

PENSIONS COMMITTEE

Monday, 24 June 2013

<u>Present:</u>	Councillor	AR McLachlan (Vice-Chair)	
	Councillors	G Watt G Davies S Hodrien	H Smith M Hornby C Povall
	Councillors	N Keats, Knowsley Council J Fulham, St Helens Council	
<u>In attendance:</u>		P Goodwin (Unison)	
<u>Apologies</u>	Councillors	P Glasman T Harney A Jones P Tweed P Hurley	
		Mr P Wiggins (Unison) Mr P McCarthy	

1 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked 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 Norman 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.

2 MINUTES

The Strategic Director Transformation and Resources submitted the minutes of the meeting held on 25 March 2013.

Resolved – That the minutes be received.

3 PAUL WIGGINS

The Chair informed the Committee of a number of apologies for this meeting including that of Paul Wiggins, UNISON representative who had recently had a period of ill health requiring a stay in hospital. The Chair was pleased to inform members that he was now on the road to good health and offered the Committee's best wishes for a speedy recovery.

Resolved – That members of the Pensions Committee send their good wishes to Paul Wiggins for a speedy recovery.

4 ORDER OF BUSINESS

The Chair agreed to vary the order of business.

5 MERSEYSIDE PENSION FUND - EXTERNAL AUDIT PLAN 2012-13.

The Strategic Director of Transformation and Resources submitted the Audit Plan for Merseyside Pension Fund.

Resolved – That the report be noted.

6 LGPS UPDATE

A report of the Strategic Director of Transformation and Resources updated Members on the technical responses from MPF to the second round of Statutory Consultations in regard to the new LGPS from 1 April 2014.

In addition, the report summarised the draft Miscellaneous Amendments Regulations 2013 in relation to the current Scheme and also gave an overview of the intended national communication strategy to promote understanding of the new Scheme.

It further covered the enactment of the Public Service Pension Act 2013 and MPF's response to the recent DWP consultation on Automatic Enrolment simplification.

MPF submission dated 3 May 2013 to DCLG Consultation on Draft LGPS 2013 Regulations, MPF submission dated 24 May 2013 to DCLG Consultation on Draft Transitional Provisions and Draft Miscellaneous Amendment Regulations 2013 and MPF submission dated 3 May 2013 to DWP Consultation on Technical Changes To Automatic Enrolment were included as appendices to the report.

Yvonne Caddock, Principal Pensions Officer, outlined the key issues of the report and responded to members comments.

Resolved – That the report be noted.

7 ANNUAL INVESTMENT PERFORMANCE

A report of the Strategic Director of Transformation and Resources set out the investment performance of Merseyside Pension Fund for the year ended March 2013 as calculated by the WM Company.

Resolved – That

1 the report be noted.

2 the officers be congratulated on the success of the Fund.

8 TREASURY MANAGEMENT ANNUAL REPORT

A report of the Strategic Director of Transformation and Resources presented a review of treasury management activities within Merseyside Pension Fund (MPF) for the 2012/13 financial year and reported any circumstances of non-compliance with the treasury management strategy and treasury management practices. It had been prepared in accordance with the revised CIPFA Treasury Management Code.

Peter Wallach, Head of Merseyside Pension Fund, outlined the key issues of the report and responded to members questions.

Resolved – That the Treasury Management Annual Report for 2012/13 be noted.

9 **BUDGET FINANCIAL YEAR 2013/2014, BUDGET OUT TURN 2012/13 AND ANNUAL REPORT 2012/13.**

A report of the Strategic Director of Transformation and Resources requested that Members note and approve:

- The finalised budget for the financial year 2013/14.
- The out-turn for the financial year 2012/13.
- The 3 year budget for MPF as required for the annual report

It was reported that there were no significant changes from the original report in January in terms of the out-turn for 2012/13 and for the budget for 2013/14. The budget for 2013/14 including the out-turn for 2012/13 and the original appendix as reported to Members on 15th January 2013 were included as appendices to the report for information.

Resolved – That

1 the finalised budget for 2013/14 with revised estimates for departmental & central support charges for 2013/14 and finalised salary costs be approved.

2 the 2012/13 Annual Report including 3 year financial estimates be approved.

3 the out turn for 2012/13 be noted.

10 **LGC INVESTMENT SUMMIT**

A report of the Strategic Director of Transformation and Resources requested nominations to attend the LGC Investment Summit to be held in Newport, South Wales from 5-6 September 2013.

Resolved – That attendance at the conference be approved in principle in the ratio 1:1:1.

11 **PENSIONS ADMINISTRATION STRATEGY STATEMENT**

A report of the Strategic Director of Transformation and Resources informed the Pension Committee of the required update to the Pensions Administration Strategy

Statement, to reflect recent procedural changes resulting from the introduction of new legislation.

A copy of the Pensions Administration Strategy 2013 was attached as an appendix to the report for information.

Resolved - That the amendments to the Pensions Administration Strategy Statement attached as appendix 1 to the report be approved.

12 OFFICIAL OPENING OF GWYNEDD AD PLANT.

A report of the Strategic Director of Transformation and Resources sought approval for the Chair of Pensions Committee to attend the official opening of the Gwynedd Anaerobic Digestion Plant on 2 July 2013.

It was reported that MPF was currently the sole investor in the fund which had successfully won three tenders, two of which were in Wales. Construction of the first plant, "Prosiect GwyriAD" is completing. The facility would treat 11,000 tonnes of food waste from local households and businesses, all of which could otherwise be sent to landfill. The plant was fully licensed and regulated by the Environment Agency and would generate 3,500 MWh per annum of renewable electricity and a biofertiliser for use on local farmland. It was the first AD plant to be commissioned by the Welsh Assembly and be completed. In recognition of this, a formal opening ceremony had been organised by Gwynedd Council and, as funder of the project, MPF had been invited.

