

# **Merseyside Pension Fund**

# **Compliance Manual**

**March 2012**

## **PREAMBLE**

This manual sets out the codes of behaviour and business conduct which are required of investments section staff of Merseyside Pension Fund (MPF, “the Fund”) and ensures that their procedures and operations comply with the relevant legislation and best practice.

Although these procedures are generally commonsense, at times they may seem trivially obvious and at other times unnecessarily complex. However, it is essential that we adhere to the contents of this manual, both in the letter and spirit of them, to ensure that MPF maintains its required professional standards.

The manual is intended to provide a framework for good practice but, for full operational details, reference should be made to the appropriate office procedure note or to the source Wirral guidance.

## **SECTION 1**

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## SECTION 2

### SCOPE, AVAILABILITY AND RELEVANCE OF COMPLIANCE MANUAL

- 2.1 This manual sets out the codes of behaviour and business conduct which are required of Investments employees of Merseyside Pension Fund and ensures that their procedures and operations comply with the relevant legislation and best practice.
- 2.2 The manual identifies current areas of operation and sets agreed requirements for them. It also details a verification programme to monitor adherence to these requirements.
- 2.3 This document has been approved by the Director of Finance and Pensions Committee. The contents of the manual are binding on all employees, to the extent that they are relevant. From time to time, employees will be required to provide a signed confirmation that policies within this manual and forming part of it have been read, understood and will be adhered to.
- 2.4 In all cases where an employee is in doubt as to the application of the manual, he must ask his line manager or the Fund Accountant (Compliance) before taking any action.
- 2.5 A copy of this manual can be found with the following persons:
- The Head of Pension Fund  
Fund Accountant (Compliance)  
It is also accessible in electronic form at:  
F/Investments/Compliance/Compliance Manual 2012

### 2.6 Basis for Compliance

- 2.6.1 MPF is a public service pension scheme regulated by statute through the Department for Communities and Local Government (DCLG). It is a contributory final salary scheme, which is contracted out of the Second State Pension and is exempt approved for tax purposes.
- 2.6.2 Wirral Council is set up under Statutory Instrument 1987 No. 1579 to be the administering authority for the Merseyside Pension Fund. The Council as administering authority of MPF is required:
- To make arrangements for the proper administration of the financial affairs of the Fund and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance.
  - To manage the affairs of the Fund to secure economic, efficient use of resources and safeguard its assets.

2.6.3 As a pension fund, operated by an administering authority, Wirral Council, MPF should ensure that its procedures conform to certain standards set by external and internal bodies. These standards form the basis of this document.

### **Relevant Legislation**

Superannuation Act 1972  
Local Government Act 1972  
Local Government Pension Scheme Regulations 1997 (as amended)  
Local Government Pension Scheme Transitional Provisions Regulations 2008 (as amended)  
Local Government Pension Scheme (Administration) Regulations 2008 (and subsequent amending regulations)  
Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (and subsequent amending regulations)  
Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009  
Financial Services & Markets Act 2000

### **Codes of Practice from regulatory bodies/professional bodies**

Code of Practice on Local Authority Accounting in the United Kingdom  
Statements of Recommended Practice  
Financial Services Authority  
The Pensions Regulator (TPR) formerly known as Occupational Pensions Regulatory Authority  
National Association of Pension Funds  
The Chartered Institute of Public Finance and Accountancy

### **Wirral Council**

Constitution of the Council  
Guidelines for Financial Systems  
Information and Communications Technologies Security Policy  
Code of Practice for the use of Internet and Electronic Mail  
Gifts and Hospitality  
Conflict of Interest  
Code of Conduct for Employees

## **SECTION 3**

### **OVERVIEW OF THE FUND**

#### **3.1 Introduction**

3.1.1 The purpose of this section is to provide a background to the structure of the Fund and the responsibilities of its Members and Officers.

#### **3.2 Relationship of Merseyside Pension Fund and Wirral Council**

3.2.1 Wirral Council is an 'administering authority' under the Local Government Superannuation Regulations 1999 and, as such, is simply authorised to manage assets held for the scheme and carry out any other specified activities associated with the operation of the scheme. The authority is not authorised to give investment advice generally.

3.2.2 Due to this status, the Fund is not required to be regulated by the FSA in order to operate its business. It is regulated by DCLG.

3.2.3 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.

3.2.4 Under its Constitution, the council delegates, under Section 101 of the Local Government Act 1972, responsibility for the County of Merseyside Pension Fund to Pensions Committee. Responsibility and accountability for administering the Fund rests with Pensions Committee.

#### **3.3 Pensions Committee**

##### **3.3.1 Membership**

The committee is comprised of fifteen voting members, ten from 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.

##### **3.3.2 Functions**

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, and in particular the following:

- To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance of the Fund.

- To appoint and terminate professional advisers to, and external managers of, the Fund and agree the basis for their commission and remuneration.
- To receive actuarial valuations of the Fund and determine the level of employers' contributions necessary to balance the Fund.
- To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the scheme.
- To consider any views expressed by employing organisations, staff representatives and other stakeholders relating to the Fund.
- 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 Pensions Committee.
- 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).

3.3.3 The Committee has delegated certain powers to the Director of Finance. The following function is delegated to the Director of Finance pursuant to Section 101 of the Local Government Act 1972 and by the Executive under Section 15 of the Local Government Act 2000.

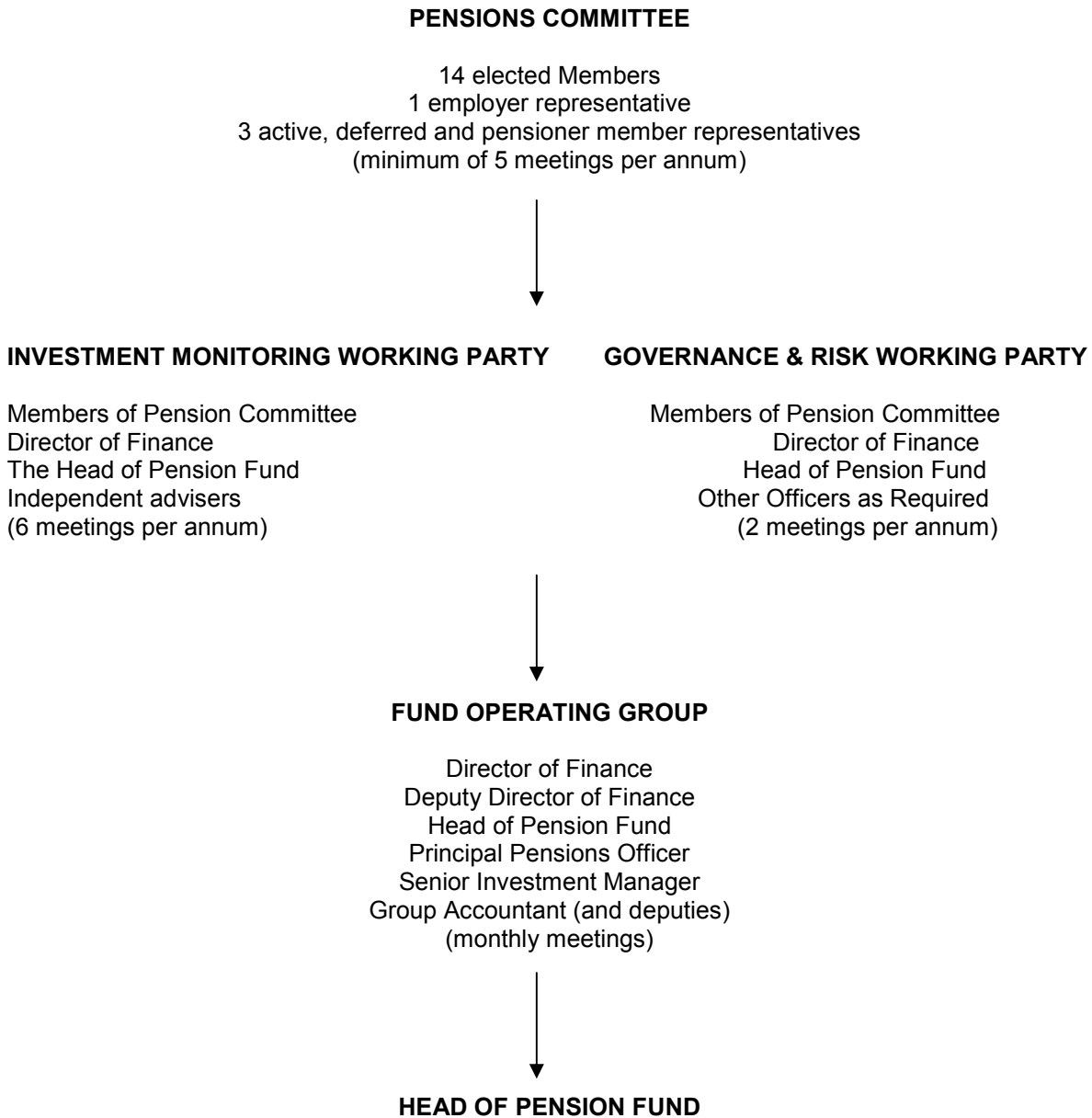
*“Undertake all day to day administration of Merseyside Pension Fund within the policy laid down by Pensions Committee including the authorisation of admission agreements with transferee admission bodies pursuant to Best Value arrangements, as required by the Local Government Pensions Scheme Regulations.”*

