

PENSIONS COMMITTEE

Tuesday, 19 November 2013

Present:

Councillor P Glasman (Chair)

Councillors G Watt H Smith
T Harney M Hornby
G Davies C Povall
AER Jones P Doughty

Mr P McCarthy, (NonDistrict Council Employers)
Cllr N Keats, Knowsley Council

In attendance:

Mr P Wiggins (Unison)

Apologies

Councillors AR McLachlan
J Fulham
P Tweed
P Hurley

51 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.

Councillor Pat Glasman declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund.

Councillor Paul Doughty declared a pecuniary interest by virtue of a relative being a member of Merseyside Pension Fund.

Councillor George Davies declared a pecuniary interest by virtue of a relative being a member of Merseyside Pension Fund.

52 MINUTES

The Strategic Director Transformation and Resources submitted the minutes of the meeting held on 16 September, 2013.

Resolved – That the minutes be received.

53 LGPS UPDATE

A report of the Strategic Director of Transformation and Resources updated Members with the latest regulatory developments relating to the Local Government Pension Scheme (LGPS) and raised awareness of the current collaborative project between Merseyside and Cheshire Pension Funds to plan and resource the implementation of the New Scheme from 1 April 2014.

The report also covered the recent consultation on 'Proposals for pooling arrangement for Academies and local authorities' and a position statement on the national LGPS Communication Plan.

Peter Wallach, Head of the Pension Fund, outlined the report and responded to Members questions.

Councillor Pat Glasman, Chair of the Pensions Committee, recorded the Committee's thanks to Guy Hayton and Yvonne Caddock for all their hard work on behalf of the Pension Fund.

Resolved – That the report be noted and, subject to the agreement of the Chair of Pensions Committee, a response to the consultation be approved.

54 ACTUARIAL VALUATION

A report of the Director of Transformation and Resources updated Members of the provisional results from the Fund's Triennial Actuarial Valuation.

It was reported that this matter had been discussed in detail at the IMWP on 23 October, 2013.

Resolved – That

- 1. the provisional valuation results be noted.**
- 2. the final valuation report and schedule containing employers' contributions be reported to the Pensions Committee in due course.**

55 FUNDING STRATEGY STATEMENT

A report of the Strategic Director of Transformation and Resources amended the Funding Strategy Statement (FSS) in accordance with updated advice received from the Actuary. The FSS aimed to secure the long term solvency of the Fund and would have a direct impact on the level of employer contribution rates set during the period of the 2013 Triennial valuation.

The revisions to the financial and demographic assumptions took account of the LGPS reform from 1 April 2014, market movements, the demographic experience of the Fund membership and would reflect changes to the Statement of Investment Principles (SIP).

The proposed amended Funding Strategy Statement was attached as an appendix to the report.

Resolved – That

- 1. the report be noted.**
- 2. the proposed amended Funding Strategy Statement attached at Appendix 1 to the report be approved.**
- 3. any subsequent revisions by the actuary be reported to the Pensions Committee.**

56 **ASSET ALLOCATION**

A report of the Strategic Director of Transformation and Resources outlined proposed changes to the strategic asset allocation following a detailed analysis undertaken by the investment consultant AON Hewitt, and discussions held with the internal investment management team and the independent advisers. This issue had also been discussed in detail at an IMWP meeting on 23rd October involving presentations from the Fund's actuary Mercer and Investment Consultant, Aon Hewitt.

It was reported that the Fund had last approved a strategic asset allocation at its meeting on 16 November, 2010.

The AON Hewitt report to IMWP on 23 October 2013 was attached as an appendix to the report.

Resolved – That the revised Strategic Investment Allocation be approved.

57 **STATEMENT OF INVESTMENT PRINCIPLES**

A report of the Strategic Director Transformation and Resources presented Members with a draft updated Statement of Investment Principles (SIP) and requested that Members note the changes from the previous SIP and approve the revised document.

The Committee was also asked to consider a project for a review of the Fund's approach to Responsible Ownership.

The revised Statement of Investment Principles and the proposed project for a fundamental review of MPF's approach to Responsible Ownership were attached as appendices to the report.

