across the LGPS, several general recommendations relating to the nine risk focus areas were made to improve policies, processes and decision making by having an appropriate people strategy as outlined below:
 - a) **Record Keeping** - accuracy of member data should be measured correctly, regularly reviewed and understood by the scheme manager and pension board. Ensuring an administration strategy in place will assist in setting our roles and responsibilities and consequences of non-compliance.
 - b) **Internal Controls** - Funds should have a risk register in place that should be reviewed by the pension board. Funds should also record all internal controls and processes, reducing the possible impact of key-person risks.
 - c) **Administrators** - Performance targets should be agreed, measured and underperformance challenged.
 - d) **Member Communications** - All communications should be clear, precise and free from jargon. Consideration should also be given to measuring the effectiveness of all material to ensure it is understood by the audience.

- f) **Internal Dispute Resolution** – Information on the dispute resolution process should be readily available along with complaint handling policies with the pension board having oversight of complaints and outcomes. Complaints should be used of means of improving the service.
- g) **Pension Boards**- Funds should ensure individual training plans are in place and ensure appropriate training is available and attended. A process should exist for dealing with ineffective pension board members.
- h) **Employers and Contributions**. Funds require a greater understanding of the financial position of employers with the need for regular reviews of covenant strength. An admission and cessation policy can help in managing the introduction of new employers, security required and dealing with employer exits.
- i) **Cyber Security** – Funds should record on risk registers, carry out penetration testing and not rely solely on Local Authority security processes and systems.
- j) **Internal Fraud** - Funds should ensure procedures are in place to minimise the risk of fraud, including the actions to be taken when a fraud is uncovered.

2.17 The Engagement Report’s findings and recommendations will be discussed in detail at the Scheme Advisory Board meeting on 6 November 2019. The findings will feed into consideration of the options report emerging from the interrelated workstreams under the ‘Good Governance Project’, which is scheduled for discussion at the same meeting.

2.18 In the meantime, Fund Officers have been tasked to assess MPF’s policies, strategies and procedures against the findings within the report to ensure any areas for improvement are addressed and built into the sections’ work streams.

3.0 Relevant Risks

3.1 The failure of the administering authority to assess the Pension Fund’s governance structure, policies and procedures against the findings within the Engagement Report could lead to the risk of censure from the TPR and loss of confidence in the governance and fiduciary management of the Fund for all scheme stakeholders

4.0 Other Options Considered

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 TPR advocates within its findings, that in order to achieve good governance of the scheme, robust strategies and policies are essential along with a clear plan of delivery of those strategies.

8.2 Good business planning, risk management, performance monitoring and the ability to make informed decisions by involving the right people, with the right attitude along with the appropriate skills and knowledge is of paramount importance to ensure the effective administration of the scheme.

8.3 TPR and industry commentators support the finding that Funds require independence in these areas to ensure good governance and outcomes for all scheme stakeholders is acknowledged to be essential for 21st Century fund management.

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 governance and fiduciary management 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:

- a) Note the key findings and recommendations within TPR's Engagement Report following its high-level review of ten LGPS funds, based on the Regulators Code of Practice No 14.
- b) Note the planned activity of officers to undertake an analysis of Fund policies and strategies against the findings, to ensure any areas for improvements are incorporated into the section's work streams.

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.

REPORT

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WIRRAL COUNCIL

PENSIONS COMMITTEE

4 NOVEMBER 2019

SUBJECT:	REVISED WIRRAL PENSION BOARD TERMS OF REFERENCE
WARD/S AFFECTED:	NONE
REPORT OF:	DIRECTOR OF PENSIONS
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report informs members of proposed revisions to the Terms of Reference for Wirral Council's Local Pension Board and requests that these are recommended to full Council for adoption.
- 1.2 The revised Terms of Reference are attached as appendix to this report.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 In early 2015, Wirral Council's Pension Board was established in accordance with statutory requirements prescribed within the Public Service Pension Act 2013 and the Local Government Pension Scheme (Governance) Regulations 2015.

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

- 2.2 The Board has operated effectively since July 2015 when it was implemented and assists Wirral Council, the administering authority, in its role as the Scheme Manager of the Scheme in Merseyside.
- 2.3 The Pension Regulator has increased its oversight of the Local Government Pension Scheme and instigated a number of initiatives to assist it in engaging more widely. As a consequence of this, the role of the Local Pension Board has expanded to encapsulate these and related activities. Matters arise throughout the year and, although are considered at Board meetings, it is not infrequently the case that an immediate response is required and this falls to the Independent Chair who provides guidance to the Board in terms of comment, challenge and a response to officers. The Chair also prepares and presents a report of the Board's activities to Pensions Committee annually and participates in the Annual Employers Conference. These matters are reflected in the additional responsibilities set out in section 4.7, points j - m, of the appendix.
- 2.4 An amendment to section 6 (Quorum) is also recommended to assist in the operation of the Board.
- 2.5 When Committee last considered the operation of the Pension Board, a review of remuneration of Pension Board representatives was requested by the Chair in view of the greater number of meetings that are being undertaken. The Board's current Terms of

Reference link remuneration to allowances paid to the Chair of Pensions Committee. This has proved to be a hindrance to a review of remuneration because meetings the Council's Remuneration Panel have been repeatedly postponed over the past year or so. It is also apparent that this mechanism is not suited to the Board which is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board. It has become clear that it would be better if remuneration was aligned with comparable Pension Board roles within the LGPS and as agreed with the Scheme manager. In light of the increased workload and responsibilities, it is proposed that, with effect from 1 April 2019, the remuneration of the Independent Chair is set at £10,000 p.a. and increased annually by the Consumer Price Index (CPI). No change in the level of remuneration for the Employer and Employee representatives is proposed but it is recommended that these allowances have a similar link to CPI.

2.4 The draft Terms of Reference, attached as an appendix to this report, have been revised to reflect these changes.

3.0 RELEVANT RISKS

3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

5.1 None.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 N/A

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 The change to remuneration will increase costs by £7,459 p.a.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Committee recommends the revisions to the Pension Board's terms of reference to full Council for adoption into the Council's constitution.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 The revised terms of reference will assist in ensuring the functioning of the Board and its role in assisting the Scheme Manager at a time of considerable change in the LGPS.

REPORT AUTHOR: **PETER WALLACH**
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APPENDICES

Revised Pension Board Terms of Reference

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	June 2015

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Appendix 1

Local Pension Board of Wirral Borough Council

Terms of Reference

1. Introduction

- 1.1 This document sets out the terms of reference of the Local Pension Board of Wirral Borough Council (the 'Administering Authority') a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
- 1.2 The Board is established by the Administering Authority and operates independently of the Pension Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
- 1.3 The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.
- 1.4 The Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

2. Statement of Purpose

- 2.1 The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:
 - a. to secure compliance with the Regulations , any other legislation relating to the governance and administration of the Scheme., and requirements imposed by the Pension Regulator in relation to the Scheme and;
 - b. to ensure the effective and efficient governance and administration of Merseyside Pension Fund.
 - c. To provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Board does not have a conflict of interest.
- 2.2 The Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

- 2.3 The Board shall meet regularly to discharge its duties and responsibilities effectively, but not less than four times in any year. There is also the provision for special meetings to be convened at notice.

