

PENSIONS COMMITTEE

Monday, 27 September 2010

Present:

Councillor G Watt (Chair)

Councillors D Knowles AER Jones
C Povall AR McLachlan
G Davies R Moon
T Harney H Smith
J Hale (for Cllr Peter Johnson)

Councillors N Keats, Knowsley Council
Anderton, St Helens Council
Hanson, Liverpool City Council
D McIvor, Sefton (for Cllr Ann Ibbs)

Patrick McCarthy Non district Council employer

In attendance:

Phil Goodwin,
Unison
Paul Wiggins, Unison

Apologies

Councillors Ann Ibbs, Sefton
Peter Johnson

20 MEMBERS' CODE OF CONDUCT- DECLARATIONS OF INTEREST

Members of the Committee were asked whether they had any personal or prejudicial interests in connection with any application on the agenda and, if so, to declare them and state the nature of the interest.

No such declarations were made.

21 MINUTES

The Director of Law, HR and Asset Management submitted the minutes of the meeting held 28 June 2010 for consideration.

Resolved – That the minutes be agreed.

22 ACCOUNTS 2009-2010

The Director of Finance submitted a report on the Merseyside Pension Fund; Statement of Audited accounts for the year ended 31 March 2010. Further to Minute 122, 28 June 2010, the Pensions Committee had formally approved the accounts prior to their submission to the Audit Commission. The Audit Commission had now undertaken an audit of the accounts and reported back to this meeting of the Pensions Committee with the Annual Governance Report (AGR). Members were

requested to consider this report with the Annual Governance Report and the Letter of Representation.

In accordance with the Accounts and Audit Regulations 2003, Members were requested to consider both the adjusted amendments to the annual accounts, and an unadjusted misstatement.

As the Pension Fund received a separate AGR, it was noted that this report would first be considered by the Pensions Committee, and then by the Audit and Risk Management Committee.

Resolved –

- 1. That the Pensions Committee has given full consideration to the amendments to the Statement of Accounts for 2009/2010, the Annual Governance Report and the Letter of Representation.**
- 2. That the recommendations be referred to the Audit and Risk Management Committee.**
- 3. That the Action Plan within the Annual Governance Report be agreed, and that the Pensions Committee be informed of progress with its implementation.**

23 DRAFT ANNUAL REPORT

The Director of Finance submitted a report that advised Members of the proposed content of the Annual Report for 2009-10, a copy of which was made available at Committee. Members read the report in conjunction with the separate report on the Statement of Accounts.

Resolved –

That content of the Annual Report be noted.

24 AC ANNUAL GOVERNANCE REPORT

Liz Temple Murray Audit Manager gave a presentation on the Annual Governance Report summarising the findings of the 2009/2010 audit of Merseyside Pension Fund. She also circulated copies of the Audit Commission Progress Report on the 2009/2010 audit of Merseyside Pension Fund dated June 2010 and responded to Members questions.

Resolved – That the AC Annual Governance Report be considered and noted.

25 OCTOBER TRAINING EVENT

The Director of Finance informed Members of the training event at the Cunard Building arranged for 5 October 2010.

Resolved – That Members attend the training day.

26 **ANNUAL EMPLOYERS CONFERENCE**

The Director of Finance informed Members of the arrangements for the annual Employers Conference to be held on at Aintree Racecourse on Thursday 18 November 2010.

Resolved – That arrangements for the annual Employers Conference be noted.

27 **LAPFF CONFERENCE BOURNEMOUTH**

The Director of Finance submitted a report that recommended the Committee to approve attendance by the Chair and Councillor Ann McLachlan at the Local Authority Pension Fund Forum (LAPFF) Annual Conference, organised by PIRC, to be held in Bournemouth on 1-3 December 2010.

Resolved – That attendance at the LAPFF conference by the Chair and Councillor Ann McLachlan be approved.

28 **ALTAIR IT HARDWARE**

The Director of Finance submitted a report that gave details of the procurement of replacement computer hardware in relation to the Pensions Administration IT system (called 'altair').

Resolved –

That the procurement of IT hardware, at an estimated cost of £35,500 and the ongoing lease charge over four years of approximately £13,500 be agreed. Provision is contained within the existing budget.

29 **PUBLIC SECTOR PENSIONS COMMISSION**

The Director of Finance submitted a report that informed Members that the Government had created an independent Commission, headed by John Hutton, to undertake a "fundamental, structural review of public service pensions" and consider the case for short-term savings by September 2010 in time for the Government Spending Review.

He reported that the Public Sector Pensions Commission had been tasked with conducting a fundamental structural review of public service pension provision and had been asked to make recommendations to the Chancellor

and Chief Secretary on pension arrangements that:

were sustainable and affordable in the long term,
were fair to both the public service workforce and the taxpayer
were consistent with the fiscal challenges ahead,
protected existing scheme members' accrued rights

A copy of the letter dated 28 June 2010 from the Chair of the Commission John Hutton was also submitted for Members information.

