

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 OUTTURN 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 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 employer. 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.

Resolved – That the report be noted.

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.