*“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.”*

3.3.4 The framework of delegation and limits of authority are detailed in sections 3.4 and 5.4.7

### 3.4 Investment making decision structure

3.4.1 The structure for the management of the Fund is as follows:



### 3.5 The functions for the various elements are as follows:

#### 3.5.1 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.



**3.5.2 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 Pensions Committee.

**3.5.3 Governance & Risk Working Party (GRWP)**

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

**3.5.4 Fund Operating Group (FOG)**

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

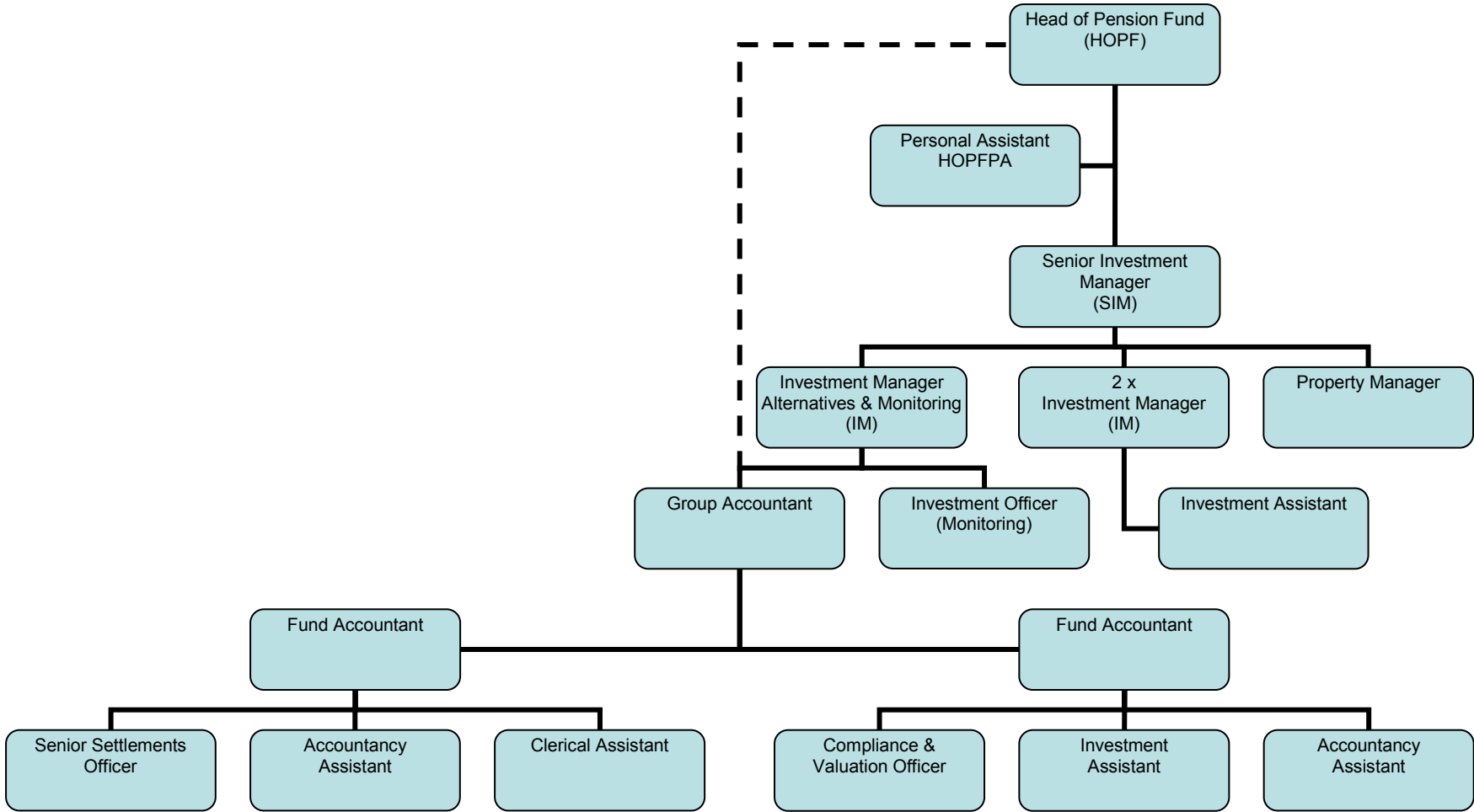
**3.5.5 Head of Pension Fund**

Responsible to the Director of Finance 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.

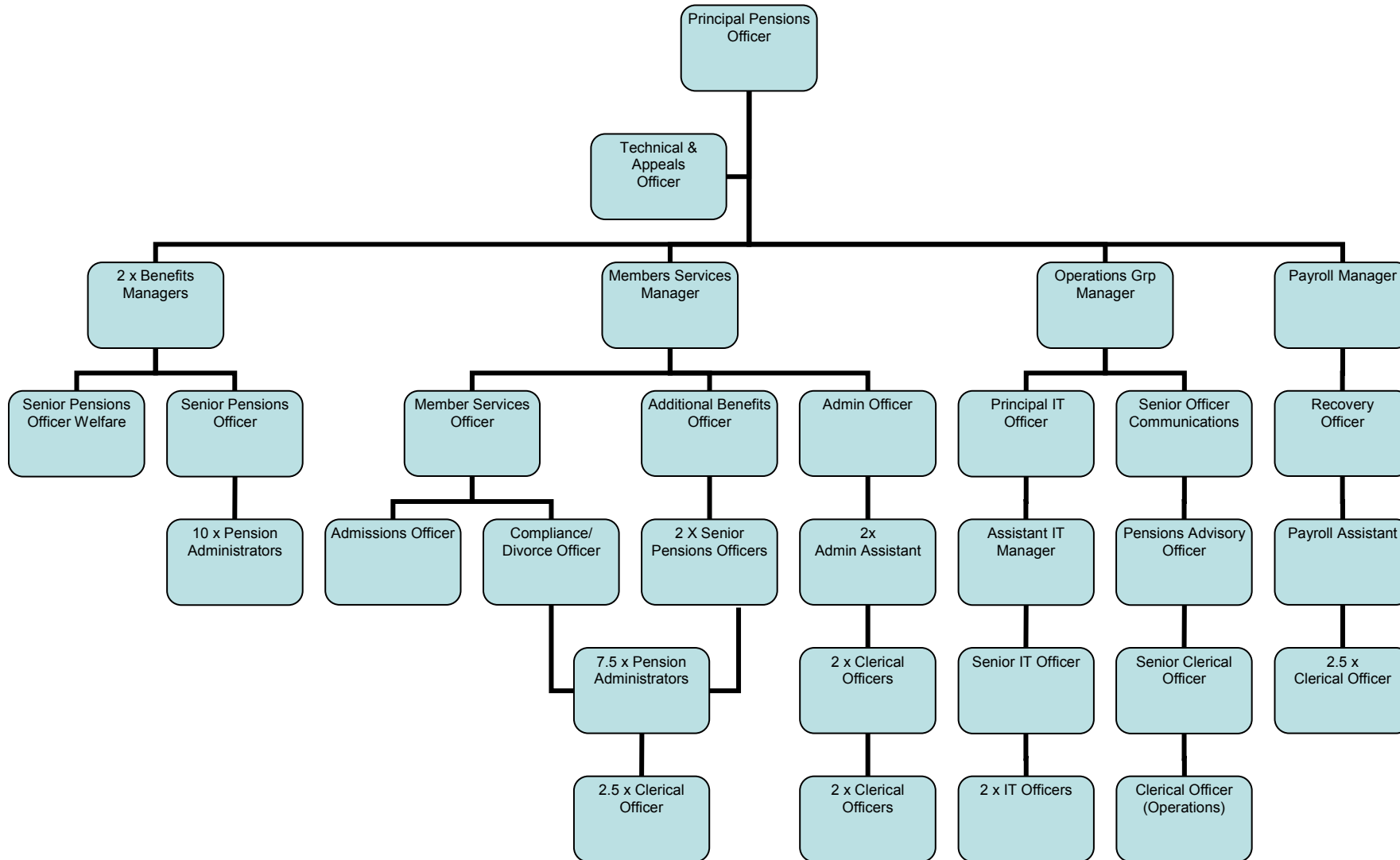
**3.6 Structure of Merseyside Pension Fund**

See 3.6.1 and 3.6.2

### 3.6.1 Pensions Investments



### 3.6.2 Pensions Administration/Benefits



## SECTION 4

### SOURCES OF COMPLIANCE / BEST PRACTICE

#### 4.1 Introduction

4.1.1 The Fund is bound to comply with certain internal and external requirements. These are listed in section 2.6 and are covered in more detail in this section.