3. Scheme Manager Consents

- 3.1 The Board shall not:

- Overturn investments decisions that have been made by the Pension Committee but may consider whether due process has been followed to validate the decision taken.
- Amend the strategies prepared in compliance with section 57 to 61 of the LGPS regulations subsequent to prior consultation with it on the draft strategies and consequent approval by the Pension Committee
- Consider or become involved in any specific internal dispute resolution appeal
- Enter into contracts on behalf of the Administering Authority
- Dismiss any members of the Pension Committee
- Compromise the Pension Committee's ability to comply with its fiduciary duty to the Pension Fund and its members.

4. Membership and Appointment Process

- 4.1 The Board shall consist of eight voting members to be constituted as follows:

Four employer representatives, of whom;

- a. Two shall be nominated from Local Authorities, Police/ Fire/ Transport Authorities, Parish Councils
- b. One from the Academies / Further/Higher Education Bodies
- c. One from Admitted Bodies excluding employers admitted by virtue of undertaking a commercial contract connected to a function of a scheme employer.

- 4.2 Employer representatives shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.

- 4.3 Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required:

Four scheme member representatives of whom;

- a. Two shall represent and be drawn from active members of the Merseyside Pension Fund;
- b. Two shall represent and be drawn from pensioner and deferred members of the Merseyside Pension Fund.

- 4.4 The constitution of employer or employee representatives may be varied at the discretion of the Scheme Manager in order to achieve necessary representation or balance on the Board. Member representatives shall either be scheme members or have capacity to represent scheme members of the Fund

- 4.5 Member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

- 4.6 In addition one other non-voting independent member selected by the Scheme Manager, shall be appointed as Chair of the Board, with independence defined as follows:

- a. Not a current elected member or employee of a participating scheme employer or an individual with a financial or other material interest in either the Administering Authority or any of its constituent employers.
- b. Has not been an elected member or employee of a participating scheme employer in the past 5 years.
- c. Is not an active, pensioner or deferred member of Merseyside Pension Fund

- 4.7 It will be the role of the Chair to:

- a. Ensure that all members of the Board show due respect for process, that all views are fully heard and considered and to determine when consensus has been met, instances of a failure to reach a consensus position will be recorded and published.
- b. To uphold and promote the purpose of the Board and to interpret its constitution and Terms of Reference when necessary.
- c. Ensure that the Board members have the knowledge and skills as determined in the Fund's Training Policy and other guidance or legislation and maintain a training record.
- d. Agree the agenda and minutes for each Board meeting with the Board Secretary (Director of Pension Fund)
- e. Ensure an attendance record is maintained along with advising the Scheme Manager on expenses to be paid.

- f. Advise the Scheme Manager on any required budget for the Board. The Chair shall not incur any expenditure on behalf of the Board without seeking the prior written consent of the Scheme Manager.
 - g. Write reports required by Scheme Manager on the performance of the Board.
 - h. Liaise with the Scheme Manager on the requirements of the Board, including advanced notice for Officers to attend and arranging dates and times of Board meetings.
 - i. To annually review and report on the performance of the Board.
 - j. To respond to matters arising between meetings of the Pension Board and liaise, as appropriate, with the Director of Pensions and Head of Pensions Administration in order to provide such input as to ensure the Board effectively discharges its duties and responsibilities.
 - k. To discuss specifically with the Director of Pensions and/or the Head of Pensions Administration, and after due discussion and consideration, give a view upon, any Electronic Decision Notice (EDN) issued to Board members in respect of any specific breach (or likely) breach of the law identified by the Fund and notified to members of the Board in accordance with the resolution of the Wirral Pension Committee of 16 November 2015 and Section 18.3 of these Terms of Reference.
 - l. To assess, constructively challenge and provide comment on draft Strategy and Policy documents of the Merseyside Pension Fund which are required under the LGPS Regulations, Statutory Guidance or best practice.
 - m. To assess, constructively challenge and provide comment on draft responses of the Fund to Consultations issued by Government, Regulators, the Scheme Advisory Board and equivalent bodies.
- 4.8 The Chair's decision on all points of order, procedure and protocol shall be final.
- 4.9 The appointment of the Chair by the Scheme Manager will only be made following an openly advertised competitive process for the role which shall also be subject to the passing of a motion by the Board to approve the successful candidate.
- 4.10 Members of the Board shall only be appointed after all employers or members from the respective employer section or membership cohort have been invited to put forward nominations or expressions of interest.
- 4.11 Successful employer and employee representatives will be selected by the Scheme Manager having taken account of their capacity to represent other scheme employers and members, attend meetings and undertake extensive training.
- 4.12 Members in all categories will only be appointed by the Scheme Manager if they commit to acquire the knowledge and skill requirement set out in the relevant regulations and guidance, as defined in section 8 of this document.

5. Length of term

- 5.1 Members of the Board will serve for a minimum term of four years which can be extended for a further term subject to the agreement of the Scheme Manager; thereafter the formal appointment process will apply.
- 5.2 In recognition of the complexity of pension legislation and to assist with knowledge development and retention, the initial term of office for one of the two active member representatives shall be six years and one of the two employer representatives of the local authorities, Police/Fire Transport authorities and Parish Council shall be six years.
- 5.3 Other than as a result of retirement at the expiry of this period the term of office will come to an end ;
 - a. For employer representatives who are councillors if they cease to hold office as a councillor and can no longer demonstrate the capacity to represent the specific employer category or there is disagreement from within the section;
 - b. For employer representatives who are not councillors, when they cease to be employed by the employing body where they were employed on appointment and can no longer demonstrate the capacity to represent the specific employer category or there is disagreement from within the section
 - c. For scheme member representatives if they cease to be a member of the relevant member group and can no longer demonstrate capacity to represent scheme members.
- 5.4 Each Board member should endeavour to attend all Board meetings during the year. Substitute members are not permitted due to the nature of the Board as a supervisory body and the need for appropriate knowledge and skills and the management of conflicts of interest.
- 5.5 Members of the Board shall cease to be a member of the Board if they do not attend two consecutive meetings and fail to tender apologies which are accepted by the Board.
- 5.6 In event of the independent member not being available for a Board meeting, a Vice Chair for that meeting will be determined by the Board members.
- 5.7 The removal of the independent member requires the consent of the Scheme Manager.

6. Quorum

- 6.1 A meeting is only quorate when at least 4 employer or employee representatives are present with at least 1 present from either category.
- 6.2 A meeting may commence at the discretion of the Independent Chair, without a quorum, but any decisions will be non-binding.

- 6.3 A meeting that becomes inquorate may continue but any decisions will be non-binding

7. Code of Conduct and Conflicts of Interest

- 7.1 The principles included in the Council's Code of Conduct for members apply to all members of the Board set out in the Constitution of the Council. Conflicts of interest shall be managed taking account of the requirements set out in the Council's constitution, best practice defined in the Scheme Advisory Board's statutory guidance and the Pension Regulator's Code of Practice 14: Governance and Administration of public service pension schemes.

8. Board Review Process

- 8.1 The Board will undertake each year a formal review process to assess how well it and its members are performing with a view to seeking continuous improvement in the Board's performance.

9. Advisers to the Board

- 9.1 The Board may be supported in its role and responsibilities through the appointment of advisers as agreed with the Scheme Manager. In addition the Board will have access to the officers of Merseyside Pension Fund and where considered appropriate access to the advisers to the Pension Fund.

10. Knowledge and Skills

- 10.1 A member of the Board must be conversant with –
- a. The legislation and associated guidance of the Local Government Pension Scheme (LGPS).
 - b. Any document recording policy about the administration of the LGPS which is for the time being adopted by the Merseyside Pension Fund.
- 10.2 A member of the Board must have knowledge and understanding of -
- a. The law relating to pensions, and
 - b. Any other matters which are prescribed in regulations.
- 10.3 It is for individual Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Board.
- 10.4 In line with this requirement Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Board members are therefore required to maintain a written record of relevant training and development.
- 10.5 Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.
- 10.6 Board members will comply with the Scheme Manager's training policy.