Resolved - That

- 1. having noted that the document will not be published until other relevant cross referenced documents have been approved, the revised Statement of Investment Principles which was attached as an appendix to the report be approved.**

2. **the project set out in Appendix 2 to the report, to make a fundamental review of the approach of the Fund to Responsible Ownership, be approved.**

58 **AUTHORISED SIGNATORIES**

A report of the Strategic Director Transformation and Resources set out proposed changes to authorised signatories at Merseyside Pension Fund (MPF) following the completion of the new Wirral management structure.

The report described the different requirements for various institutions and functions, including the banks, custodian, and overseas pensions payment agent, as well as the granting of power of attorney where appropriate.

The report also formed a part of the Fund's scheme of delegation and set out the management and authorisation arrangements for the avoidance of doubt by organisations undertaking due diligence on MPF as an investee company or as a financial services provider, or for purposes of overseas jurisdiction. The current approved signatories were listed together with signatories the Pensions Committee was asked to approve.

Resolved – That

1. **the arrangements set out in section 2 of the report in relation to the internal control arrangements at Merseyside Pension Fund and officers designated be approved**
2. **the officers designated in section 2 of the report as authorised signatories for Merseyside Pensions Fund be approved.**

59 **GIFTS & HOSPITALITY RETURNS**

A report of the Strategic Director of Transformation and Resources provided the Pensions Committee with a summary of monitoring/training events attended by officers of the Fund and gave details of gifts and hospitality received over the past 12 months.

It was reported that in November 2012, the Pensions Committee had approved new guidance in relation to the declaration of gifts and hospitality received by officers and those members of Committee that were not otherwise subject to personal conduct arrangements.

The guidance was reflected by Wirral in its overall governance arrangements and was set out in the Fund's Compliance Manual, which reflected the practicalities of the Pension Fund's business needs.

Appendix 1 of the report provided a schedule of declarations from December 2012 to September 2013.

Resolved – That the report be noted.

60 **LGC INVESTMENT CONFERENCE**

A report of the Strategic Director of Transformation and Resources requested nominations to attend the Local Government Chronicle (LGC) Investment Conference, to be held in Chester on 28-28 February 2014.

Resolved – That –

- 1. attendance at the Conference be approved and be open to all Members of Committee plus the independent adviser.**
- 2. arrangements be co-ordinated by Peter Wallach, Head of the Pension Fund.**

61 **LGC INVESTMENT AWARDS**

A report of the Director of Transformation and Resources informed the Pensions Committee of the submission of an entry for the LGC Investment Awards 2013 to be held at the Grand Connaught Rooms, Holborn, London on 11 December 2013.

It was reported that the awards had been held for a number of years and were intended to celebrate the highest levels of achievement in local government pension funds.

The closing date for submission of entries was 25 October 2013 and Peter Wallach provided a verbal update on progress at the meeting.

Resolved – That the LGC Investment Awards be attended in the ratio 1:1:1 together with the Chair of the Pensions Committee and Leyland Otter Senior Investment Manager, MPF.

62 **INVESTING 4 GROWTH**

A report of the Strategic Director Transformation and Resources informed the Pension Committee of the progress of an initiative by a number of Local Authority Pension Funds including Merseyside Pension Fund to look at the potential opportunities for investing for wider economic and social benefit.

It was reported that the Government was encouraging pension funds to invest more in major infrastructure projects. Local authorities meanwhile were looking to bridge their capital funding gaps with private finance, including from pension funds. The report noted that it was unclear what the potential was for local authority pension funds to increase their investments in the UK, and how much scope there was to maximise investments to help stimulate economic growth.

The report noted that by pooling resources with other LGPS funds and sharing the evaluation of the proposals, the Fund's approach sought to manage demands on staff time and resources. Nonetheless, the report highlighted that considerable staff time had already been devoted to the evaluation so far. As detailed in section 3 of the report investments of this nature were likely to be more resource intensive.