#### 4.2 Relevant Legislation/Statutory Instruments

##### 4.2.1 Financial Services and Markets Act 2000

Replaced the Financial Services Act 1986 and sets out the regulatory framework for the financial services industry.

##### 4.2.2 Superannuation Act 1972

This Act sets out the terms and conditions of the Local Government Pension Scheme.

##### 4.2.3 Local Government Act 1972

This Act and subsequent revisions outlines the financial framework of local government.

##### 4.2.4 Various Local Government Pension Scheme Regulations:

Local Government Pension Scheme Regulations 1997 (as amended)  
Local Government Pension Scheme (Administration) Regulations 2008 (and subsequent amending regulations)  
Local Government Pension Scheme Transitional Provisions Regulations 2008 (as amended)  
Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (and subsequent amending regulations)  
Local Government Pension Scheme Investment Regulations 2009

#### 4.3 Codes of Practice from regulatory bodies/professional bodies

##### 4.3.1 The Code of Practice on Local Authority Accounting in the United Kingdom

The Code specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position of a local authority. The Code is based on approved accounting standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

#### 4.3.2 Statements of Recommended Practice (SORPs)

Statements of recommended practice relevant to pension funds are issued by the Accounting Standards Board and set out the requirements of financial statements produced by the Fund. The SORP is to be used when The Code cannot be applied to an accounting treatment.

#### 4.3.3 Financial Services Authority (FSA)

Established when the Chancellor of the Exchequer announced the reform of financial services regulation in the UK and the creation of a new regulator. The Securities and Investments Board (SIB) formally changed its name to the Financial Services Authority in October 1997 and the first stage of the reform of financial services regulation was completed in June 1998, when responsibility for banking supervision was transferred to the FSA. The Financial Services and Markets Act, which received Royal Assent in June 2000 and was implemented on 1 December 2001, transferred to the FSA the responsibilities of several other organisations:

- Building Societies Commission
- Friendly Societies Commission
- Investment Management Regulatory Organisation
- Personal Investment Authority
- Register of Friendly Societies
- Securities and Futures Authority

The Fund is exempt from FSA regulation as it is administered by a local authority and does not manage any third party assets or provide any investment advice to external parties. However, as a market participant, the Fund and its Officers are subject to regulations such as the Code of Market Conduct. The Fund is regulated by the Department for Communities and Local Government (DCLG).

The FSA will be replaced in 2013 by 2 newly created organisations:

Prudential Regulation Authority (PRA) – a subsidiary of the Bank of England, to be responsible for micro-prudential regulation.

Financial Conduct Authority (FCA) – to be responsible for conduct regulation.

### **4.4 Wirral Council**

4.4.1 The Constitution of the Council sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

Some of the processes are required by law, while others are a matter for the Council to choose.

It also formalises how the Council delegates its powers and responsibilities to the various committees and officers.

Consequently, these constitutional requirements are central to the Fund's operations.

A copy of the Constitution is available from the Head of Pension Fund. It is also accessible in electronic form.

#### 4.4.2 Guidelines for Financial Systems

This is a document issued by Internal Audit. It includes guidance on the treatment of income, expenditure, assets and other items.

#### 4.4.3 Information and Communications Technologies Security Policy

This document details the procedures in order to safeguard the provision of services and the Council's interests and includes physical assets, access to the information on those assets, services continuity, users of the systems and equipment and compliance with legislation.

#### 4.4.4 Code of Practice for the use of Internet and Electronic Mail Facilities

This document outlines the policy adopted by the Council for the acceptable use of computer network facilities, including electronic mail and the Internet.

#### 4.4.5 Gifts and Hospitality

This policy details the procedure that must be followed on any occasion where a gift or hospitality is offered to an employee.

#### 4.4.6 Conflict of Interest

This policy details the procedure to be followed when declaring a potential conflict of interest, including nil declarations.

#### 4.4.7 Employees Code of Conduct

This policy describes the standard of conduct that is expected from employees of Wirral Council.

### 4.5 **Best Practice**

4.5.1 Underpinning all of the FSA's requirements are its Principles for Businesses and Approved Persons. Although the Fund is not required to implement the FSA's rules underlying these principles, they

represent best practice and, where applicable, should be taken into account by employees in undertaking their duties.

4.5.2 There are eleven principles for businesses and up to seven principles for individuals which in some cases reflect similar themes to principles for businesses. These are summarised below.

#### 4.5.3 **The Principles for Businesses**

1. Integrity. A firm must conduct its business with integrity.
2. Skill, care and diligence. A firm must conduct its business with due skill, care and diligence.
3. Management and control. A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
4. Financial prudence. A firm must maintain adequate financial resources.
5. Market conduct. A firm must observe proper standards of market conduct.
6. Customers' interests. A firm must pay due regard to the interests of its customers and treat them fairly.
7. Communications with clients. A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.
8. Conflicts of interest. A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.
9. Customers: relationships of trust. A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.
10. Clients' assets. A firm must arrange adequate protection for clients' assets when it is responsible for them.
11. Relations with regulators. A firm must deal with its regulators in an open and cooperative way, and must disclose to the FSA appropriately anything relating to the firm of which the FSA would reasonably expect notice.

#### 4.5.4 **Principles for approved persons**

An Authorised Firm has approved persons and other staff. Approved persons carry out controlled functions and therefore have responsibilities for a firm complying with and working within the FSA's regulations. An approved person is an individual whose performance of one or more controlled functions has been approved by the FSA.

There are up to seven principles for approved persons. The first four apply to all approved persons, whereas only the last three apply to persons who carry out a significant influence function (generally directors and senior management). Irrespective as to whom the principles apply directly, indirectly they affect us all, as tasks that are the responsibility of an individual under regulation are often carried out by delegation to staff generally, and therefore in fulfilling the tasks allocated to them to the best of their ability, staff will be assisting those charged with responsibilities under this set of principles to fulfil their duties. The principles are set out below.

Apply to all approved persons:

1. An approved person must act with integrity in carrying out his controlled function.
2. An approved person must act with due skill, care and diligence in carrying out his controlled function.
3. An approved person must observe proper standards of market conduct in carrying out his controlled function.
4. An approved person must deal with FSA and with other regulators in an open and cooperative way and must disclose information of which FSA would reasonably expect notice.

The following apply only to those carrying out a significant influence function:

5. Must take reasonable steps to ensure that the business of the firm for which he is responsible in his controlled function is organised so that it can be controlled effectively.
6. Must exercise due skill, care and diligence in managing the business of the firm for which he is responsible in his controlled function.
7. Must take reasonable steps to ensure that the business of the firm for which he is responsible in his controlled function complies with the regulatory requirements on that business.

4.6 In addition to the principles above a full audit trail should always exist.

4.7 Continuing Professional Development



Where applicable, all staff are required to hold documentary evidence that the professional training they have undertaken meets the requirements of the Fund's CPD policy. CPD files must be made available for review by the Fund Accountant (Compliance).

#### 4.7.1 CPD Policy

Where applicable, all staff must comply with the Fund's CPD policy which is modelled on the Chartered Institute for Securities and Investments CPD requirements.

## SECTION 5

### MANAGEMENT OF INVESTMENTS

#### 5.1 Introduction

- 5.1.1 The Head of Pension Fund is delegated to make decisions on investments in accordance with the Fund's asset allocation determined by Pensions Committee.
- 5.1.2 This is delegated to the Investments team at the discretion of the Head of Pension Fund.

#### 5.2 Compliance Requirements

- 5.2.1 Investment activity by the Investments team should follow the asset allocation determined by Pensions Committee as detailed in the Statement of Investment Principles. Deals or a series of deals for internally managed funds should not exceed tolerance boundaries.
- 5.2.2 Externally managed funds should be scrutinised by the Monitoring Officers to ensure that any investment activity is within mandate.
- 5.2.3 The Policy for Monitoring of Investment Mandates, approved by Pensions Committee every 3 to 4 years, sets out a programme for planned reviews and procurement exercises for external mandates. The Investment Team is responsible for monitoring the performance of external investment mandates between these exercises. This policy also sets out the parameters for escalation of reporting to Director of Finance, or other action by Investment officers, when performance of these mandates breaches set trigger points. The Compliance Team will conduct an annual review of the IMWP reports to ensure compliance with this policy.

#### 5.3 Dealing

- 5.3.1 Trades should only be made where they are in the interests of the Fund. Although the following points relate specifically to equities, they represent best practice and, to the extent that they are relevant, should be taken into account when dealing in other asset classes.
- 5.3.2 Best execution

When executing an order, the Fund must always attempt to achieve best execution i.e. the best available price in the market given the nature and size of the transaction.

The Fund will be deemed to have achieved best execution where:

- the Fund relies on another person to whom it passes the order to provide best execution but only if it has taken reasonable care to ensure that he will do so or
- for SETS traded stocks if the order is dealt on SETS

### 5.3.3 Timely execution

Once the Fund has decided in its discretion to execute a current order it must do so as soon as reasonably practicable.