- 10.7 The knowledge and skills required by the Independent Chair will be more developed than those expected of other members of the Board. This will include, to the satisfaction of the Scheme Manager at the time of appointment, detailed knowledge and understanding of LGPS issues across all of Governance, Actuarial/Funding, Pensions Administration and Investment.
- 10.8 The Independent Chair shall ensure the maintenance and ongoing development of knowledge, understanding, capacity and ability to continue to discharge his/her role and responsibilities under these Terms of Reference and any other regulatory or guidance requirements throughout the term of office, to the satisfaction of the Scheme Manager.

11. Board Meetings – Notice Minutes and Reporting

- 11.1 The Scheme Manager shall give notice to all Board members of every meeting of the Board, and shall ensure that all papers are published on Wirral Borough Council's Website at least 5 working days prior to each meeting. These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.
- 11.2 The Scheme Manager shall ensure that a formal record of Board proceedings is maintained.
- 11.3 The Board shall on an annual basis produce a report on both the nature and effect of its activities for consideration by the Scheme Manager. The contents of this annual report will be subject to consideration and agreement at a meeting of the Board, but should include as a minimum:
- a. Details of the attendance of members of the Board at meetings,
 - b. Details of the training and development activities provided for members of the board and attendance at such activities;
 - c. Details of any recommendations made by the Board to the Scheme Manager and the Scheme Manager's response to those recommendations;
 - d. Details of the costs incurred in the operation of the Board
- 11.4 The Board in considering items of business at its ordinary meetings shall in relation to each item consider whether it wishes to make a recommendation to the Scheme Manager, to which the Scheme Manager shall respond at the subsequent meeting.

12. Remit of the Board

12.1 The Board must assist the Scheme Manager with the primary core function in securing compliance with the regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator.

12.2 This involves but is not limited to oversight and comment on :

- a. Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.
- b. Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code.
- c. Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.
- d. Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Investment Strategy Statement.
- e. Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.
- f. Monitor complaints and performance on the administration and governance of the scheme.
- g. Assist with the application of the Internal Dispute Resolution Process.
- h. Review the complete and proper exercise of Pensions Ombudsman cases.
- i. Review the implementation of revised policies and procedures following changes to the Scheme.
- j. Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
- k. Review the complete and proper exercise of employer and administering authority discretions.
- l. Review the outcome of internal and external audit reports.
- m. Review draft accounts and Fund annual report.
- n. Review the compliance of particular cases, projects or process on request of the Committee.
- o. Any other area within the statement of purpose (i.e. assisting the Administering Authority) the Board deems appropriate

12.3 The secondary core function of the Board is to ensure the effective and efficient governance and administration of the Scheme and may determine the areas it wishes to consider including but not restricted to :

- a. Assist with the development of improved customer services.
- b. Monitor performance of administration, governance and investments against key performance targets and indicators.
- c. Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.
- d. Monitor investment costs including custodian and transaction costs.
- e. Monitor internal and external audit reports.
- f. Review the risk register as it relates to the scheme manager function of the authority.
- g. Assist with the development of improved management, administration and governance structures and policies.
- h. Review the outcome of actuarial reporting and valuations.
- i. Assist in the development and monitoring of process improvements on request of Committee.
- j. Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code

13. Standards of Conduct

13.1 The role of the Board members requires the highest standards of conduct and therefore the “seven principles of public life” as defined within the Council Constitution will be applied to all Pension Board members and embodied in their code of conduct.

13.2 These principles are –

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

14. Decision making

14.1 Each employer and member representative of the Board will have an individual voting right but the Independent Chair is explicitly excluded from having the right to vote in accordance with regulation 106 (7) of the LGPS Regulations 2013. It is expected the Board will as far as possible reach a consensus.

15. Publication of Pension Board information

15.1 Stakeholders of the Scheme will want to know that the Merseyside Pension Fund is being efficiently and effectively managed. They will also want to be confident that the Board is properly constituted, trained and competent in order to comply with scheme regulations, the governance and administration of the scheme and requirements of the Pension Regulator.

15.2 Up to date information will be posted on the Merseyside Pension Fund website showing:

- a. The names, contact details and other relevant information about the Board members
- b. How the scheme members are represented on the Board
- c. The responsibilities of the Board as a whole
- d. The full terms of reference and policies of the Board and how they operate
- e. Details of the Pension Board appointment process
- f. Any specific roles and responsibilities of individual Board members.

15.3 The Scheme Manager will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

16. Accountability

16.1 The Board will be collectively and individually accountable to the Scheme Manager.

17. Expense Reimbursement and Remuneration

17.1 All members of the Board shall, on the production of relevant receipts be reimbursed for travel and subsistence expenses they have incurred in the conduct of their duties as a member of the Board, including attendance at relevant training and development activities.

17.2 Members of the Board shall be reimbursed a mileage allowance for use of their own car at the rate prescribed by the Inland Revenue from time to time as adopted by Wirral Borough Council.

17.3 The Independent Chair, and Employer and Employee representatives will receive a fee determined by the Scheme Manager with reference to

comparable roles in the LGPS. These shall be paid in arrears and increased annually by the Consumer Price Index.

18. Reporting Breaches

18.1 Where any breach of legislation or duties is committed or is alleged to have been committed by the Pension Committee, the Board shall:

- a. As soon as reasonably possible of the potential breach meet with the Committee
- b. Ask the Committee Chair to explain the actions taken and provide evidence of the legitimacy of the action taken
- c. Consider the matter on the facts available and evidence provided by the Committee Chair and refer it back to Committee to reconsider and correct any areas of concern or breaches of duty or
- d. Determine that no breach of duty has taken place

18.2 If it is decided that a breach has occurred, the Board shall (as required by the Code of Practice and the Pensions Act 2004)

- a. Report the breach to the Monitoring Officer and Section 151 Officer and take prompt and effective action to investigate and correct the breach and its causes and, where appropriate, notify any affected members:
- b. The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.
- c. Where prompt and effective action to remedy the breach has not been taken report the breach as a breach of material significance to the Pension Regulator and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy..

18.3 In accordance with the resolution of the Pension Committee of 16 November 2015 an Electronic Decision Notice (EDN) will be sent to each member of the Board in respect of whether or not to report a specific breach (or likely breach) identified by Fund Officers to the Regulator.

18.4 As per Regulation 106(6) and subject to the terms within this document, the Pension Board shall have the power to do anything to facilitate or is conducive to the discharge of any of its functions.

19. Interpretation

19.1 Any uncertainty or ambiguity or interpretation required relating to any matters contained in this document shall be resolved by reference to the Scheme Manager.

20. Definitions

20.1 The undernoted terms shall have the following meaning when used in this document:

<i>“Pension Board” or “Board”</i>	Means the local Pension Board for Wirral Borough Council as administering authority for the Merseyside Pension Fund required under the Public Service Pensions Act 2013
<i>“Scheme Manager”</i>	Means Wirral Borough Council as administering authority of the Merseyside Pension Fund.
<i>“Chair”</i>	The individual responsible for chairing meetings of the Board and guiding its debates
<i>“LGPS”</i>	The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014, the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
<i>“Scheme”</i>	Means the Local Government Pension Scheme as defined under “LGPS”

These Terms of Reference shall be reviewed on each material change to that part of the Regulations covering local pension boards.

