

PENSIONS COMMITTEE

Tuesday, 1 July 2014

Present:

Councillor P Doughty (Chair)

Councillors AR McLachlan G Watt
G Davies M Hornby
T Johnson C Carubia
AER Jones

Mr P Wiggins (UNISON)

Apologies

Councillors H Smith
J Fulham
P Hurley
N Keats
P Tweed

Mr P McCarthy
Mr P Goodwin (UNISON)

1 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked if 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 Geoffrey Watt declared a pecuniary interest by virtue of a relative being a member of Merseyside Pension Fund.

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

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

2 MINUTES

The Strategic Director Transformation and Resources submitted the minutes of the meeting held on 24 March, 2014.

Resolved – That the minutes be received.

3 **LGPS UPDATE**

A report of the Strategic Director of Transformation and Resources informed Members of the operational challenges in implementing the New Scheme from 1 April 2014 due to the late publication of both the Transitional Regulations and essential guidance from the Secretary of State.

It also provided an overview of outstanding consultations and the Queens Counsel's Advice received on fiduciary duty in the LGPS.

Yvonne Caddock, Principal Pension Officer outlined the report and responded to members questions.

Resolved; That

- 1. the report be noted.**
- 2. a response to the Governance consultation, subject to the agreement of the Chair of Pensions Committee, be approved.**

4 **LGPS CONSULTATION - OPPORTUNITIES FOR COLLABORATION, COST SAVINGS & EFFICIENCIES**

A report of the Strategic Director of Transformation and Resources informed the Pensions Committee of the latest DCLG consultation on 'Opportunities for collaboration, cost savings and efficiencies'. This had been issued following the analysis of responses to the previous consultation, 'Call for Evidence on the Future Structure of the Local Government Pension Scheme'.

In view of the tight timescales involved and need to collate information from external sources, approval was sought for officers to make a response to the consultation subject to the agreement of the Chair of Pensions Committee.

Resolved - That

- 1. the report be noted.**
- 2. a robust response to the Opportunities for Collaboration, Cost Saving and Efficiencies consultation, subject to the agreement of the Chair of Pensions Committee, be approved.**

5 **PENSION FUND BUDGET**

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

- The finalised budget for the financial year 2014/15.
- The out-turn for the financial year 2013/14.

- The 3 year budget for MPF as required for the annual report

It was reported that there were no significant changes to the 2014/15 budget and the actual out-turn for 2013/14 was £16.7m (in line with the original budget approved 24 June 2013 of £16.8m) and lower than the projected out-turn of £17.3m as reported at Pensions Committee on 20 January 2014.

The budget for 2014/15 including the out-turn for 2013/14 was attached as appendix 1 to the report. The original appendix as reported to Members on 20 January 2014 was attached as appendix 2 to the report for information.

Donna Smith, Group Accountant, outlined the report and responded to Members questions.

Resolved – That

- 1. the finalised budget for 2014/15 with revised estimates for departmental & central support charges for 2014/15 and finalised salary costs be approved.**
- 2 other issues for inclusion in the 2013/14 Annual Report including 3 year financial estimates be approved.**
- 3. the out turn for 2013/14 be noted.**

6 ANNUAL INVESTMENT PERFORMANCE

A report of the Strategic Director Transformation and Resources set out the investment performance of Merseyside Pension Fund for the fiscal year ended March 2014 as computed and reported by the WM Company.

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

Resolved – That

- 1. the officers be thanked for their hard work towards the investment performance for Merseyside Pension Fund.**
- 2. the report be noted.**

7 FUNDING STRATEGY STATEMENT/ FINAL VALUATION RESULTS

A report of the Strategic Director of Transformation and Resources informed the Pensions Committee that the Funding Strategy Statement (FSS) which had been approved by Committee on 19 November 2013, (Minute 55 refers) had now been revised to incorporate the Fund's termination policy for exiting employers.

The inclusion of the termination policy raised awareness of the governance arrangements and promoted transparency to the approach of valuing liabilities on the cessation of an employer's participation in the Scheme. It also outlined the methodology used to assess financial guarantees and bond requirements.

It was reported that the FSS, in conjunction with the strategic asset allocation and the Statement of Investment Principles, was the key statutory policy document in determining the actuarial valuation process. It had a direct impact on the actuarial assessment of the Fund's assets against the current value of the pension benefit liabilities, and the resultant funding level declared at the valuation date.

Yvonne Caddock, Principal Pension Officer, outlined the report and responded to Members questions.

Resolved – That the revised FSS and the Funding Report of the Actuarial Valuation as at 31 March 2013 be noted.

8 **ACTUARIAL SERVICES**

A report of the Strategic Director Transformation and Resources informed the Pensions Committee of a 3 year extension of the contract with the Fund's actuary, Mercer, which was due to terminate on 30 September 2014.

Resolved – That the extension of the contract with Mercer for an additional three years as permitted under the original tender documentation be noted.

9 **TREASURY MANAGEMENT ANNUAL REPORT 2013/14**

A report of the Strategic Director Transformation and Resources presented the Pension Committee with a review of treasury management activities within Merseyside Pension Fund (MPF) for the 2013/14 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.

The report noted that Treasury Management in Local Government was governed by the CIPFA Code of Practice on Treasury Management in the Public Services and in this context was the "management of the Fund's investments and cash flows, its banking, money market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks".

On 15 January 2013 Pensions Committee had approved the Treasury Management Policy and Strategy 2013/14.