Resolved – That attendance at this ceremony of the Chair of the Pensions Committee and the Head of the Pensions Fund be agreed.

13 COMPLIANCE MANUAL - SECTION 6 PERSONAL CONDUCT ARRANGEMENTS.

A report of the Strategic Director of Transformation and Resources sought the Committees approval of a revised Compliance Manual Section 6, Personal Conduct Arrangements.

A copy of the Compliance Manual Section 6 Personal Conduct Arrangements was attached as an appendix to the report.

Resolved - That the revised Section 6, Personal Conduct Arrangements of the Compliance Manual be approved.

14 TACTICAL ASSET ALLOCATION

A report of the Strategic Director of Transformation and Resources requested that the Pensions Committee approve a framework for active management of medium term asset allocation.

Appendix 2 to the report contained exempt information. This is 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).

Aon Hewitt attended the meeting and presented a report on the Principles of MTAA and the proposals for implementation. An earlier version of this report had been presented to members at the meeting of the IMWP on 12 March 2013. Members questions were invited and responded to.

Resolved – That

- 1 a framework for active management of medium term asset allocation including the following key aspects be approved:**
 - **the setting up of a MTTA panel as outlined in the appendix.**
 - **the appointment of an overlay manager subject to completion of due diligence work by Aon Hewitt (This would be delegated to officers and reported to Committee in September).**
 - **the provision of additional services from Aon Hewitt as MTAA advisors under their existing contract.**
- 2 subject to approval, the Compliance Manual would be amended to reflect the MTAA framework.**
- 3 the additional consultancy fees paid to Aon Hewitt for conducting due diligence on the recommended arrangements be noted.**

15 TUNSGATE SQUARE - ROOFING TENDER

A report of the Strategic Director of Transformation and Resources requested that Members note the outcome of the recent tendering exercise in respect of a replacement patio roof at the Tunsgate shopping centre in Guildford.

The appendix to the report (report from CBRE on the tender process) 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 most economically advantageous tender by the Interim Director of Resources be noted.

16 IMWP MINUTES

A report of the Strategic Director of Transformation and Resources provided Members with the minutes of the Investment Monitoring Working Parties (IMWP) held on 10 April and 12 June 2013.

The appendices to the report, the minutes of the IMWP's on 10 April and 12 June 2013, 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’s which were attached as an exempt appendix to this report be approved.

17 CASTLE CHAMBERS 4TH FLOOR REFURBISHMENT.

A report of Strategic Director of Transformation and Resources requested that Members note the outcome of the recent tendering exercise in respect of refurbishing two offices on the 4th floor of Castle Chambers.

The appendix to the report (report from CBRE on the tender process) 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 acceptance of the lowest cost tender by the Interim Director of Resources be noted.

18 ESSENTIALS TRAINING FOR LOCAL AUTHORITY PENSION SCHEMES.

A report of the Strategic Director of Transformation and Resources informed Members of a training opportunity to be held on 10 September 2013 at the Monastery, Manchester and asked if Members wish to attend.

Resolved – That

- 1 attendance at this event for those Members who wish to avail themselves of the opportunity be approved.**
- 2 the Head of Merseyside Pension Fund circulate details and dates of the training to members of the Pension Committee.**

19 EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC

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

20 TACTICAL ASSET ALLOCATION EXEMPT APPENDIX.

The appendix to the report on Tactical Asset Allocation (Minute 14 refers) was exempt by virtue of paragraph 3.

21 TUNSGATE SQUARE - ROOFING TENDER EXEMPT APPENDIX.

The appendix to the report on Tunsgate Square – Roofing Tender (Minute 15 refers) was exempt by virtue of paragraph 3.

22 IMWP MINUTES 10/04/13 & 12/06/13.

The appendix to the report on IMWP Minutes 10/04/13 & 12/06/13 Tunsgate Square – Roofing Tender (Minute 16 refers) was exempt by virtue of paragraph 3.

23 **CASTLE CHAMBERS 4TH FLOOR REFURBISHMENT.**

The appendix to the report on Castle Chambers (Minute 17 refers) was exempt by virtue of paragraph 3.

24 **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR**

25 **CORPORATE GOVERNANCE - GMI CONFERENCE AND UPDATE ON IFRS FRAMEWORK**

A report of the Strategic Director of Transformation and Resources sought approval for the Chair of Pensions Committee to attend the GMI Ratings' 2013 Public Funds Forum – The Future of Corporate Reform in Newport, California. The Head of the Pension Fund indicated that the event covered topics that should be relevant and useful to Committee and it would be free to attend.

As an appendix to this report, Members were also advised of the potentially significant findings of a Counsel's opinion commissioned by the Local Authority Pension Fund Forum in relation to the International Financial Reporting Standards (IFRS) framework.

The issues identified in the opinion raised fundamental concerns about accounting practices in recent years, which had had a particularly damaging effect on the banking sectors in the UK and Ireland. This in turn raised significant questions about the decisions taken by bank directors which, in LAPFF's view, were based on faulty numbers produced under the IFRS framework.

Resolved – That

- 1 **attendance at this prestigious event by the Chair of Pensions Committee be approved.**
- 2 **Counsels advice in relation to the International Financial Reporting Standards (IFRS) framework attached as an appendix to the report be noted.**