These Terms of Reference were adopted following approval by Council on 9 December 2019.

.....
Signed on behalf of the Administering Authority

.....
Signed on behalf of the Board.

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WIRRAL COUNCIL

PENSIONS COMMITTEE 4 NOVEMBER 2019

SUBJECT:	TRAINING & DEVELOPMENT OPPORTUNITIES
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 additional information on training and development opportunities.

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 Committee 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. An outline training programme is approved by Committee annually with further details of events provided nearer the time.
- 2.2 The appendix to this report provides further information on opportunities of which the Fund has been notified.
- 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 A variety of external and internal opportunities are available and bespoke training can be arranged as necessary.

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. Specific costs of events are set out in the appendix.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

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- Training & Development Opportunities

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date
Standing item on Committee agenda	

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EVENT	LAPFF Conference Corporate resilience: Challenges to shareowners
SUMMARY	MPF is a member of LAPFF and its annual conference provides a forum for Responsible Investment matters and topical issues affecting Local Authority Pension Funds to be discussed and addressed. The full agenda is available at http://www.lapfforum.org/wp-content/uploads/2019/09/LAPFFConferenceprogramme26Sep2019.pdf
VENUE	Hilton Hotel, Terrace Road, Bournemouth, BH2 5EL
DATE(S)	4-6 December 2019
COST	£825+VAT

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WIRRAL COUNCIL

PENSIONS COMMITTEE

4 NOVEMBER 2019

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

1.0 EXECUTIVE SUMMARY

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

2.0 BACKGROUND AND KEY ISSUES

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

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

3.0 RELEVANT RISKS

3.1 There are none arising from this report

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 N/A

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report

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

8.1 There are no implications arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That members note the minutes of the Local Pension Board

14.0 REASON/S FOR RECOMMENDATION/S

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

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APPENDICES

Appendix 1 Pension Board minutes

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

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

LOCAL PENSIONS BOARD

Wednesday, 17 July 2019

Present:

J Raisin (Chair)

G Broadhead

R Irvine

D Ridland

P Maloney

P Wiggins

Apologies

L Robinson

60 **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.

61 **MINUTES**

Resolved – That the accuracy of the Minutes of the Local Pension Board held on 27 March, 2019 be approved as a correct record.

62 **ORDER OF BUSINESS**

The Chair agreed to vary the order of business.

63 **AUDIT FINDINGS REPORT**

Members gave consideration to the Audit Findings for Merseyside Pension Fund which had been presented to the Pensions Committee by Grant Thornton on 16 July, 2019 and would be submitted to the Audit and Risk Committee. Donna Smith, Head of Finance and Risk, summarised the key findings of the report and noted the potential impact of the McCloud judgement.

Resolved – That the report be noted.

64 **STATEMENT OF ACCOUNTS/LETTER OF REPRESENTATION/DRAFT ANNUAL REPORT AND ACCOUNTS**

A report of the Director of Pensions provided Board members with copies of the Fund's Statement of Accounts report, Letter of Representation and Report and Accounts reported recently to Pensions Committee.

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 considered by Pensions Committee, the Statement of Accounts would be referred to Wirral Council's Audit & Risk Management Committee. The Letter of Representation gave assurances to the Auditor in respect of various Pension Fund matters (appendix 2 to the report). The Fund's approved report & accounts were attached at appendix 3.

Resolved – That the report be noted.

65 **BUDGET OUTFURN 18/19, FINAL BUDGET 19/20**

A report of the Director of Pensions provided Board members with a copy of a recent report to Pensions Committee on this subject. The report provided the Board with information on the Fund's budgeting arrangements.

Pensions Committee had noted and approved:

- The out-turn for the financial year 2018/19.
- The finalised budget for the financial year 2019/20.
- The 3 year budget for MPF as required for the annual report.

It was reported that the actual out-turn for 2018/19 was £17.6m, lower than the original budget approved 16 July 2018 of £22.0m and lower than the projected out-turn of £19.4m as reported at Pensions Committee on 21 January 2019. This lower figure was principally due to the Q4 sell-off in equity markets which had reduced investment management costs.

The 2019/20 budget reported in January had been updated to reflect agreed reduction in unpaid leave, along with revised salary overheads, IT, actuary and departmental & central support charges; the finalised 2019/20 budget was £22.3m.

Resolved – That the report be noted.

66 **WIRRAL COUNCIL MOTION**

A report of the Director of Pensions provided Board members with a copy of a recent report to Pensions Committee that informed the Board of a recent Council Motion in relation to MPF debated at Council on 18 March 2019 (minute 125 refers). The Director of Pensions noted that the Pensions

Committee had welcomed this report and the Chair of the Pensions Committee had suggested that any future motions from local districts, relevant to MPF, be brought to the attention of the Pensions Committee.

Resolved – That the report be noted.

67 LGPS UPDATE

A report of the Director of Pensions provided Board members with a copy of a recent report to Pensions Committee on this subject. The report informed the Board of developments in the LGPS. The appendices to the report contained the Fund's response to HM Treasury consultation on 'Restricting Exit Payments in the Public Sector' and the Funds draft response to MHCLG consultation on 'Changes to the Local Valuation Cycle and Management of Employer Risk'.

The HM Treasury consultation had been issued on 10 April 2019 with a closing date of 3 July and the MHCLG consultation had been issued on 8 May 2019, closing on 31 July.

The Fund response to the HM Treasury consultation had been shared with the Chairs of Pension Committee and Pension Board for comment and approval prior to submission.

A draft response to the MHCLG consultation is attached as Appendix B to the report for Member consideration, comment and approval.

The report also updated Members of recent developments on the Scheme Advisory Board review of governance models for the LGPS.

Yvonne Murphy, Head of Pension Administration, summarised the report and informed the Board that comments had been received from the Chair of the Board which had been read out to the Pension Committee. The Board was also informed that Pensions Committee had been agreed that the Fund's draft response to the MHCLG consultation on 'Changes to the Local Valuation Cycle and Management of Employer Risk' would be circulated to Members of the Pension Committee with the invitation to comment on the draft response and would be updated accordingly.

The Head of Pension Administration highlighted the key issues of the report which included the Government's intent to cap the cost of early retirement packages within the public sector at a total cost of £95,000 per employee. It was noted that the £95,000 cap would include the value of any early retirement strain payments, and it was envisaged that the ability to take an unreduced early retirement pension would be severely restricted for a number of members.

The Head of Pension Administration also highlighted that in relation to MPF the proposal to remove the requirement for further education corporations, sixth form college corporations and higher education corporations to offer membership of the LGPS to new entrants could lead to a reduction in the active membership base with an adverse impact on cash flow and the pace of scheme maturity.

Paul Wiggins informed Members that excluding future higher education, further education and Sixth Form staff from the Local Government Pension Scheme had been the subject of an Emergency Motion at the recent National Delegate Conference which he circulated for Members' information.

Board members discussed this and raised concern that this would lead to a two-tier workforce in pensions with new starters being offered inferior and less cost-effective schemes.

On a motion by Patrick Maloney and seconded by Paul Wiggins it was;

Resolved – That all members of the Pension Board present at the meeting of the Pension Board held on 17 July,2019 urge the Pension Fund in it's response to the Consultation on 'Changes to the Valuation Cycle and the Management of Employee Risk' to take full account of the views expressed at the Pensions Committee held on 16 July, 2019 by the employee representative in relation to the implications for employees of education corporations in England and that this resolution be forwarded to all Members of the Pensions Committee.

