

PENSIONS COMMITTEE

Tuesday, 18 September 2012

Present:

Councillor P Glasman (Chair)

Councillors G Davies AR McLachlan
T Harney C Povall
S Hodrien H Smith
M Hornby G Watt
AER Jones S Mountney (dep for
Cllr Adam Sykes)

Councillors N Keats, Knowsley Council
J Fulham, St Helens Council

In attendance:

P Wiggins UNISON

Apologies

Councillors Adam Sykes
J Hanson
P Tweed

Mr P McCarthy, (NonDistrict Council
Employers)

19 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

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

Councillor N Keats declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund.

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

20 MINUTES

The Acting Director of Law, HR and Asset Management submitted the minutes of the meeting held on 25 June, 2012.

Resolved – That the minutes be received.

21 ORDER OF BUSINESS

The Chair agreed to vary the order of business.

22 LGPS UPDATE

A report of the Interim Director of Finance informed Members of the recent informal Local Government Association employer and respective Trade Union member consultations; undertaken to ascertain the level of support of the LGPS 2014 benefit design proposals.

The report also covered the key provisions of the LGPS (Miscellaneous) 2012 Regulations and Merseyside Pension Fund's role in increasing employer awareness of the statutory duties and compliance requirements under Auto-Enrolment legislation.

Merseyside Pension Fund had submitted a response, dated 26 July, 2012, to the consultation and this was attached as an Appendix to the report.

It was reported that the (Miscellaneous) Regulations 2012 had been laid before Parliament on 1 August 2012 and would come into force from 1 October 2012. The regulations made technical amendments to assist in the delivery of Scheme provisions and corrective references to ensure compliance with other legislation. The Statutory Instrument was attached as an Appendix to the report.

Resolved – That the report be noted.

23 **ACCOUNTS 2011/12**

A report of the Interim Director of Finance presented the Pensions Committee with the audited statement of accounts of Merseyside Pension Fund for 2011/12 (subject to outstanding matters) and responded to the Annual Governance Report (AGR) from Audit Commission.

The purpose of the Statement of Accounts was to present the overall financial position of the Pension Fund as at 31 March 2012; in accordance with prescribed guidance.

A response to the AGR was contained in the appendices to the report and it was reported that Officers had agreed to all of the suggested adjustments to the accounts and to the recommendations.

The Interim Director of Finance had prepared a Letter of Representation on behalf of the Committee which gave assurances to the District Auditor on various aspects relating to the Pension Fund.

It was reported that the Audit Opinion would be issued following final completion of the audit, consideration of the Annual Governance Report and approval of the amended Statement of Accounts at both the Pensions Committee and the Audit & Risk Management Committee.

The District Auditor had indicated that he would again issue an unqualified opinion, and stated that the accounts presented fairly the financial position of Merseyside Pension Fund as at 31 March 2012. Subject to this, the accounts as now shown would form the basis of the Annual Report for the year ended 31 March 2012.

Resolved – That;

1) the Pensions Committee have considered and noted the amendments to the draft accounts, the Annual Governance Report and the Letter of Representation and the audited Statement of Accounts for 2011/12 be approved.

2) the Action Plan within the Annual Governance Report be agreed, and that the Pensions Committee be informed of progress with its implementation.

3) the recommendations be referred to the Audit & Risk Management Committee.

24 AC ANNUAL GOVERNANCE REPORT

The District Auditor gave a presentation on the Annual Governance Report summarising the findings of the 2011/2012 audit of Merseyside Pension Fund and responded to Members questions.

Resolved – That the report be considered and noted.

25 LAPFF CONFERENCE BOURNEMOUTH

A report of the Interim Director of Finance recommended the Committee to approve attendance by the Chair and the Executive Board member at the Local Authority Pension Fund Forum (LAPFF) Annual Conference, organised by PIRC, to be held in Bournemouth from 28 to 30 November 2012.

Resolved – That the Chair of the Pensions Committee, Councillor Pat Glasman and Councillor Geoffrey Watt attend the Local Authority Pension Fund Forum (LAPFF) Annual Conference.

26 ANNUAL EMPLOYERS CONFERENCE

A report of the Interim Director of Finance informed the Pensions Committee of the arrangements for the annual Employers' Conference that would be held on Thursday 15 November 2012.

It was reported that the 2012 conference would be held at Aintree Racecourse on Thursday 15 November.

In addition to the annual reports on investment performance and the administration of the Pension Fund over the previous year, a presentation would be given by Paul Middleman from Mercer, the Fund Actuary and Jeff Houston, Head of Pensions at the Local Government Association.

Members were invited to attend the Conference and further details would be circulated to all Members of this Committee as soon as arrangements were finalised.

Resolved – That the report be noted.

27 DRAFT ANNUAL REPORT

A report of the Interim Director of Finance provided Members with the Draft Annual Report of Merseyside Pension Fund for 2011/12.

A copy of the Annual Report was made available for Members at the meeting.

Resolved - That the Draft Annual Report of Merseyside Pension Fund be approved for publication.

28 **NAPF CONFERENCE**

A report of the Interim Director of Finance recommended the Pensions Committee to consider attendance by Members at the National Association of Pension Funds (NAPF) Annual Conference that would be held in Liverpool from 17 to 19 October 2012.

Resolved – That

1) attendance at the NAPF conference by Members be approved.

2) Members wishing to attend the conference notify the Head of Pension Fund to enable the necessary registration and administration to be undertaken.

29 **PROFESSIONAL PENSIONS AWARDS**

A report of the Interim Director of Finance informed the Committee that Merseyside Pension Fund had been shortlisted in the DB Communications (public) category at the Pension Scheme of the Year Awards 2012.