In the spring of last year, a major new study had been commissioned from the Smith Institute, supported by the Local Authority Pension Fund Forum (LAPFF) and Local

Government Pension Scheme funds, which sought to provide fresh insights into what was happening with local authority pension funds and with the aim of delivering a rigorous assessment of the prospects for advancing local authority pension fund investment to help stimulate growth and wider economic development. The report had been published on 24 October 2012 and was attached as appendix to the report. The principal findings were outlined to the Committee.

Resolved – That

- 1. the report and progress of this initiative be noted.**
- 2. a progress report be brought back to a future meeting of the Pensions Committee.**

63 STRATEGIC PROPERTY ADVISORS CONTRACT

A report of the Strategic Director of Transformation and Resources sought approval from the Pensions Committee to extend the mandate with CB Richard Ellis Real Estate Finance (CBRE REF) for a further two years.

It was reported that the Pensions Committee had approved the appointment of CB Richard Ellis Real Estate Finance as Strategic Property Advisors to the Fund in November 2009 for a period of four years with an option to extend for a further two years.

The report informed the Committee that officers had undertaken a formal review of the advice and service provided by CBRE REF since their appointment. This review had concluded that CBRE REF had met or exceeded expectations in the key aspects of their role.

Resolved – That the extension of the mandate with CB Richard Ellis Real Estate Finance (CBRE REF) for a further two years be approved.

64 CUNARD BUILDING

A report of the Strategic Director Transformation and Resources provided the Pensions Committee with an update on developments in relation to the Cunard Building.

In November 2012, a report had been brought to this Committee providing an update on work that had been undertaken by CBRE in relation to the Cunard Building. A follow up report, intended for January 2013 had been delayed whilst CBRE undertook a further evaluation of options.

At the Investment Monitoring Working Party on 8 October 2013, CBRE had briefed members of the Pensions Committee on various aspects of the Fund's direct property portfolio and had also addressed recent speculation in the media in relation to a potential offer for the Cunard Building by Liverpool City Council. Details of that briefing were included in the minutes to the working party attached to the report as an exempt appendix..

Resolved – That the report be noted.

65 **NATIONAL EXPRESS VISIT**

A report of the Strategic Director Transformation and Resources sought approval for the Chair of Pensions Committee to accept an invitation to undertake a site visit of the US bus operations of National Express as a follow up to a LAPFF engagement meeting.

It was reported that at the October Investment Monitoring Working Party certain issues had been raised with regard to labour relations and working practices in the US bus operations of National Express. This had resulted in a meeting between the Chair of Pensions Committee and another member of the LAPFF executive and representatives of National Express.

As an outcome of this meeting, an invitation had been made for the Chair of Pensions Committee to undertake a site visit of the bus operations around which there were concerns. It was reported that this visit would serve a twofold purpose: to further MPF's engagement activities; and support the continuing engagement between LAPFF and National Express.

The Chair indicated that she welcomed the view of Members of the Pensions Committee and following discussion it was;

Resolved – That the Chair of the Pensions Committee does not accept the invitation to undertake a site visit of the US bus operations of National Express.

66 **MOSSCROFT CHILDCARE**

A report of the Strategic Director Transformation and Resources informed the Pension Committee of his decision taken under delegation, to approve the application received from Mosscroft Childcare Limited for admission to Merseyside Pension Fund as a Transferee Admission Body. The company had secured a childcare contract with Knowsley Borough Council for a period of 5 years with effect from 1st September 2013.

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 application for admission to the Merseyside Pension Fund of Mosscroft Childcare Ltd be approved.

67 **IMWP MINUTES 08/10/13 & 23/10/13**

A report of the Strategic Director Transformation and Resources provided the Pensions Committee with the minutes of the Investment Monitoring Working Parties (IMWP) that had been held on 8 and 23 October 2013.

The appendices to the report, the minutes of the IMWP on 8 and 23 October 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 held on 8 and 23 October, attached as an exempt appendix to the report, be approved.

68 EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC

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

69 MOSSCROFT CHILDCARE - EXEMPT APPENDIX

The appendix to the report on Mosscroft Childcare (Minute 66 refers) was exempt by virtue of paragraph 3.

70 IMWP MINUTES - EXEMPT APPENDICES

The appendices to the report on IMWP (Minute 67 refers) was exempt by virtue of paragraph 3.