The only circumstances when this does not apply are if the Fund has taken reasonable steps to ensure that postponing the execution of a current order is likely to enhance the terms on which the order is executed.

### 5.3.4 Aggregation and timely allocation

Although unlikely to be applicable to it, the Fund may not aggregate orders unless it is likely that the aggregation will not work to its disadvantage. Where orders are aggregated, allocation should be completed within one business day.

Where an order is only partially executed, allocation should be on a pro-rata basis.

- 5.3.5 On execution of a deal, an electronic dealing ticket will be completed. Each ticket will have a unique macro generated reference number. All sections of the ticket must be completed as the ticket is used as a prime document for setting up accounting records. The completed ticket will be emailed to the Compliance and Valuations team and to the Senior Settlements Officer. The tickets do not require a physical signature as long as they are sent from the Investment Managers own Wirral email address. If the trade is above the individual manager's dealing limit then the ticket will be emailed to the SIM or HOPF who will then forward the ticket on to the teams adding their authorisation in the process. See appendix 4 for guidance on completing the tickets.

## 5.4 **Dealing Procedures and Limits**

### 5.4.1 **Fixed Interest**

All fixed interest holdings are managed externally as at December 2011.

### 5.4.2 **Quoted equities**

For internally managed funds, deals are determined in accordance with the Fund's stock selection process.

## **Alternatives**

### **5.4.3 Venture Capital/Private Equity**

Investments are determined in accordance with the Fund's selection policy for a private equity/venture capital funds.

All strategic decisions regarding venture capital are reported to FOG.

### **5.4.4 Hedge Funds**

Investments are determined in accordance with the Fund's selection policy for alternative investments.

All strategic decisions regarding alternative investments are reported to FOG.

### **5.4.5 Property**

Direct property transactions are undertaken following consultation with the Fund's property advisors. Approval should be sought from the Head of Pension Fund prior to making an investment. In some cases the value of the transaction will be above the HOPF limit and additional approval must be sought from the Director of Finance.

Indirect property transactions are determined in accordance with the Fund's selection policy.

All strategic decisions (i.e. changes to the strategic portfolio allocations) regarding property are reported to FOG.

### **5.4.6 Treasury**

Transactions are undertaken in accordance with the Treasury Management Policy and Strategy which is approved annually by Pension's Committee.

The Head of Pension Fund has delegated limits to place 'cash' on deposit with banks and building societies within the deposit limits list approved by the Committee. These are set out in the Treasury Management: Policy and Strategy paper.

#### 5.4.7 Limits of Delegated Authority

Employees must not make deals which are above their delegated limits of authority. These are set out below for the various asset classes:

<b>Asset Class</b>	<b>Authoriser</b>	<b>Limit: £</b>
<b><u>Equities</u></b>		
Benchmark	IM	5m
	SIM	10m
	HOPF	25m
Non Benchmark	IM	2.5m
	SIM	5m
	HOPF	25m
<b><u>Alternatives</u></b>		
Liquid	IM	5m
	SIM	10m
	HOPF	25m

Multiple trades of a particular investment within 30 days of the initial trade date must not exceed the Investment Managers deal limit as indicated above.

All trades in illiquid assets are to be authorised by the HOPF. An illiquid asset is one which cannot have a sale completed within 90 days.

Benchmark stocks are included in the index that is being used to measure their performance, non-benchmark stocks are not.

In addition to the limits described above the HOPF has the following dealing limits:

Between managers	£50 m
Asset Allocation Switch	£50 m
Property	£25 m
Private Equity	£25 m
All other trades	£25 m

Approval for transactions in excess of these amounts must be sought from the Director of Finance, or his deputy and documented accordingly.

It should be noted that when an investment is in a foreign currency these limits may be exceeded slightly by fluctuations in the exchange rate on the day of approval.

A file note must be produced for any transaction that requires approval from a higher level e.g. if an Investment Manager (IM) seeks approval from the Senior Investment Manager (SIM) for a particular trade then a file note must accompany this request and signed by the SIM if approved (or declined).

Any underwriting or sub-underwriting undertaken by the Fund is subject to the same delegated limits as above.

Any employees who are undertaking a temporary promotion to an Investment management role are subject to the authorisation limits that would be in place for that role on a permanent basis.

## **5.5 Price Sensitive Information**

5.5.1 In order to ensure that the requirements of the Companies Securities Act (Insider Dealing) 1985 are met, business meetings should be conducted behind closed doors and any sensitive matters should not be discussed in the main office.

5.5.2 In order to ensure that the requirements of the Companies Securities Act (Insider Dealing) 1985 are met, any confidential documents should be filed away in a locked cabinet.

5.5.3 In order to ensure that the requirements of the Companies Securities Act (Insider Dealing) 1985 are met, if the Fund becomes aware of any inside information on a particular company, then the Fund Accountant (Compliance) should be made aware of the name of that company, in writing, to preclude any connected person dealing in the securities of that compliance.

## **5.6 Transaction File Notes**

The investment staff responsible must ensure that as a complement to electronic dealing tickets, an up-to-date transaction note is held on file for all investments in their respective portfolios. For the purposes of this manual, "up-to-date" indicates that there is documented evidence of a review of the holding within the past 24 months. In addition, staff must complete file notes of all meetings with managers/investments. These file notes should be prepared in accordance with the agreed template and made available in the public file.

## **SECTION 6**

### **PERSONAL CONDUCT ARRANGEMENTS**

#### **6.1 Introduction**

6.1.1 The nature of work undertaken by the officers and the requirement to ensure that the integrity of officers is not open to question means that officers must adhere to certain conditions in their private and work dealings. These include the handling of price sensitive information, private conflict of interests, roles on boards, acceptance of gifts and hospitality, the handling of shareholder benefits accrued from assets held by the Fund and personal dealings in investments.

#### **6.2 Personal dealings**

6.2.1 Employees of the Fund must not use confidential information, gained in the course of business, for private gain or to reduce a private loss. Employees must be cognisant of the Code of Market Conduct and Market Abuse and ensure that this is adhered to at all times when making personal deals. Consequently, whenever staff make investment decisions for their own personal account they must note:

- Fund orders always take priority.
- No member of staff should gain, or seek to gain, any advantage for his own personal investment as a consequence of deals done on behalf of the Fund.
- Insider trading is unlawful. No employee should seek to take advantage of inside information or pass such information on to other parties. (Refer section 5.5).
- Anything that may otherwise constitute a market abuse must be avoided at all times.

#### **6.3 Personal dealings procedure**

6.3.1 Staff must report all personal deals to the Fund Accountant (Compliance) in accordance with the procedure below.

#### **6.4 Scope of Reporting Requirements**

##### **6.4.1 General presumption**

6.4.2 Whenever you wish to conduct a personal deal in Securities (see 6.12), you must assume that you need to apply for permission in advance of dealing. That presumption can only be overturned in the circumstances outlined under the exceptions (see 6.10 and 6.11).

6.4.3 The rules on personal dealings apply to employees on their own account and are designed to prevent any dealings that could give rise to criticism of the Fund.

## **6.5 Obtaining prior approval**

6.5.1 For dealings requiring prior approval, you must always obtain permission from the Fund Accountant (Compliance) or his delegate, in accordance with the procedure laid down, before dealing.

## **6.6 What is a personal deal?**

6.6.1 Any deal which is:

- executed on your instructions or advice and in which you or any member of your close family (see 6.6.2) has a beneficial interest
- by any company, portfolio, trust, partnership, investment club, or other entity which invests on your instructions or advice and in which you or your close family has a beneficial interest
- by you as a trustee of any trust or a personal representative of any estate (unless you are relying entirely on the advice of another person, such as an outside broker or solicitor)
- by you for the account of another person (except in your capacity as an employee).

6.6.2 Close family is defined as “any individual, joint, close family relative (e.g. mother, father, spouse, partner, child or stepchild living with you, or child under 18 years of age, irrespective of whether they are physically living with you), or business relationship outside the Fund.

6.6.3 The test is whether the officer or employee has influence over that person’s judgment as to how to invest his property or exercise any rights attached to it.

6.6.4 Dealings conducted by you at home and/or via the internet are of course included in the scope of these rules.

## **6.7 Validity of permission/procedure for declaration**

6.7.1 Employees and connected persons are required to seek prior written or email approval from the Fund Accountant (Compliance) and a Dealing Permission form (see appendix 2) must be completed. If the transaction does not take place within ten business days of receiving approval then fresh permission must be sought.

6.7.2 On a monthly basis, each individual to whom these rules apply will be required to notify the Fund Accountant (Compliance) via HOPF PA of all deals over the preceding month. Returns should be submitted within 10 days of each month end. Nil returns will be required. The Returns are emailed to all relevant members of staff by the HOPF PA.