The report related to money managed in-house during the period. It excluded cash balances held by investment managers in respect of the external mandates and the internal UK and European investment managers.

Resolved – That the Treasury Management Annual Report for 2013/14 be agreed.

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 9-10 September 2014.

Resolved – That

1. all Members of the Pensions Committee be given the opportunity to attend the LGC Investment Summit conference and;

2. Peter Wallach, Head of the Pension Fund, arrange for invitations to be sent out to all Members of the Committee.

11 **EUROPEAN EQUITY MANDATES**

A report of the Strategic Director Transformation and Resources informed the Pensions Committee of the recommendations of officers concerning the appointment of investment managers to a European (ex UK) equities mandate for Merseyside Pension Fund.

The appendices 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 recommendations for the appointment of managers, as set out in the JLT report, be approved.

12 **BOND REVIEW**

A report of the Strategic Director Transformation and Resources informed members of the annual review of potential unfunded liabilities for admission bodies. This work had been undertaken by the Fund Actuary Mercer, following an actuarial review, as at 31 December 2013.

The Appendix 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 Pensions Committee supports the revision of bond requirements and guarantees in accordance with the latest figures provided by the Actuary.

13 **CITY HEALTH CARE**

A report of the Strategic Director of Transformation and Resources informed members of the decision taken under delegation, to approve the application received from City Health Care Partnership for admission to Merseyside Pension Fund as a contractor admission body. The company had secured a smoking cessation contract with Knowsley Borough Council from 1st October 2013 for a period of 3 years with a further possible extension of 2 years.

It was reported that the application was made in accordance with Schedule 2 part 3 Regulation 1(d) (i) of the Local Government Pension Scheme Regulations 2013. Thus the body was providing or would provide a service or asset in connection with the exercise of a function of a Scheme employer as a result of the transfer of the service or assets by means of a contract or other arrangement.

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 City Health Care Partnership be noted.

14 **CATERING ACADEMY**

A report of the Strategic Director Transformation and Resources informed the Pension Committee of the decision taken under delegation, to approve the application received from Catering Academy Limited for admission to Merseyside Pension Fund as an Admitted Body. The company had secured a catering contract with Maghull High School for a period of 3 years with effect from 1st September 2013.

It was reported that the application was made in accordance with Schedule 2 part 3 Regulation 1 (d) (i) of the Local Government Pension Scheme Regulations 2013. Thus the body was providing or would provide a service or asset in connection with the exercise of a function of a Scheme employer as a result of the transfer of the service or assets by means of a contract or other arrangement.

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 Catering Academy Ltd be noted.

15 **LIFELINE PROJECT LTD**

A report of the Strategic Director of Transformation and Resources sought approval of the Pensions Committee on the application for admission to the Fund received from Lifeline Project Limited, with effect from 1 October 2013 for a period of 2 years with a further possible extension of 3 years.

The application was made in accordance with Schedule 2 part 3 Regulation 1(d) (i) of the Local Government Pension Scheme Regulations 2013. Thus the body was providing or would provide a service or asset in connection with the exercise of a function of a Scheme employer as a result of the transfer of the service or assets by means of a contract or other arrangement.

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 Lifeline Project Ltd be noted.

16 **KNOWSLEY YOUTH MUTUAL**

A report of the Strategic Director of Transformation and Resources informed members of the decision taken under delegation to approve the application received from Knowsley Youth Mutual Limited for admission to Merseyside Pension Fund as an Admitted Body. The organisation had secured a four year contract to provide Youth Services in Knowsley with effect from 1 April 2014.

The application was made in accordance with Schedule 2 part 3 Regulation 1(d) of the Local Government Pension Scheme Regulations 2013. The body is one that provided a service in connection with the exercise of a function of a scheme employer.

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 Knowsley Youth Mutual Ltd be noted.

17 **IMWP MINUTES 10 APRIL AND 19 JUNE 2014**

A report of the Strategic Director of Transformation and Resources provided members with the minutes of the Investment Monitoring Working Party (IMWP) held on 10 April and 19 June 2014.

Resolved – That the minutes of the IMWP, attached as exempt appendices to the reports, be approved.

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

On a motion by Councillor Paul Doughty and seconded by Councillor Ann McLachlan it was;

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.

19 **EUROPEAN EQUITY MANDATES**

The appendix to the report on European Equity Mandates was exempt by virtue of paragraph 3.

20 **BOND REVIEW**

The appendix to the report on Bond Review was exempt by virtue of paragraph 3.

21 **CITY HEALTH CARE**

The appendix to the report on City Health Care was exempt by virtue of paragraph 3.

22 **CATERING ACADEMY**

The appendix to the report on Catering Academy Ltd was exempt by virtue of paragraph 3.

23 **LIFELINE PROJECT**

The appendix to the report on Lifeline Project Ltd was exempt by virtue of paragraph 3.

24 **KNOWSLEY YOUTH MUTUAL LTD**

The appendix to the report on Knowsley Youth Mutual Ltd was exempt by virtue of paragraph 3.

25 **IMWP MINUTES 10 APRIL 2014 - EXEMPT APPENDIX**

The appendix to the report on IMWP minutes 10 April 2014 was exempt by virtue of paragraph 3.

26 **MINUTES OF IMWP 19 JUNE 2014 EXEMPT APPENDIX**

The appendix to the report on IMWP minutes 19 June 2014 was exempt by virtue of paragraph 3.