Resolved – That the report be noted.

30 **COMMITTEE MEMBERSHIP**

The Director of Finance submitted a report that informed Members of the outcome of the recent ballot for a representative from the non district council employers on the Pension Committee.

It was reported that having come to the end of her four year term of office as the representative from the non district council employers on the Committee Mrs Jayne Brown of Liverpool John Moores University had relinquished the role after the 23 March 2010 meeting of the Pensions Committee.

Nominations for this vacancy had been sought from the non district council employers in the Pension Fund in May 2010 and two nominations had been received.

The candidate with the most votes was Mr Patrick McCarthy of Wirral Partnership Homes and he had been duly elected to the Pensions Committee to serve for a term of four years.

Resolved –

That the election of Mr Patrick McCarthy as the representative of the non district council employers to the Pensions Committee be noted.

31 **LGPS REFORM**

The Director of Finance submitted a report that informed Members of recent developments following the introduction of the revised LGPS on 1 April 2008 by the Department for Communities and Local Government (DCLG).

It was reported that the Pensions Committee had last considered legislative developments affecting the LGPS regulations on 28 June 2010 (Minute 128 refers).

It was noted that Terry Crossley the Head of the Pensions Division within the DCLG had written to the Local Government Employers Organisation (LGE) with replies to a number of matters that had been raised over the last year

and these were outlined in the Directors Report.

Resolved –

That the report be noted.

32 **KNOWLEDGE AND SKILLS FRAMEWORK**

The Director of Finance submitted a paper that informed Members of progress made in implementing the requirements of the Knowledge & Skills Framework (the Framework), the availability of an assessment tool developed by the CIPFA Pensions Network and requested that a training needs analysis be undertaken by all Members.

He reported that on 23 March 2010 Pensions Committee had accepted CIPFA advice that it would represent good practice for the Committee to demonstrate that it was actively managing the development of Members and had agreed to adopt the Framework to achieve this end.

He further reported that in July 2010, the CIPFA Pensions Network had announced the availability of a web-based knowledge and skills self-assessment tool (K&SF tool) linked to a repository of knowledge sources. MPF intended to adopt the K&SF tool as a part of officer development. The tool would also be available to Members. It was suggested that it be used by all Members to undertake a training needs analysis. This self-assessment would enable Members to plan their development and measure progress. Members could continue to avail themselves of events provided in the annual training programme to achieve their objectives. However, for those Members' unable to attend training and other events, it was hoped that the availability of on-line training modules would provide an accessible and convenient method of development.

Resolved –

That it be agreed that Members undertake a training needs self-assessment in order to assist in planning training and development needs.

33 **LGPS TRUSTEE TRAINING FUNDAMENTALS**

The Director of Finance submitted a report that provided Members with details of the 2010 'Fundamentals' training course.

He reported that the Statement of Investment Principles emphasised the importance of Member training as a crucial underpinning to effective decision-making and governance. The annual training programme sought to deliver this training to Members through a series of training events and access to a bespoke LGPS training course. The Local Government Pensions Committee (LGPC) had provided the Fundamentals course since 2002. LGPC aimed to provide training to Elected Members (and co-optees) that covered all aspects of the LGPS, including the

benefits, governance and investments dimensions of the Scheme. It was recommended that new Members of the Pensions Committee attend this course, but it was also designed to provide refresher training for longer serving Members. The Director reported that the Pensions Committee had approved the adoption of the CIPFA Knowledge & Skills Framework for the LGPS. This would provide a benchmarking and reporting apparatus for both self-assessment and provide broader assurance that decision-makers at all levels of the governance structure were suitably competent to perform their roles. It was considered that completion of the 'Fundamentals' course would be compatible with meeting the standards set for Elected Members in the CIPFA Knowledge & Skills Framework

Resolved –

That attendance at the LGPS Fundamentals 2010 course be approved for any Member who believes they would benefit from it.

34 **FRC STEWARDSHIP CODE**

The Director of Finance submitted a report that provided an outline of the contents of the U.K. Stewardship Code, the background to its formation and its relevance to the Statement of Investment Principles. A statement of compliance with the Stewardship Code was included as an appendix to the report, and Members were requested to approve its publication.

Resolved –

That the submission to the FRC of the appended statement of compliance with the Stewardship Code, and its publication on the MPF website be approved.

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

Resolved – That the public be excluded from the meeting on the grounds that the following matters to be considered contain exempt information by virtue of paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972.

36 **MANAGEMENT OF JAPANESE EQUITIES**

The Director of Finance submitted a report that recommended that Members approve the retention of Nomura to their existing mandate to manage Japanese equities.