- 6.7.3 The Fund Accountant (Compliance) will review returned forms and report to the Group Accountant on non-returned items and items which raise concern.
- 6.7.4 The Group Accountant will review the form of the Fund Accountant (Compliance).
- 6.7.5 The Group Accountant will report to the HOPF and FOG on a monthly basis. A quarterly review of all personal deals will be undertaken by the Director of Finance and evidence of this review will be included in FOG minutes. A template has been set up for these reviews.
- 6.7.6 It is recognised that details of individuals' holdings and dealings are confidential and information provided as a consequence of these rules will only be accessible to those employees involved in the reporting system and audit, unless malpractice is suspected.

## **6.8 Holding periods**

- 6.8.1 Employees and connected persons are not permitted to sell any security within one month of acquiring it without the prior approval of the Fund Accountant (Compliance).

## **6.9 Conflicts of interest**

- 6.9.1 A Conflict of Interest form (M15) must be completed each year by each employee of Merseyside Pension Fund. The forms are issued annually by the Head of Administration via email. The forms are printed off by the employee, completed, signed and passed to their line manager for any possible conflict to be assessed. Once assessed the form is passed back to the Head of Administration by the line manager for filing. The responsibility for the safekeeping of the completed forms lies with the Head of Administration.
- 6.9.2 Employees should declare any outside interest of a financial or non-financial nature that might cause a potential conflict of interest with their work for the Fund. This would include remunerated and non-remunerated posts such as directorships or employment external to the fund. Care must be taken when considering dealings, as opportunities may arise where an individual could be involved in a company, whether quoted or not, which the individual knows or ought to know is or has been involved in a commercial relationship with the Fund.

For guidance, you should notify dealings (i) in publicly listed companies in which you hold or will hold subsequent to dealing at least 1%; and (ii) for unquoted companies, a 10% holding which cost you at least £25,000 originally, or the equivalent in value.

## **6.10 Exempt dealings**

6.10.1 You do not need to report the following transactions to Compliance:

- dealing in gilts
- accepting a takeover offer
- taking up a rights issue for securities already held
- applying to a public offer
- transferring PEP or ISA securities to a member of your close family
- reinvesting dividends and other distributions under a standing election
- exempt discretionary dealings as stated below

## 6.11 Exempt discretionary dealings

6.11.1 Care is needed in taking a decision not to disclose under this heading, because the word 'discretionary' has various shades of meaning. For instance, some fund managers will act under an advisory discretionary relationship, in which case it may be the case that the discretion has been influenced to a greater or lesser degree by the client. You must therefore disclose any dealings in securities over which you participate to any extent, as these cannot be treated as exempt dealings. In cases of doubt, you must contact Compliance. The following are the exempt dealings.

- dealings in units or shares by a fund manager of a regulated collective investment scheme
- dealings in securities under life and pension policies over which you have no control
- continuing discretionary management of funds held for your benefit with third party managers over which you have no control

## 6.12 Definition of "Security/ies"

6.12.1 Unless an exemption applies, you must report dealings in all the following Securities, irrespective of whether the transaction was made in the UK or abroad:

- share or stock in the capital of a company
- debt instruments issued by a company or public sector body (bond deals)
- hybrid deals like permanent interest bearing shares for example
- futures/options
- warrants or depositary receipts
- contracts for difference including spread bets, whether or not financially based

**but** not investments in collective investment schemes (UTs, OEICs or limited partnerships).

## **6.13 Inducements**

6.13.1 Employees must not offer, give, request or accept any benefit which could induce:

- another person to introduce investment business to them
- them to place business with another person
- or in any way deter them from fulfilling their duties to the Fund.

## **6.14 Roles on Boards**

Employees may not accept roles on boards without prior written permission from the Director of Finance. The Fund Accountant (Compliance) must be informed immediately after permission has been granted/refused and evidence of the DoF's decision must be given to the Fund Accountant (Compliance) at the time of notification. All meetings attended must be disclosed to the Fund Accountant (Compliance) in advance of the meeting and all hospitality, travel and accommodation expenses, reimbursed out of pocket expenses and any salary must be declared to the Fund Accountant (Compliance) via email within one month of the meeting taking place.

## **6.15 Gifts & Hospitality**

6.15.1 The Council's policy in respect of gifts and hospitality is set out in full on the intranet and must be adhered to, along with the following guidance. For Fund employees, no employee or connected person may accept from any person any gift/hospitality or other benefit unless it is abundantly clear that, taking into account:

- the value of the gift/hospitality, and the circumstances in which it was given,
- there could be no suspicion in any one's mind that the recipient might be tempted to favour the giver to the prejudice of the Fund's interest.

In deciding whether or not it is appropriate to accept any gift or hospitality the following guidelines should be taken into account;

(a) There should be no cause for concern where an offer of hospitality is made by another non-commercial public body or one of its officers.

(b) Normal business courtesies, for example lunch and dinner invitations may be accepted where these follow or form part of a business meeting.

(c) Small gifts of modest value such as diaries and calendars may be accepted.

Hospitality/Entertainment is sometimes offered to senior officers as official representatives of the Fund and may be accepted in the following circumstances:

(a) If the Director of Finance can justify acceptance in the context of fulfilling duties as a representatives of the Fund e.g. speaking at a public conference or representing the Fund at business meetings.

(b) If the extent of the hospitality/entertainment is reasonable and is likely to be regarded as a normal part of the courtesies of public life e.g. a lunch or dinner invitation or social event offered at a conference or similar event to participants generally.

(c) If details of the hospitality/entertainment are recorded as soon as practicable in a register to be maintained by the Head of Pension Fund PA, reviewed by the Fund Accountant (Compliance).

Regarding hospitality, where an invitation is to an event involving a number of clients, there is unlikely to be an issue as organisations regulated by the FSA must, themselves, comply with the criteria issued by the FSA. Where an invitation is personal, greater discretion should be exercised. In all cases, where an organisation is seeking work or is likely to be tendering for a contract within six months, or there is a risk of a conflict of interest (actual or perceived), acceptance should be avoided.

When an unacceptable gift is received without warning, this should immediately be reported to the Fund Accountant (Compliance) who will decide whether the gift should be returned.

In some circumstances, individuals may consider a donation to the Mayor's Fund to be appropriate and, in attendance, should also evaluate the split between work and personal time.

## **6.16 Procedure for declaration**

Prior approval must be sought from the Director of Finance prior to acceptance of any hospitality.

Gifts and hospitality must be reported to Compliance on the appropriate form if they are above the monetary limits for reporting or if there are circumstances which a reasonable person might conclude would require reporting to Compliance.

The description of the gift/hospitality needs to be sufficient to allow a third party to assess accurately what the gift/hospitality is and to attribute a fair market value to it where this is not immediately obvious. It should also be recorded on the form whether events are group or individual events.

Compliance will not normally consider it necessary to report a gift or hospitality unless it exceeds £25 in value or, in aggregate, gifts or hospitality received from the same party over 6 months, exceeds £50 in value.

Employees are required to make a return on a monthly basis. Forms (see appendix 5) are available at [Gifts-Hospitality notification form](#). Returns should be submitted to the Head Of Pension Fund PA within 10 days of each month end and reviewed by the Fund Accountant (Compliance). They must include evidence of approval. The HOPF PA will also send the hospitality forms on to Wirral Council's Administration and Performance team who maintain a central register of all hospitality accepted/declined for the Finance department. This register is reviewed by the Deputy Director of Finance every six months.

The Fund Accountant (Compliance) will review the returned forms and report to the Group Accountant on non-returned items and items which raise concern.

Nil returns and notification of hospitality offers received and declined are required.

## **6.17 Whistleblowing**

In accordance with Council policy, the Fund is serious about tackling all forms of serious malpractice and abuse and needs the support of all employees to help take action by whistleblowing before real damage is done.

It is an individual's responsibility to whistleblow if there are genuine concerns about the mistreatment of people; financial malpractice; dangers to health and safety; and cover-ups.

Full details of the Council's policy on whistleblowing can be found in The Confidential Reporting (Whistleblowing) Policy.

## **6.18 Confidentiality**

### **6.18.1 Employees**

(a) must not disclose information given to him in confidence by anyone, without the consent of a person authorised to give it, or unless he is required by law to do so and

(b) must not prevent another person from gaining access to information to which that person is entitled by law.

## **6.19 Home Working**

The Council's policy is set out in full on the intranet. Some of the principles governing working from home are set out below.

Working at home in MPF Investments arises in two different types of situation:

- (a) regular – as part of the normal working week under a formal arrangement and subject to a detailed agreement;
- (b) specific – where there is a particular task to be done (usually with some urgency) and the work can be done with less distraction at home.

In setting up a regular arrangement, a detailed discussion with management is required to appraise how service needs might be affected and how access to the required resources is obtained. The formal process includes consideration of equipment requirements as well as a health and safety check of the home premises. In practice each arrangement requires to be considered on its attributes and costs kept to a minimum.

In all circumstances, there needs to be a clear performance expectation and an understanding of the consequences if such is not delivered. A diary record is to be maintained of home working assignments, and the employee is required to be available for contact between 9 a.m. and 5 p.m. on a nominated landline and mobile phone. A form also needs to be completed confirming that expectations were met.