68 **SCHEME PAYS POLICY**

A report of the Director of Pensions provided Board members with a copy of a recent report to Pensions Committee on this subject.

The report informed the Board of a review of the Fund's Scheme Pays Policy and the proposed revisions to it.

Resolved – That the report be noted.

69 **TREASURY MANAGEMENT ANNUAL REPORT**

A report of the Director of Pensions provided Board members with a copy of the Treasury Management Annual Report recently taken to Pensions Committee.

The report presented a review of treasury management activities within Merseyside Pension Fund (MPF) for the 2018/19 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.

The Chair offered thanks to Donna Smith, Head of Finance and Risk and her team for the work undertaken.

Resolved – That the report be noted.

70 **TRAINING & DEVELOPMENT OPPORTUNITIES**

A report of the Director of Pensions provided Board members with a copy of a recent report to Pensions Committee on this subject. It also reminded Board members of their training responsibilities.

The report informed the Board of training and development opportunities provided to members of Pensions Committee. A number of these opportunities are also available to Board members.

The appendix to the report provided further information on opportunities of which the Fund had been notified.

The Chair encouraged Members to attend training events and it was;

Resolved – That;

- 1 the report be noted.**
- 2 Members wishing to attend training events contact the Director of Pensions PA.**

71 **WORKING PARTY MINUTES**

A report of the Director of Pensions provided Board members with the minutes of meetings of Working Parties held since the last Board meeting.

The Chair encouraged attendance at meetings of the Working Party and it was;

Resolved – That the minutes be noted.

72 **RISK REGISTER**

A report of the Director of Pensions provided Board members with a copy of the Fund's Risk Register.

Appendix 1 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.

73 **POOLING UPDATE**

A report of the Director of Pensions provided Members with an update on pooling arrangements in respect of MPF and the Northern LGPS.

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

The Director of Pensions reported that IMPF had continued to work with its pooling partners to finalise governance arrangements for the Pool's Joint Committee. An underpinning element of this was a Northern Pool inter-authority operating agreement between the three funds which was close to being concluded and was the subject of a separate report on the agenda.

It was reported that Pooling would result in fundamental changes to oversight and management of LGPS assets. It was essential that appropriate governance arrangements were put in place to ensure that Pensions Committee could exercise its responsibilities in accordance with the Council's constitution.

Members discussed the Operating Agreement in detail including how its decision-making mechanisms would operate in particular situations.

Resolved – That the report be noted and that the Director of Pensions seek clarification of the matters raised.

74 **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.

75 **INTERNAL AUDIT PLAN & REPORT**

The report on Internal Audit Plan was exempt by virtue of paragraph 3.

76 **ADMIN KPI REPORT**

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

77 **RISK REGISTER**

The report on the Risk Register was exempt by virtue of paragraph 3.

78 **POOLING UPDATE**

The report on Pooling Update was exempt by virtue of paragraph 3.

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WIRRAL COUNCIL

PENSIONS COMMITTEE

4 NOVEMBER 2019

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

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to seek Members approval of a revised Section 5 of the Compliance Manual.
- 1.2 The appendix to this report contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of Local Government Act 1972 i.e. information relating to financial or business affairs of any particular person (including the authority holding that information).

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The Compliance Manual sets out the powers, duties and responsibilities of officers in respect of the financial services legislative and regulatory regimes relevant to MPF. Although the Pension Fund is not regulated by the Financial Conduct Authority (FCA) the manual incorporates, where appropriate, best practice as set out by the FCA and the codes of other professional bodies.
- 2.2 The manual is subject to a review as required, but at least every three years. The existing Compliance Manual was approved at Pensions Committee 22 January 2018.
- 2.3 The revised Section 5 of the Compliance Manual is attached as Appendix 1 to this report.
- 2.4 The main changes to the manual are the updates required to reflect the new internally managed internal factor portfolio (IFP). Changes to the manual include:

Reference	Change
5.3	Investment Philosophies moved from Section 5 to appendices.
5.4	New section on general principles
5.5	New section on primary responsibilities
5.6	New section on investment fees and costs
5.7	New section on due diligence
5.8	Dealing section updated to reflect IFP.

5.8.2	New section on capital calls
5.9	Reviewed and updated Investment Committee section to reflect roles and responsibilities.
5.10	Updated section on requirement to obtain bank details.

3.0 RELEVANT RISKS

- 3.1 The Compliance Manual is concerned with the mitigation of risks by enhancing the Fund's control environment.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 There are none arising from this report.

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

- 8.1 There are none arising directly from this report.

9.0 LEGAL IMPLICATIONS

- 9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

- 13.1 That Committee approve the revised Section 5 of the Compliance Manual.

14.0 REASON/S FOR RECOMMENDATION/S

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

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APPENDICES

Appendix 1 Revised Section 5 of the Compliance Manual and Investment Philosophies

BACKGROUND PAPERS/REFERENCE MATERIAL

Compliance Manual 2018

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Pensions Committee	22 January 2018
Pensions Committee	21 March 2017

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WIRRAL COUNCIL

PENSIONS COMMITTEE

4 NOVEMBER 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 an update on pooling arrangements in respect of MPF and the Northern LGPS. Since the previous update, the Operating Agreement between the three members of NLGPS has been concluded. It was considered by the Standards and Constitutional Oversight Committee on 28 September and approved at Council on 14 October.
- 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 MPF has continued to work with its pooling partners to finalise governance arrangements for the Pool's Joint Committee. An underpinning element of this is a Northern LGPS inter-authority operating agreement between the three funds which is close to being concluded by the three authorities.
- 2.2 The Fund's Governance Policy has been updated to reflect these changes.
- 2.3 Pooling update and minutes of the Northern LGPS Shadow Joint Committee on 11 July 2019 are attached at exempt appendix 2.

3.0 RELEVANT RISKS

- 3.1 Pooling will result in fundamental changes to oversight and management of LGPS assets. It is essential that governance arrangements ensure that Pensions Committee can exercise its responsibilities in accordance with the Council's constitution.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

5.1 The Pooling consultation has been discussed with the Merseyside Directors of Finance and stakeholders have been kept informed of the pooling consultation and its implications.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

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

8.1 There are none arising directly from this report. The anticipated financial costs of establishing pooling arrangements and the projected savings over the long-term are set out in the Fund's pooling submission of 15 July 2016. These are updated in the regular progress reports to MHCLG.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

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

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

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

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

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members note the pooling report and minutes of the Shadow Joint Committee meeting on 28 September 2019.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Pooling is resulting in fundamental changes to the oversight and management of LGPS assets and it is important that Members are informed of all developments affecting the Fund.

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APPENDICES

Pooling update and minutes of Shadow Joint Committee meeting 11 July 2019.

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
An update report is brought to each Pensions Committee	

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WIRRAL COUNCIL

PENSIONS COMMITTEE

4 NOVEMBER 2019

SUBJECT:	MINUTES OF WORKING PARTY MEETINGS
WARD/S AFFECTED:	NONE
REPORT OF:	DIRECTOR OF PENSIONS
KEY DECISION?	No

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide Members with the minutes of meetings of Working Parties held since the last meeting.
- 1.2 Appendix 1 to this report contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of Local Government Act 1972 i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.0 BACKGROUND AND KEY ISSUES

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

3.0 RELEVANT RISKS

- 3.1 There are none arising from this report.

4.0 OTHER OPTIONS CONSIDERED

- 6.1 No other options have been considered.

5.0 CONSULTATION

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

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising from this report.