The report also requested that Members approve attendance by the Chair to represent the Fund at the ceremony.

Resolved - That attendance at the awards ceremony be approved.

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

Resolved – That in accordance with section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business, on the grounds that it involves the likely disclosure of exempt information as defined by the relevant paragraphs of Part 1 of Schedule 12A (as amended) to that Act. The public interest test has been applied and favours exclusion.

31 **INVESTMENT MONITORING WORKING PARTY (IMWP) MINUTES - 04 SEPTEMBER 2012**

A report of the Interim Director of Finance provided the Pensions Committee with the minutes of the Investment Monitoring Working Party (IMWP) held on 4 September 2012.

The appendices to the report, the minutes of the IMWP on 4 September 2012, contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the

financial or business affairs of any particular person (including the authority holding that information).

Resolved - That the minutes of the IMWP which were attached as an exempt appendix to the report be approved.

32 **PROPERTY INSURANCE**

A report of the Interim Director of Finance updated the Pensions Committee on progress with the procurement exercise for insurance for the Fund's property portfolio and made recommendations that related to the appointment for this contract for a period of 3 and a half years from 25 December 2012.

The appendix to the report, (Assessment of tenders for provision of Insurance to MPF Property portfolio), contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Resolved - That the acceptance of the preferred tender, as outlined in the exempt appendix, be approved.

33 **GOVERNANCE & RISK WORKING PART MINUTES 12/07/12**

A report of the Interim Director of Finance provided members with the minutes of the Governance & Risk Working Party (GRWP) held 12 July 2012.

An exempt report on the agenda, the minutes of the GRWP on 12 July 2012, contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Resolved – That the minutes of the Governance and Risk Working Party held on 12 July, 2012 be approved.

34 **UNFUNDED PENSION LIABILITIES**

A report of the Interim Director of Finance informed members of the details of the annual review undertaken by the Fund Actuary of the potential unfunded liabilities for admission bodies as at 31 March, 2012.

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

It was reported that the results of the previous admission bodies liability review as at 31 March 2011 was considered by the Pensions Committee on 27 June 2011 (Minute 28 refers). In accordance with the Committee decision on 22 March 2000 (Minute 52 refers) officers were also asked to specifically monitor the potential unfunded liabilities in respect of premature closure of admission bodies with high levels of

potential liability (£250,000 or more). This had been carried out by the Actuary undertaking an annual funding review and the Fund requesting and examining annual reports and accounts from the relevant organisations.

The details in respect of the latest review of potential unfunded liabilities for admission bodies at 31 March 2012 were attached within the exempt appendices to the report.

Resolved – That;

1) the Pensions Committee gave consideration and agreed that having regard to the current difficult financial circumstances and the reasonableness and practicality of implementation, that the bond requirements for Community Admission Bodies are not increased but instead are retained at the current 2010 levels. However, Employers would be informed of the potential unfunded liabilities to increase awareness of their financial obligations.

2) the Pensions Committee agree that the level of funding guarantees provided by local authorities or other statutory bodies to the Fund would however continue to be increased in accordance with the amount of the unfunded liability.

35 APPOINTMENT OF PROVIDER OF PASSIVE INVESTMENT MANAGEMENT SERVICES

A report of the Interim Director of Finance informed the Pensions Committee of the outcome of a procurement process to appoint a provider of passive investment management services to Merseyside Pension Fund and recommended that Members approve the award of the contract to the organisation recommended. The detail of the recommendation was provided in the Exempt Appendix to this report.

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

Resolved – That the appointment of the organisation recommended in the exempt appendix to provide passive investment management services to the Fund be agreed.

36 ALTAIR IMPLEMENTATION UPDATE

A report of the Interim Director of Finance updated Members on progress with the implementation of the Altair Pensions Administration system, and reported a contract variance in accordance with Contract Procedural Rules and recommended that the option to extend the contract for two years (from December 2014 to December 2016) was taken up. The contract variance has arisen because of a lack of a contingency in the original plan to allow for upgrades and on going maintenance.

The appendix to the report, (Update on Altair, Implementation and Costs), contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, i.e. Information relating to the financial or

business affairs of any particular person (including the authority holding that information).

Resolved – That

1) the progress report on the implementation of the Altair Pensions Administration system be noted.

2) the contract variation contained within the exempt appendix be noted.

3) the option to extend the contract with Heywood for provision of a pensions administration IT system for two years (from December 2014 to December 2016) be agreed.

4) future IT contracts and project plans include in the contingencies within the costing analysis for potential upgrades and migration issues.

37 ADMISSION BODY APPLICATION - BALFOUR BEATTY

A report of the Interim Director of Finance informed the Pensions Committee of the decision taken under delegation to approve the application received from Balfour Beatty Workplace Limited for admission to Merseyside Pension Fund as a Transferee Admission Body. The company had secured a premises officer contract with Knowsley Council – Springfield and the Elms School for the period from 6 August 2012 to 31 August 2034.

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

Resolved – That the approval of the application for admission to the Merseyside Pension Fund of Balfour Beatty Workplace Ltd be noted.

38 ADMISSION BODY APPLICATION - HEALTH MANAGEMENT LTD

A report of the Interim Director of Finance informed the Pensions Committee of the decision taken under delegation, to approve the application received from Health Management Ltd for admission to Merseyside Pension Fund as a Transferee Admission Body. The company had secured the occupational health services contract at Liverpool City Council from 1 September 2012 for three years initially with an option for a further one year extension.

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

Resolved – That the approval of the application for admission to the Merseyside Pension Fund of Health Management Ltd be noted.