Agreement to home working is at management's discretion and, in the absence of an approved regular arrangement, must always be sought in advance with the appropriate Section Head or the Head of Pension Fund. Unauthorised absence may be considered as an act of indiscipline warranting formal action. There must always be adequate cover in the office and the efficient functioning of the Fund is an overriding consideration.

## **SECTION 7**

### **CUSTODY OF ASSETS**

#### **7.1 Custodians**

7.1.1 The custodians used to hold the assets of MPF must be approved and the Fund's relations to those custodians must be set out in written agreement.

#### **7.2 Stock lending**

7.2.1 The Fund in association with its Custodian should have documentation in place with borrowing counterparties which is adequate and appropriate having regard to the investments being lent. The terms and conditions of lending should be appropriate to the markets in which lending takes place (for example by reference to the Stock lending and Repo Committee's Stock Borrowing and Lending Code of Guidance), and to the other circumstances of the transaction, in particular, the various types of risk involved in the transaction.

#### **7.3 Reconciliation**

7.3.1 The Fund should seek to ensure that its custodians deliver a valuation of its assets within 20 business days of the date of the valuation.

7.3.2 The Fund should, as often as is necessary, perform a reconciliation of its record of safe custody investments for which it is accountable but which it does not physically hold, with statements obtained from custodians, and in the case of dematerialised safe custody investments not held through a custodian, statements obtained from the person who maintains the record of legal entitlement.

7.3.3 If the Fund is unable to obtain no statements of clients' entitlement from unit trust managers, operators of ICVCs or administrators of offshore mutual funds, it need perform a reconciliation of those holdings only as often as the statements are received but no less than every 6 months.

7.3.4 The Fund should endeavour to perform the reconciliation of its holdings within 25 business days of the date to which the statements are received.

7.3.5 For those assets not held with its custodian, the Fund should, as often as necessary, but no less than every 12 months, carry out a count of all safe custody investments it physically holds and reconcile the result of that count with its record of physically held safe custody investments.

## SECTION 8

### REPORTING AND NOTIFICATION REQUIREMENTS

#### 8.1 Transaction Disclosures

##### 8.1.1 Rules Governing Disclosure

#### **The FSA's Disclosure Rules and Transparency Rules**

The Fund is required to notify the issuing company and The FSA of changes of voting rights over certain percentage thresholds that occur as a result of an acquisition or a sale. Different percentage thresholds apply to voting rights in UK and non-UK companies.

The Fund has no obligation to notify where it holds shares with no voting rights.

Note that the percentage of overall voting rights can increase or decrease (so as to require a notification) without the Fund actively doing anything at all.

For UK companies the relevant integer percentages which trigger the requirement to notify are 3% and every whole 1% thereafter.

For example, if the Fund purchases shares in company X which entitle the Fund to 3% of the voting rights at general meetings of company X, a notification of the holding must be made to both company X and the FSA. If the Fund then increases the holding to 4% of voting rights at general meetings, a notification must again be made to company X and the FSA. However, if instead the Fund purchases shares taking the holding to only 3.5%, there is no obligation to notify, as the percentage holding has not moved across a whole percentage point since the last notification. A relevant decrease in holding will also trigger the obligation to notify. So, if the Fund reduces its percentage of overall voting rights from 4.1% to 2.9%, two notifications will be required. No further notifications will be required for any additional reductions below 3%.

For non-UK companies the relevant percentages which trigger the requirement to notify are 5%, 10%, 15%, 20%, 30%, 50% and 75%. As for UK companies, any increase or decrease in the holding over the relevant integer percentage threshold will require a notification.

Where the Fund learns (or should have learnt) or is informed of a change in its holding that requires notification, it must notify the issuing company and the FSA within two trading days in the case of a UK company, or four trading days in the case of a non-UK company.



### 8.1.2 The Takeover Code

The rules only apply during the offer period of a take-over bid for shares relating to either of the offeror or offeree that are on the Takeover Panel's Disclosure Table.

Rule 8 sets out various notification requirements that should be made to the Panel on Take-overs and Mergers (POTAM), dependent upon the percentage holdings held in a company's shares.

### 8.1.3 Code, Rule 8.3, the "1% Rule"

Where a holding of 1% or more is attained in a company's shares, then this must be disclosed to the Panel and a Regulatory Information Service, or if an OFEX security, then to Newstrack, by 12 noon the next business day after the trade date. Additionally, any purchases or sales of shares whilst over the 1% holding, including a sale which would then bring the holding below 1%, must also be disclosed to those two bodies.

### 8.1.4 Code, Rule 9

No holdings in excess of 29.9% of the issued shares of a UK company are permitted. Under Rule 9 of the Code, a mandatory offer has to be made for the remaining shares of the company once 30% is held or controlled.

### 8.1.5 Substantial Acquisition Rules, ("SARs"), Rules 3 and 5

15% or more holdings

Where the Fund holds 15%+ in the shares of a UK company and these shares were acquired through market purchases and not through new issues of shares, then a disclosure under SARs Rule 3 is required in addition to any other disclosures under S198 (see above) or the Code.

A disclosure must be made when the 15% level is reached and every time the holding increases through a whole percentage point (e.g. from 14.2% to 15.3% or 16.7% to 17.4%). This disclosure must be made to the Panel and a RIS by 12 noon the business day following the trade date.

8.1.6 The responsibility for highlighting and making disclosures is clearly established. It is incumbent on the individual investments managers or monitoring officers to notify the Compliance Assistant or Fund Accountant (Compliance) of any relevant disclosures to be made. Once informed, Compliance should ensure that disclosure is made in the relevant timescale.

8.1.7 Should an issuing company serve notice under Section 793 of the Companies Act 2006 requiring information about interests in its shares the Fund is required to confirm the interest within reasonable time as may be specified in the notice.

## 8.2 **Pensions Committee**

Reports should be made to Pensions Committee for all delegated activities as required in the Constitution of the Council.

## 8.3 **Annual Report & Accounts**

The Fund is required to publish its Report and Accounts on an annual basis, by no later than seven months after its year end.

## 8.4 **Statement of Investment Principles**

The Fund is required to state compliance with the six principles of investment practice as set by CIPFA. The statement should be reviewed annually and updated if significantly changed.

## 8.5 **Treasury Management: Policy and Strategy**

The Treasury Management and Policy Statement requires that the Pensions Committee approves an annual plan and strategy for each year.

## 8.6 **Treasury Management Annual Report**

To comply with CIPFA requirements, the Fund is required to make an annual report to Pensions Committee on the performance of the Treasury function, on the effect of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's Treasury Management Policy and Strategy and practices.

## 8.7 **Funding Strategy Statement**

The Local Government Pension Scheme (Amendment) Regulations 2008 require that each Administering Authority revise and publish a funding strategy statement (FSS) wherever there is a material change in either the policy on matters set out in the FSS or the Statement of Investment Principles (SIP).

## 8.8 **Freedom of Information Act 2000**

8.8.1 The Freedom of Information Act 2000 (FoI) was passed on 30 November 2000 and became effective 1 January 2005. The Act gives a general right of access to all types of "recorded" information held by

public authorities, sets out exemptions from that right and places a number of obligations on public authorities.

8.8.2 Details of the Act and Wirral's publication scheme are available on the Council's website.

8.8.3 Under the Act, every public authority is required to adopt and maintain a Publication Scheme. The purpose of a scheme is to ensure that a significant amount of information is available, without the need for a specific request. Schemes are intended to encourage organisations to publish more information pro-actively and to develop a greater culture of openness.

There are a number of exemptions from providing information:

1. Information accessible by other means
2. Information intended for future publication
3. Personal information
4. Information provided in confidence
5. Commercial interests

The scope of these exemptions and other helpful information is available in a guidance note issued jointly by CIPFA and LAPFF which is held by the Fund Accountant (Compliance).

#### 8.8.4 **Implications for the Fund**

The Fund operates in an environment where a considerable amount of the information available to it has potential to be commercially and financially sensitive.

In particular, employees should be aware of the commercial sensitivity of contractual agreements between the Fund and external service providers. Information on fee and service arrangements is generally subject to confidentiality clauses. Performance data should not be disseminated indiscriminately. Employees should consider these implications and the potential for other data to implicitly provide information of this nature before responding to requests.

Information exempted from publication at cabinet or committee can be withheld.

In the first instance, requests should be referred to the Fund Accountant (Compliance) to be logged and allocated to the appropriate individual/function. There should be appropriate liaison with the central contact at Wirral.

Under the FoI, requests must be responded to within 20 working days.

If the time taken to collate the information is less than 18 staff hours, the information should be provided at no cost. If it exceeds this time, the cost is deemed to be in excess of £450 and payment of the full costs can be demanded prior to the information being released.

The CIPFA Pensions Panel has released guidance on “dealing with requests for information relating to local authority pension funds”. This is held by the Fund Accountant (Compliance).

Where information is withheld the reply must contain certain statutory information. Guidance has been issued by Legal Services in this respect.