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

- 7.1 There are none arising from this report.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

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

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

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATIONS

12.1 That Members approve the minutes attached as an appendix to this report.

13.0 REASONS FOR RECOMMENDATIONS

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

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APPENDICES

Appendix 1 & 2 Working Party minutes

REFERENCE MATERIAL

None.

SUBJECT HISTORY (last 3 years)

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

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IMWP18th September 2019

9.30am (for 10.00am start)

Queen Mary Suite, Cunard Building, Liverpool. L3 1JR.

Attendees

Name	Initials	Organisation
Councillor Pat Cleary (Chair)	PC	WBC
Roger Bannister	RB	UNISON
Councillor Ian Byrne	IB	LCC
Councillor Stuart Whittingham	SW	WBC
Councillor Cherry Povall	CP	WBC
Councillor George Davies	GD	WBC
Councillor Geoffrey Watt	GW	WBC
Councillor Brian Kenny	BK	WBC
Peter Wallach	PW	MPF
Linda Desforges	LD	MPF
Rohan Worrall	RW	Independent Advisor
Noel Mills	NM	Independent Advisor
Louis-Paul Hill	LPH	Aon Hewitt
Greg Campbell	GC	MPF
Allister Goulding	AG	MPF
Neil Gill	NG	MPF
Daniel Proudfoot	DP	MPF
Alan Robertson	AR	MPF
Elizabeth Barlow	EB	MPF
Owen Thorne	OT	MPF
Alex Abela-Stevenson	AAS	MPF

Apologies

Name	Initials	Organisation
Councillor Paulette Lappin	PL	SBC
Councillor Pat Hackett	PH	WBC
Councillor Tony Dennis	TD	LCC
Councillor Andrew Gardner	AGa	WBC
Councillor Tony Jones	TJ	WBC
Councillor Chris Carubia	CC	WBC

Declarations of Interest

None.

1. Minutes of IMWP held on 6th June 2019

Noted- no amendments.

Q2 2019

2. Strategic adviser update

LPH (Aon) covered the strategic monitoring report. He described the funds level as healthy improving from 85% at end March 2016 to 101% at end June 2019, which was driven by strong asset performance, particularly in global equity markets and the devaluation of the pound assisting overseas assets valuation. He explained the global equity market performance was subsequent of central banks easing movements. LPH market outlook had initial concerns for equity due to weak fundamentals, however with central banks QE, equity markets are grinding out higher returns. The backdrop for the economic outlook overall is considered less positive because of a slowdown seen in the manufacturing sector and the ongoing trade disputes.

In relation to the medium-term asset allocation positions and risk taken the fund had not much risk relative to the benchmark, with a slight underweight in equities. A continued underweight position in bonds had been considerably negative as bond prices rallied. LPH did confirm now was not the right time to be buying bonds due to low expected returns.

SW highlighted the progression of assets and liabilities chart with the sharp drop in liabilities during 2016. LPH confirmed the decline in liabilities and stated it was due the actuary moving from discounting the liabilities based on gilts and their prices to CPI plus a margin. LPH clarified the next valuation is due in March 2019 and predicted there will be some movement, however he is not expecting such a movement as that seen in 2016.

In relation to the strategic review LPH described the 4-step process. The first being the beliefs of stakeholders, through a survey of committee members to which there had been 21 responses explaining what asset classes they believed in to assist in setting the investment strategy. LPH explained this was important to having stakeholders buy into any changes to the investment strategy. The survey results highlighted a desire to reduce investment risk if affordable, and to explore further alternative investments such as options, hedge funds and derivatives. The second process step was the objectives of the strategy within the fund; to which is the long-term aspect and ensuring the fund exists to pay pensions. Also, maintaining affordable contributions for the employers while balancing contributions with investment returns. Ultimately determining what investment is needed and how much prudence is required. The third process step was the building the asset allocation. LPH explained the two ways in which this is done. One being through a risk and return perspective, the other looking at this through different economic scenarios. The final step in the process is the analysis of the assets and liabilities in relation to climate risks. An analysis is done to test model asset allocations' resilience under various climate scenarios such as 2-4-degree temperature increases. LPH concluded the combination of these processes results in a long-term comfortable asset allocation to achieve the funds objectives.

PC requested that LPH clarify where the fund currently stands on all variables including the climate risk aspect, to which LPH stated this would be discussed further during a meeting following the IMWP [18.09.19] but they are currently working at the setting objectives stage, to which an update will come at the end of the year. PW added that they are currently finalising the actuarial valuation. He reiterated the substantial improvement in the funding position which should be considered reassuring to the employers within the fund. Each employer's valuation will vary according to the demographic profile of their workforce, but they will have seen a vast improvement over the last 3 years.

Action Points: *None.*

3. Presentation: UK equity portfolio – BlackRock

Luke Chappell (LC): Portfolio Manager UK Fundamental Equities
Andrew Tunningley (AT): Relationship Manager

LC led the presentation, the portfolio valuation as of 6th September 2019 stood at £306,303,024. The objective of the portfolio is to maximise total return by way of a concentrated portfolio without regard to the composition of a particular index. The portfolio is benchmarked against the FTSE All Share Index. He confirmed the inception of the mandate was March 2009 which assisted in the validity of the performance data. He presented the annualised performance figures, with 30/06/18 to 30/06/19 reaching 4%, outperforming the benchmark by +3.4%, on 4 of the 5 data points reported LC stated the portfolio has outperformed the benchmark. In terms of fund performance over 5 years p.a. the annualised returns were at 8.5% compared to the All Share index of 6.3% subsequently beating the benchmark by 2.2%. Further details were provided within an additional handout which covered MPF attribution 12 months to 30th June 2019. LC confirmed the portfolio's long-term outlook and preference of holding shares for at least 5 years.

LC confirmed there had been a huge amount of activity under the surface of the investments with significant changes in global markets. This stemmed from changes to economic expectations and other factors such as the US and China trade war, cuts to US interest rates after expectations of raises. LC stated the most extreme market reactions were seen during Q4 2018 when rate expectations changed considerably and this year with bond yields falling, led to a shift to quality names within markets. LC confirmed the style preferred within the portfolio are companies with a sustainable outlook and therefore competitive advantage which had done considerably well this year. The top contributors over the period were companies such as RELX PLC, Compass Group PLC and London Stock Exchange Group (LSE). Recent

corporate transactions within companies such as LSE and their acquisition of Refinitiv demonstrating how the portfolio benefited from structural growth. The recent interest from Hong Kong Stock exchange in LSE, LC confirmed this highlighted growing interest in the UK from overseas investors despite recent economic uncertainty due to Brexit. This was reiterated with assets such as Greene King and Entertainment One who had seen bids from foreign investors.

LC continued to discuss the impacts and opportunities of economic influences such as Brexit and its effect on UK companies. Auto Trader was an example of a well-run business with a structural tailwind being its online presence, resulting in the company being able to survive during current levels of uncertainty in the market. Detractors over the period such as EasyJet PLC was provided as an example to which LC gave a long-term view in holding and there has been consolidation in the short haul market in Europe.

LC concluded the presentation highlighting the low turnover of companies in the 20-23 stock portfolio, with a discussion around the 2 sales within the 12-month period of Shire and Sky due to takeover activity. The redeployment of this cash led to buys in companies such as Smith and Nephew, with the new Chief Executive taking their operations further into medical technology. Additionally, SSP which had seen the retirement of their CEO creating market concern, which was an opportunity Black Rock had exploited. The purchase of Trainline after their recent IPO was as a result of market expectations and the shift towards paperless tickets. LC predicts the company will benefit from the holding of younger businesses operating in continental Europe. The position is currently under 1%, however the potential of the company captured everything management wanted in a business. LC final point reiterated requirement of a company's sustainable future in the holding criteria.