The report outlined the background to the procurement exercise, the results of the manager selection and a summary of the due diligence exercise.

Resolved –

That the retention of Nomura to their existing mandate for Japanese equities be approved.

37 **MANAGEMENT OF ASIA/PACIFIC EQUITIES**

The Director of Finance submitted a report that recommended that Members appoint Black Rock and Maple Browne to mandates for Pacific Rim Equities.

The report outlined the procurement exercise, the results of the manager selection and a summary of the due diligence exercise.

Resolved –

That the Pensions Committee appoint both Black Rock and Maple Browne to mandates for the management of Pacific Rim Equities of 1.5% of the Fund (£80m current assets).

38 **MANAGEMENT OF EMERGING MARKET EQUITIES**

The Director of Finance submitted a report that recommended that Members appoint Amundi and M&G to mandates for Emerging Markets Equities.

The report outlined the procurement exercise, the results of the manager selection and a summary of the due diligence exercise.

Resolved –

That the Pensions Committee appoint both Amundi and M&G to mandates for the management of Emerging Markets Equities of 2.0% of the Fund (£120m current assets).

39 **PROVISION OF PENSION ADMINISTRATION SERVICES TO LONDON BOROUGH OF BROMLEY**

The Director of Finance submitted a report that sought approval for Merseyside Pension Fund (MPF) to enter into an arrangement with a potential tenderer whereby MPF would submit a tender for the provision of pension administration services directly to the London Borough of Bromley.

Resolved –

That the Pension Committee approve MPF working with the tenderer to provide pension administration services directly to Bromley LB Council.

40 **NON RECOVERY OF SUM ON CLOSURE OF ADMISSION BODY - GREEN APPRENTICES**

The Director of Finance submitted a report that informed Members that efforts to recover the sum of £6,450 owed by Green Apprentices on its closure on 31 May 2009 had been unsuccessful.

The Committee was recommended to confirm that the outstanding sum of £6,450 be written off in accordance with a recommendation from the Director of Law.

It was noted that the Pension Committee had considered this matter at the 23 March 2010 meeting of the Pensions Committee (Minute 115 refers).

Resolved –

That the Pensions Committee confirm the recommendation of the Director of Law that the sum of £6,450 owed by Green Apprentices on its closure on 31 May 2009 be written off as recovery is impossible.

41 **MERSEYSIDE SPECIAL INVESTMENT FUND**

The Director of Finance submitted a report that informed the Pension Committee that £18.5m had been received from MSIF which had repaid the loan facility and interest in full. This repayment followed the sale of Vitaflo (the key portfolio company) for an undisclosed sum to Nestle. This was an unexpected development given the recommendations to the Pensions Committee on 28 June 2010 (Minute19 refers).

The report detailed the background to developments, details of the transaction, the current position and implications, together with proposed action.

Resolved –

That the repayment of the loan facility be noted.

42 **TRANSFeree ADMISSION BODY APPLICATION - COMPUTACENTER (UK)**

The Director of Finance submitted a report that informed the Pension Committee of his decision taken under delegation, to approve the application from Computacenter (UK) for admission to Merseyside Pension Fund as a Transferee admission body .The Company had secured a contract with Liverpool City Council to run the delivery of the IT service in respect of the “Building Schools for the Future” project.

The application was to provide pension provision for 10 transferred staff who wished to continue to be scheme members for the duration of the contract period for 5 years from 7 June 2010 to 31 August 2015. It was reported that Computacenter (UK) was a private limited company registered in England and Wales, (number 01584718), and was the leading independent provider of IT infrastructure services in Europe. The Company had been formed in 1981 and today had over 10,000 employees across Europe and group revenues of £2.5 billion.

Resolved –

That the approval of the application for admission body status, received from Computacenter (UK) be noted.

43 **ACQUISITION OF SUPERMARKET STORE**

The Director of Finance submitted a report that informed Members of the purchase of the Tesco store in Heswall in a sale and leaseback transaction. He reported that the purchase of this property was in accordance with the strategy recommendations agreed with the strategic property adviser (CBRE) namely “the need to diversify the portfolio by spread of property types, unit sizes occupier businesses, quality, income expiry and geographical regions”.

The Director of Finance reported that the transaction had enabled MPF to acquire a dominant foodstore with limited competition and an affluent catchment population. The property was let on a 20 year lease with annual Limited Price Index increases of between 0 and 4%. Overall, the property would significantly improve the lease expiry profile and unexpired term of the portfolio.

Resolved –

That the completion of this property transaction under delegation by the Director of Finance be noted.

44 **INVESTMENT MONITORING WORKING PARTY MINUTES**

The Director of Finance submitted a report that provided Members with the minutes of the Investment Monitoring Working Party held on 8 September 2010.

Resolved - That the minutes of the IMWP be agreed.