#### **8.8.5 Records Management Policy and Corporate Retention Policy**

Reference should be made to these two essential policies, in relation to information management and record keeping.

The majority of the Fund’s records should be retained for 7 years i.e.

- Accounts & audit reporting
- Financial Transactions Management
- Summary Assets management
- Asset Monitoring & Maintenance
- Bank Account Records
- Expenditure Records
- Ledger Records
- Receipt and Revenue Records

#### **8.9 Anti-Money Laundering**

The Council’s anti-money laundering policy and guidance notes are available on the intranet.

Only those staff dealing with relevant business need to comply with client identification procedures and ensure record keeping procedures. However, all staff are required to follow the anti-money laundering reporting procedure.

The Fund’s dealings with certain admission bodies means that, under the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007, the Fund is deemed to be carrying on “relevant business”. The implication of this is to bring the Fund’s activities under this legislation and confers a higher duty of care on staff in identifying and reporting potential money laundering activity.

In practice, the potential for money laundering is virtually nil. In the Investments area, the only funds received, apart from contributions, are a consequence of the Fund’s investment activity and money laundering activity is not relevant to this. With regard to contributions, these are

received from local councils and other admission bodies whose credentials have been established in the admissions process. The Fund is not involved in payments to AVC providers. In theory, the only area where there is some potential for illegal activity would be an individual buying additional years. The Fund's administration team should be alert to the potential for this.

## **SECTION 9**

### **ACCOUNTING, TREASURY AND SETTLEMENTS ADMINISTRATION**

#### **9.1 Introduction**

9.1.1 The purpose of this section is to identify compliance requirements for the accounting, treasury and settlements functions.

#### **9.2 Activities of treasury and settlements functions.**

9.2.1 The treasury/settlements function must initiate payments and confirm receipt of funds resulting from the execution of investment decisions.

9.2.2 The treasury/settlements function must monitor the bank accounts of the Fund and reconcile bank statements to internal records.

9.2.3 The treasury/settlements function also has a duty to ensure that there are adequate funds available for the settlement of investments.

#### **9.3 Compliance requirements**

9.3.1 Payments must only be authorised after receipt and checking of dealing ticket and fax from broker confirming deal, or the equivalent written, supporting documentation for other asset transactions.

9.3.2 All payments must be authorised appropriately.

9.3.3 Documentation relating to settlements should be retained securely in accordance with document retention requirements.

9.3.4 Reconciliation of bank statements should be completed by accounting and settlements staff and signed by the Group Accountant/Fund Accountant (Operations) as evidence of review.

9.3.5 The treasury function should ensure that cash balances are adequate at all times for current requirements. Any actual or anticipated breaches must be reported to the Group Accountant.

9.3.6 The spreadsheets produced on a daily basis and used to make cash management decisions, together with the resultant payment instructions should be signed by the Fund Accountant (Compliance) or delegate as evidence of review.

#### **9.4 Activities of accountancy function**

9.4.1 The accountancy function includes the collection of contributions from contributing authorities, the drawing up of final accounts for the Fund,

dealing with auditors, production of financial information for Fund management and the checking of re-charges from Wirral Council.

**9.5 Compliance requirements of accountancy function**

- 9.5.1 Performance targets for collection of contributions should be monitored.
- 9.5.2 Persistent late payers of contributions should be followed up in accordance with TPR regulations.
- 9.5.3 Audit reports should be discussed with the relevant staff and appropriate responses made within a reasonable time.
- 9.5.4 Accounts should be completed in line with Code of Practice on Local Authority Accounting in the United Kingdom requirements.
- 9.5.5 Budget Monitoring reports should be checked on receipt and reconciled to Fund records. Any errors should be corrected in a timely manner and all amounts owing to Wirral Council, both 1 Business expenditure and recharges, should be paid within one month of the end of the period in question.
- 9.5.6 VAT Returns should be completed and submitted to Wirral Council in a timely basis, in accordance with Wirral Council timetable, usually on or before the 15<sup>th</sup> of each month.

## **SECTION 10**

### **COMPLIANCE PROGRAMME**

#### **10.1 Introduction**

10.1.1 The purpose of this section is to set out the Compliance Monitoring Programme.

#### **10.2 Activities**

10.2.1 The purpose of this manual is to identify relevant Compliance requirements for the areas of activity of the Fund. It is the responsibility of the Fund Accountant (Compliance) to ensure that the Compliance requirements identified in this manual are followed.

10.2.2 This will be achieved either through the completion of tasks by the Fund Accountant (Compliance)/Compliance Officer or the review of work by other officers by the Fund Accountant (Compliance)/Compliance Officer. This is defined as the Compliance Programme.

#### **10.3 Compliance Requirements**

10.3.1 The Fund should have a Compliance Manual, written in accordance with professional standards.

10.3.2 The Compliance Manual should be agreed by Senior Officers and Pensions Committee as binding on employees.

10.3.3 All employees should be issued with a compliance manual on starting and the manual will be circulated after each review, which occurs every three years. Any interim amendments/updates will be immediately circulated. All relevant employees will be requested to sign a slip to confirm that they have received, read, understood and agree to comply with the compliance requirements.

10.3.4 The Fund Accountant (Compliance) must formulate a Compliance Programme which monitors compliance with all Compliance requirements.

10.3.5 There should be adequate procedures in place to ensure that compliance programme is completed even in the absence of key staff.

10.3.6 The reports for Compliance Programme must be filed in line with planned timetable.



10.3.7 The Compliance Manual should be updated as required on a regular basis and a definitive reviewed manual presented to Pensions Committee every three years.

## Section 11

### FURTHER READING

The following documents should be read in conjunction with this manual:

<b>Document</b>	<b>Location</b>
Constitution of the Council	Wirral Intranet – Wirral Councillors
Guidelines for Financial Systems	Wirral Intranet A-Z
Information & Communications Technologies Security Policy	Wirral Intranet - ITS
Code of Practice for the use of Internet and Electronic Mail Facilities	Wirral Intranet A-Z
Mobile Phone Policy	Wirral Intranet A-Z
Gifts & Hospitality	Wirral Intranet A-Z
Conflicts of Interest	Wirral Intranet A-Z
Dealing Permission Form	See Appendix 2
Dealing Notification Form	See Appendix 3
Code of Market Conduct	See Fund Accountant (Compliance) for latest version
Statement of Investment Principles	Reviewed annually and updated if significantly changed see MPF Internet site
Treasury Management Policy and Statement	Reviewed annually see Fund Accountant (Compliance) for latest version
Treasury Management Annual Report	Reviewed annually see Fund Accountant (Compliance) for latest version

<b>Document</b>	<b>Location</b>
Funding Strategy Statement	See Fund Accountant (Compliance) for latest version
Confidential Reporting (Whistleblowing) Policy	Wirral Intranet A-Z
Freedom of Information Policy	See Fund Accountant (Compliance) for latest guidance
Corporate Records Management Policy	Wirral Intranet Corporate Records Management Service
Corporate Retention Policy	Wirral Intranet Corporate Records Management Service
Anti-Money Laundering Policy	Wirral Intranet A-Z
TPR Regulations	See TPR Website
Code of Practice on Local Authority Accounting in the United Kingdom	See Fund Accountant (Compliance)
SORP	See Group Accountant for latest version
MPF Procedures for HMRC Tax	See Line Manager
Deal Ticket Completion Procedures	See Appendix 4
Travel and Subsistence Policy (including Overseas Visit Policy)	Wirral Intranet A-Z
Company Barclaycard Policy	Wirral Intranet A-Z
Continuous Professional Development (CPD)	See Fund Accountant (Compliance)
Policy for Monitoring of Investment Mandates	See Fund Accountant (Compliance)

**APPENDIX 1**

**Confirmation of receipt of Compliance Manual**

To be completed by:

All Investment Section employees, Director of Finance, Deputy Director of Finance and Authorised Signatories.

Name .....

Post .....

I confirm that I have read and familiarised myself with the Compliance Manual. I note that failure to comply with the procedures (particularly those relating to personal conduct) may result in disciplinary action being taken against me.

Signed .....

Date .....

**APPENDIX 2**

**DEALING PERMISSION FORM**

To be completed prior to dealing in any security, requiring prior approval, in accordance with the Compliance Manual, section 6

**NAME OF INDIVIDUAL:** .....

**DATE PERMISSION SOUGHT:** .....

Please detail below all the securities in which you wish to deal.

Description of Security

(These details are notified to Compliance in strict confidence)

**PERMISSION GRANTED/DENIED\***

**AUTHORISERS SIGNATURE** .....

\*Delete as applicable

Please pass form to Compliance for filing immediately.

**APPENDIX 3**

**DEALING NOTIFICATION FORM**

To be completed on a monthly basis.

**MONTH TO WHICH THIS FORM RELATES:** .....(MM/YY)

**NAME OF INDIVIDUAL:**.....

Please detail below all the securities, requiring prior approval, in which you have dealt this month. Nil returns are required.