BK questioned the statement of Brexit being construed as an opportunity as, in his view uncertainty did not seem to be helping the country especially with the current court case ongoing. The summary seemed positive and he wanted to confirm if that was the correct view. LC confirmed he was biased towards the positive view. Data coming from Bank of America Merrill Lynch survey suggested global fund managers had reasons not to invest in the UK. The current valuation opportunity was being recognised by overseas bidders. LC confirmed UK equities are diverse with 70% of earnings from overseas. He stated some companies and sectors will win and others will lose from the current uncertainty. The portfolio's management identifies there is a wide range of outcomes and probabilities surrounding the uncertainty but believe the portfolio is positioned neutrally to large sterling movements overall and are finding said opportunities at an individual level. LC confirmed they would never commit MPF capital where they don't have efficient information and secured this with stress testing the portfolio.

SW also highlighted the growing uncertainty in the UK and its effects on Auto Trader, with used car sales and equally production declining there is a trade off in terms of positivity. LC confirmed this but stated Auto Traders stock turnover had increased in speed and efficiency. Therefore, even a fall expected in forecourts post Brexit, Auto Trader would still be able to turn more stock and quickly due to its online presence as seen within companies such as Rightmove. He confirmed the largest positions within the portfolio of 7-9% are robust in uncertain economic conditions.

RW highlighted that since the last Black Rock presentation LC had said the portfolio active risk would increase including a higher target. However, active risk remained [3.81%] and questioned if the risk would pick up. Meanwhile identifying LC stated the portfolio had a value bias which is not evident and questioned if this also remained the case. LC stated active risk correlates with market volatility. He had wrongly thought as economic data had become more volatile as would market volatility. He stated active risk had been higher particularly this year. With market moves in the last week of 7 standard deviations, confirming outsized movements. To guard against this, a well-diversified portfolio at stock level is

essential. A greater increase in market volatility would see a rapid increase in active risk of the portfolio. He also apologised if he had previously misled value perception, as in the long term the portfolio is biased towards quality and growth.

LD questioned the portfolios exposure to the financial sector and if BR are happy to see an underweight in this sector. LC highlighted the sense of inertia within banking and stated disruption is evident, but its effects are slow. He also stated there were certain areas of financials that management don't fully understand, these being life assurance accounting and confirmed they would not invest in the sector (around 4-5% of the index). LC believed the uncertainty around Brexit had presented an opportunity in real assets and confirmed that through the recent interest in Greene King from a Hong Kong conglomerate reiterating his opportunistic view of recent uncertainty.

In terms of the market outlook LC highlighted GDP growth expectations being moderate and said their internal forecast of global growth had fallen. LC stated markets tend to react to news relating to the US and China trade war due to the influence of the US. He also believed that markets are going through a mid-cycle correction, driven in part by mid cycle rate adjustments in the US. LC does not see recession risk in 2019 given the upcoming US presidential election. He again finalised his views of the opportunities that had risen due to Brexit uncertainty. He stated that management meet with holding companies as often as they can.

LC gave a high-level picture of the portfolios influence on ESG issues. He highlighted the current carbon footprint of the mandate and how it is significantly lower than the index due to the lower holdings in the larger oil companies. LC stated how they have spoken with oil companies and questioned their operational validity over the next 5-10 years. LC finalised his review with highlighting the validity of ESG data, being that the metrics are subjective with each company score. They believe they are using the most reliable data and that these issues are becoming increasingly more significant both internally and externally.

PC requested confirmation on the metrics around the ESG data and if they are independently calculated, to which LC confirmed they are. PC also questioned as to what Black Rock are doing to actively reduce their carbon exposure. LC confirmed they are developing their own internal ESG measurement system that is a few years away. He also stated how the managers interact with companies on an individual level to improve operations through active carbon reduction. They engage and apply pressure to companies such as Shell and Rio Tinto to act. They also produced further detail within their Annual Report. PC then clarified that there are not specific targets set by Black Rock and that they have a reliance upon companies to adopt ESG actions. LC stated Black Rock only have a carbon footprint target to which AT added that they have had other clients request specific targets and is becoming a top priority.

OT enquired about whether the managers could envisage a scenario at which their carbon footprint would be higher, as such take an active position that had a higher carbon footprint, and how the management could justify this. LC confirmed that he does fully expect to have to do that as the key objective driving investment is performance. However, they would consider the longevity of the investment that would factor in its exposure to climate risks.

SW stressed a shareholder's ability to divest and use their position to influence change, with climate change is top of the political agenda; how MPF addresses issues through active portfolio management and conversation with management is key. SW questioned whether management see reinvestment into the UK manufacturing sector due in order to reduce emissions. LC pointed to the need to identify a businesses' global footprint given that they are incentivised to achieve a low-cost base via offshoring, he

did state this may change in the future. SW stated there may be a skills issue with bringing manufacturing back to the UK.

OT questioned as to whether there are other sectors in the UK that are to be mindful of these climate focused transitions. LC identified opportunities within infrastructure and that the number of UK listed businesses with this opportunity is modest. One example however was SMS but stated it was a fraught business. AT identified Shell and their work within renewable energy. OT highlighted that Shell has set targets due to its management engaging with investors such as MPF, the recent criticism of Black Rock and its terms of its voting actions and position around being transparent and accountable in terms of specific engagements not being as aligned with the Climate action 100+ initiative. OT confirmed there is a concern for the lack of support from Black Rock on several key issues. LC gave the firm's overview and confirmed Black Rock engage on a neutral basis and engage with all clients equally and fairly to drive change. However, they do not make these engagements public, which is a source of debate, it is recorded within their annual report. He confirmed they vote in every vote they can, and these records are made public.

RW highlighted the active risk ESG rate and whether the rates reported are positive. LC stated the MSCI sustainable analytics data that underpins this is still within the early stages, however, is the only external source which Black Rock had found to be valid.

AR brought attention to the cumulative returns since inception figure, which is MPF gross of fees, and questioned whether managers could provide a corresponding net figure. LC confirmed they do not have the figures at the meeting but can provide them.

LD enquired about the reaction of oil majors in contact with Black Rock when they are questioned about the long-term business objective. LC stated companies can be shocked by the question but often base response around the security of supply. LC confirmed companies are thinking more about these issues and Black Rock themselves accept criticism that these questions are somewhat late in coming. AT confirmed US concern for social impact is developing.

OT highlighted that one of key asks through Climate Action 100+ is to report what companies do through a task force, and what targets and metrics are used to measure where their strategic thinking is and what then targets are set to measure progress. The message to Black Rock is to ask what they are doing to promote this including encouragement to be consistent with TCFD disclosure. AT in response drew attention to their annual report appendix which lists all industry affiliations. He confirmed Black Rock are not part of Climate Action 100+ but are present in other similar groups. They also prefer to engage with companies on an individual level with specific targets that are company and industry specific. He stated their current stewardship records would not show middle of engagement activities. LC confirmed the production of specific ESG report due for distribution next quarter. Black Rock welcome feedback and will additionally report specific actions taken within current holdings within the mandate.

Action Points: Black Rock will report on their current ESG actions taken within companies held with the portfolio.