Date of deal	Buy/Sell (B/S)	Number of shares	Description of Security	Registered holder (e.g. you, close family, nominee)

(These details are notified to Compliance in strict confidence)

I confirm that, to the best of my knowledge, the information provided on this form is accurate and complete.

**SIGNATURE OF INDIVIDUAL**.....

*Please pass form to Compliance for filing within 10 days of month end.*

## APPENDIX 4

### DEAL TICKET COMPLETION PROCEDURE

Each Investment Manager has their own Deal Ticket Template in their own file (see filepaths) called DEAL TICKET TEMPLATE.dot.

- F:\Investments\Deal Tickets\Greg\
- F:\Investments\Deal Tickets\Leyland\
- F:\Investments\Deal Tickets\Paddy\
- F:\Investments\Deal Tickets\Allister\
- F:\Investments\Deal Tickets\Susannah\

- Open the DEAL TICKET TEMPLATE.dot through My Computer.
  - Click Start – My Computer and then navigate to your folder above.

**N.B. The template must be opened this way for it to allocate you the correct Reference Number.**

- Click Yes to enable macros when prompted. (If you are not prompted go to Tools – Macro – Security... and change the security level to medium).

When the Deal Ticket Template opens it will automatically update the next reference number in your sequence.

It will also automatically save the document in your Previous Deal Tickets folder so that you cannot overwrite the template.

- Fill in the deal ticket in Word with as much information as you can.
- In the Signature: Investment Manager box in the Other Information and Sign Off section fill in your name.
- Leave the Signature: SIM / HoPF box blank.
- The Reporting Details section is to be completed if the security is non custody. Please try to include contact details of the relevant person / department.
- Leave the Settlements section blank.
- When the document has been completed click File – Send to – Mail Recipient (as Attachment...)

- If you have any supporting documentation you can attach it to the e-mail now in the usual way.
- If the deal ticket does not need to be authorised by a Senior Investment Manager or the Head of the Pension Fund send the e-mail to [mpfcashflow@wirral.gov.uk](mailto:mpfcashflow@wirral.gov.uk).
- If the deal ticket does need to be authorised send the e-mail to the relevant person for authorisation.
- Click the Save button and then close the document.

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### Authorisation

On receipt of deal ticket that needs authorisation open the deal ticket attached to the e-mail and check the details are correct.

If the details are correct input your name in the Signature: SIM / HoPF box in the Other Information and Sign Off section of the deal ticket, click the save button and close the document.

On the e-mail, click File – Save.

Forward the e-mail to [mpfcashflow@wirral.gov.uk](mailto:mpfcashflow@wirral.gov.uk).

If the details are incorrect, inform the Investment Manager (*do not forward to mpfcashflow*).

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### Settlements

Once the deal ticket has reached mpfcashflow check the dealing limits and authorisation against the Compliance Manual. If all is in order fill in the settlements section and state in the Notes area that Dealing Limits and Authorisation have been checked along with your initials. Then e-mail the deal ticket to [mpfcompliance@wirral.gov.uk](mailto:mpfcompliance@wirral.gov.uk).

If there is any missing information, errors, the dealing limits are exceeded or authorisation is incorrect the authoriser / investment manager must be informed and the deal not placed until the matter is resolved.

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### Compliance

On receipt of the deal ticket to [mpfcompliance.gov.uk](mailto:mpfcompliance.gov.uk) and member of the compliance team will check the following:



- The nature of the investment falls within the remit of the portfolio it is investing in.
- The dealing limits / authorisation have been checked.
- Is a 3% disclosure notice required?

Once compliance is satisfied that all is correct the final version of the deal ticket is saved as a pdf file in F:\Investments\Compliance\Dealing Tickets.

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### Reference Numbers

When you open the deal ticket template the reference number will automatically update to the next reference number in your sequence.

If for any reason you need to change this open the Settings.txt file in your folder and change the number after Order= to the number before the reference number you require.

For example if you require reference number LO/2009/**009** the line in the Settings.txt file need to be Order=**8**.

Save and close the text file.

**APPENDIX 5**



**M17**

**Gifts and Hospitality Dec**

Employee Name: \_\_\_\_\_  
 Employee No: \_\_\_\_\_ Post No: \_\_\_\_\_  
 Designation: \_\_\_\_\_  
 Band/Grade: \_\_\_\_\_  
 Department: \_\_\_\_\_  
 Section: \_\_\_\_\_

**Declaration of Gift and/or Hospitality**

Employees must declare any Gift or Hospitality below (see guidance overleaf).

Date Offered/Provided:	
Provider of Gift/Hospitality:	
Nature of Gift/Hospitality:	
Where Offered/Provided:	
Reasons:	
Is The Organisation Seeking Work?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Estimated Value:	£
Offer Accepted:	<input type="checkbox"/> Yes <input type="checkbox"/> No
Disposal Arrangements:	
Employee's Signature:	Date:
The completed form should be reviewed by the employee's manager and signed to indicate they have discussed any potential issues.	
Manager's Signature:	Date:
Comments:	
<i>For Internal Use Only (the original form will be retained on the employee's personal file)</i>	
Date Entered on Departmental Register:	

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## **Gifts and/or Hospitality**

Employees should be extremely careful about accepting gifts and hospitality (including entertainment). Acceptance of gifts and hospitality in inappropriate circumstances can lead to allegations of impropriety or even criminal charges. The law relating to corruption is set out in the Public Bodies Corrupt Practices Act 1889, the 1905 and 1916 Prevention of Corruption Acts and the Local Government Act 1972. In essence it is a criminal offence under the 1889-1916 legislation to corruptly receive directly or indirectly (or give) any gift, loan, fee, reward or advantage as an inducement or reward to do or not do anything as the officer of a local authority. Under the 1972 Act it is a criminal offence for an officer to accept any fee or reward, other than proper remuneration under cover of his/her office or employment.

### **Gifts**

With the exceptions listed below, an employee should refuse any personal gift (including cash) offered to him/her or to a member of his/her family by any person who has, or seeks, dealings with the Authority, and the offer should be reported to the Chief Officer of the department concerned.

1. A trivial gift of promotional character given to a wide range of people and not uniquely to the employees. These gifts are usually given at Christmas time and include calendars, diaries, desk charts, flow charts, tape measures, scales and other articles of use in the office or for the job.
2. Trivial gifts on the conclusion of any courtesy visit to a factory or firm of a sort normally given by that firm.

Obviously it is wise to err on the side of caution; and obviously an expensive gift should raise a question, even if it otherwise falls within one of the above categories. If in doubt, the advice of the superior officer should be sought. When a gift is to be refused, this should be done with tact because the offering of gifts is common practice in the commercial world. However, occasionally it may be appropriate with the agreement of the Chief Officer to pass on a gift or cash to the Mayor to receive on behalf of the Council or to a reputable charity to avoid giving offence.

### **Hospitality/Entertainment**

Hospitality/Entertainment is sometimes offered to senior officers as official representatives of the Authority and may be accepted in the following circumstances:

1. If the appropriate Chief Officer can justify acceptance in the context of fulfilling duties as a representative of the Authority;
2. If the extent of the hospitality/entertainment is reasonable and is likely to be regarded as a normal part of the courtesies of public life;
3. If details of the hospitality/entertainment are recorded as soon as practicable in a register to be maintained by each Chief Officer.

However, special caution is needed where the host is a private individual or seeking to do business with the Authority or to obtain a decision from it or has been involved with the Authority commercially. It is important to avoid any suggestion of undue influence and therefore in these circumstances hospitality/entertainment should normally be avoided with the exception of modest refreshments provided during discussions/negotiations. Again, any hospitality/entertainment received should be registered.

**Any breach of these guidelines could result in disciplinary action being taken.**

<b>Name</b>	<b>Position</b>	<b>Date Received</b>	<b>Received by</b>
Lee Bridge	Senior Settlements Officer		
Yvonne Caddock	Principal Pensions Officer		
Greg Campbell	Investment Manager		
Craig Cole	Investment Assistant		
Ian Coleman	Director of Finance		
Paddy Dowdall	Investment Manager Alternatives & monitoring		
Malcolm Flanagan	Head of Revenues, Benefits & Customer Services		
Alison Fraser	Accountancy Assistant		
Susannah Friar	Investment Manager Property		
Allister Goulding	Investment Manager		
Guy Hayton	Operations Manager		
Joseph Hull	Accountancy Assistant		
Steven King	Fund Accountant (Compliance)		
Adil Manzoor	Compliance & Valuation Officer		
Leyland Otter	Senior Investment Manager		
Geoff Paterson	Head of IT Services		
Margaret Rourke	Deputy Principal Pensions Officer		
Sue Roberts	Member Services Manager		
Thomas Sault	Head of Financial Services		
Donna Smith	Group Accountant		

David Taylor-Smith	Deputy Director of Finance		
Owen Thorne	Monitoring Officer		
Chris Tosh	Fund Accountant (Operations)		
Peter Wallach	Head of Pension Fund		
Emma Jones	PA To Head of Pension Fund		
Adam Williamson	Investment Assistant		