4. Market commentary

NM gave the top down view of markets, referring to section 4 within the IMWP pack, stating that during Q2 and Q3 this year bonds and equities rallied simultaneously. This had been driven by changes in US monetary policy, namely the cut in interest rates by the US Federal Reserve which was within market

expectations. This encouraged other central banks adopting a loosening of monetary policy, with the ECB starting a quantitative easing programme and Bank of Japan to follow. The change in policy was as a result of the growing trade war concerns and subsequent slowdown in growth seen this year. NM was less convinced of a mid-cycle correction and was more in favour of an end of cycle point. The reduction in interest rate expectations following the equity market correction in December 2018 had enabled market recovery. He stated the trade war led by the US was the cause of the slowdown in global economic growth. The Purchasing Manager's index has shown global manufacturing output fall below the 50 breakeven thresholds. The export orders index had also been negative to which NM confirmed was a response to the stifling of trade and capital investment. He confirmed Germany is in a technical recession as the trade war had a negative impact on growth outside of the US and China, however the policy response had been positive for equities year to date. Whether the Fed's policy response can extend the economic cycle more debateable.

Q3 saw bond yields decline sharply across all major markets. With negative short rates, long rates have been declining and, in many countries, governments are being paid to borrow money over 10 years. In Germany is up to 30 years. NM stated what is needed is fiscal stimulus, logically during this stage it is expected governments would attempt to extend the economic cycle in order to reduce the threats attached to an economic downturn. This had been seen in the US last year with tax cuts and in France as a reaction to protests. However, with Germany in a technical recession and fiscal surplus they are least likely to implement this. NM stated he was more concerned about where the global economy was heading, with the US at full employment demonstrating little growth prospects and the recent oil price headwind. NM confirmed the risk of recession had been rising and had risen further since the last meeting. The US yield curve had been inverted for several months and historically it would take between 6-9 months for a recession to come along. Fortunately, the US does have the ability to reduce interest rates, but Europe and Japan would be in a more vulnerable position. NM predicted that over the next 18 months markets will see some form of a correction and low single digit equity returns over the subsequent 10 years should be factored in.

PC stated that during keynote conference speech at Celtic Manor, that some councillors attended, a large part of the thesis discussed was that wage growth was accelerating faster than inflation; requesting NM's view of the outlook for consumption. NM feeling is that consumption can continue, if there is a resolution to the current trade problem, as it is the factor holding it back. However, a reacceleration would see no interest rate cuts that have been the primary support for the market.

SW highlighted a comment made from Black Rock and requested clarity on whether NM agreed in terms of recession being unlikely due to the presidential election timetable. NM confirmed President Trump is doing his best to influence the Federal Reserve rates further to bolster his election chances. The Federal Reserve had been intent on increasing rates another 4 times last year but swiftly reversed course and have cut once and the market expects another 3 interest rate cuts. This is a 2-percentage point difference on where markets thought rates would be. NM confirmed that the US President would want something to bring in front of the electorate next year. However, stated the greatest impact on markets would be a resolution to the ongoing trade dispute.

RW stated that there have been significant changes to the nature of the political debate over the last few years and that a mild recession would not necessarily deter Donald Trump voters. NM confirmed the US job market is strong which is what ultimately matters to voters. Job creation is also growing, albeit at a slowing pace and their real wages are not advancing as much as in the UK at 0.5%. Finalising that consumption is 70% of economic activity in most economies and that most economies inevitably would continue to grow.

Action Points: *None.*

5. Catalyst Fund

PW explained the background and use of the fund. MPF had notionally allocated 1% of the overall fund to the invest in MPF's local investment fund initiative. The fund is not looking to compete with commercial developers but provide finance to something that is commercially viable however is experiencing a funding gap. The fund is willing to lend at lower rates or alternatively adopt a slightly higher level of risk. PW confirmed these are generally real asset investments, with the asset backing as a form of security for the fund. This allowed the fund to invest and interact regionally. The Catalyst fund has three investments, Iliad Ropewalks, North Western and Peel Heat Networks. The preference for the fund is to lend as debt rather than equity as this is repaid more quickly, to then recycle funds and stimulate the local area further. The fund is keen to work with other local authorities and partners to support the development and refurbishment projects within the Merseyside area.

The first investment described was the Mersey Heat Network. The fund provided a £13.7million loan to finance a district heating project. The project is an energy efficient way of providing heating and energy. Providing heating to around 10,000 residential units and other commercial units. The project is being developed by Mersey Heat Ltd as a subsidiary of Peel Group. PW explained the Iliad Ropewalks area project (The Eight Building) is seen as a more traditional investment. The project consists of 120 residential units within the Ropewalks area of Liverpool, the development is 0.70-acre site that is centrally located. The objective of this project is to increase the supply of housing within the area. After an initial delay due to developer issues, a new contractor was appointed, and work is underway. The investment is expected to achieve a strong return over 24 months.

Action Points: *To report good local investments during the committee meeting.*

6. Responsible investment

6.1. Responsible investment update – Owen Thorne

OT brought two initiatives, to which the Fund is giving its public support, to the Councillors' attention, such support being consistent with MPF policy on the issues.

The first being an investor statement in relation to the ongoing deforestation and forest fires in the Amazon. Organised by the PRI, it was described as supportive of a call to action for the Brazilian Government to address an environmental catastrophe. The issue has been recognised by several governments and in particular the French government. The statement is addressed to a range of governments, companies and global investors to honour their commitments made previously in relation to limiting deforestation. It will be announced during an upcoming UN Climate Action Conference held in New York.

The second initiative was an open letter to EU leaders from the Institutional Investors Group on Climate Change. OT described the letter as being supportive of other initiatives focused on climate policy and is intended to be published in preparation for the upcoming European Council meeting in October; with the aim to impact policy frameworks and protocol with the climate emergency in mind.

RW queried why the IIGCC asked for members to sign the letter. OT explained that MPF are also a signatory to IIGCC's Global Investor Statement addressed to global governments engaged in the UNGCCC process; the message of which is re-emphasised in this letter. The objective of the letter is to call on the EU specifically as a policy making body, and with the commission changes implemented and new parliament sitting the timing is in response to this.

6.2. PIRC quarterly voting report

OT clarified that the PIRC quarterly voting reports demonstrate how the fund has voted. OT confirmed the fund has voted against company management recommendations in order to hold them to account on a range of issues. OT reiterated the criticism surrounding Black Rock and their tendency to support management through their considerable voting power, as a result have therefore failed to support certain shareholder resolutions for moving change forward on a range of concerns. The Fund is working with PIRC to analyse fund manager voting patterns, in particular those of its index manager SSGA, to better hold them to account.

6.3. LAPFF quarterly engagement report

OT explained the funds participation in LAPFF as a collective engagement initiative. He clarified that most of the fund's stewardship work is carried out through collaborative initiatives such as LAPFF. OT highlighted a particular response to issues within the global mining sector after a catastrophe involving a mine collapse in Brazil last year. This raised significant standards and safety questions within the companies responsible. The mining companies were brought to the table to discuss the issue and address mining safety standards, including community impacts. One significant outcome of this has been agreement by the mining companies to make significant provision for the surveying and remediation of potentially unsafe tailings dams. OT concluded stating actions of this nature would not take place without the input of action groups, LAPFF and their assurance that the local communities effected voices are heard.

PC identified the previous mentioning of LAPFF during other committee meetings and praised the positive engagement work. He requested advisers such as PIRC be invited to the IMWP meetings in the future to provide further detail.

7. Notes and discussion points

7.1. Noting items

None.

7.2. Recommendations

PC recommended MPF extend an invitation to PIRC to attend the next IMWP meeting.

Date of next meeting: 14th November 2019

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