

PENSIONS COMMITTEE

Monday, 14 September 2015

Present:

Councillor	P Doughty (Chair)	
Councillors	AR McLachlan	G Watt
	G Davies	K Hodson
	AER Jones	C Povall
	B Kenny	P Cleary
	A Leech (deputy for Councillor T Johnson)	
	J Fulham, St Helens Council	

Apologies

Councillors	T Johnson	
	N Crofts (Liverpool City Council)	
	W Weightman (Knowsley Council)	
	P Lappin (Sefton Council)	

15 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 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.

Councillor John Fulham 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.

16 MINUTES

Resolved – That the accuracy of the Minutes of the Pensions Committee held on 22 June, 2015 be approved as a correct record.

17 AUDIT FINDINGS REPORT

Fiona Blatcher, Associate Director and Heather Green, Senior Manager, Grant Thornton attended the meeting and outlined the report to the Committee. It was reported that the Audit was now substantially completed and outstanding work in the areas identified in page 5 of the report was being finalised. Key issues arising from the audit were outlined and overall a positive outcome from the audit of the accounts was expressed.

Resolved – That the report be noted.

18 PENSION FUND ACCOUNTS 2014/15

Members of the Committee considered a report of the Acting Section 151 Officer that presented Members with the audited statement of accounts of Merseyside Pension Fund for 2014/15 and responded to the Audit Findings Report from Grant Thornton.

Subject to outstanding work, Grant Thornton had indicated there would be an unqualified opinion and there were no material adjustments and no recommendations.

Grant Thornton's report expressed a positive outcome from their audit of the accounts and referred to the outcome, in the context of MPF Officers working on a number of key projects throughout the year, as a significant achievement.

Members of the Committee recorded their thanks to the officers for a very successful year for the Fund and for the hard work undertaken towards the report.

Resolved – That;

- 1. the audited Statement of Accounts for 2014/15, be submitted to the Audit and Risk Management Committee.**
- 2 any comments received by the Chair be forwarded to the meeting of the Audit and Risk Management Committee on Tuesday 22 September, 2015.**

19 DRAFT ANNUAL REPORT

A report of the Strategic Director Transformation and Resources of this report provided Members with the draft Annual Report of Merseyside Pension Fund for 2014/15. A copy of the draft Annual Report was circulated to Members at the meeting.

Councillor Pat Cleary commented that as the Report and Accounts 2014/15 had just been circulated it was not possible for Members to comment in such a short time. The Chair agreed to receive any comments and to convey them to the next meeting of the Audit and Risk Management Committee to be held on Tuesday 22 September, 2015.

Resolved – That:

- 1. the draft Report and Accounts 2014/15 be submitted to the next meeting of the Audit and Risk Management Committee to be held on Tuesday 22 September, 2015.**
- 2. Members comments received by the Chair be forwarded to the Audit and Risk Management Committee.**

20 LGPS UPDATE

A report of the Strategic Director Transformation and Resources informed Members of a number of policies announced in the 2015 Summer Budget and the associated impact on the LGPS and its members.

It also raised awareness that the Government had recently issued consultations on the potential reform of pension tax relief and a cap on public sector staff exit payments.

The report also included a legal opinion obtained by the Local Government Association in relation to the provision of Council funded pensions to Elected Members.

The LGA response to the HMT Consultation on the Proposed Cap on Public Exit Payments was attached as an appendix to the report.

Yvonne Caddock, Principal Pension Officer, outlined the report to members and highlighted the main policies with potential impacts for the LGPS.

Resolved – That the report be noted.

21 GOVERNMENT CONSULTATION ON PENSIONS TAXATION

Members considered a report of the Strategic Director Transformation and Resources that informed Members of the government's consultation on reforming pension tax relief and requested approval to submit the draft response prepared on behalf of Wirral Borough Council to HM Treasury.

The Consultation Response on Tax Relief and Thoughts from around the Industry were attached as appendices to the report.

Councillor John Fulham raised members' concern about the possible disincentive to save.

Resolved – That Peter Wallach, Head of the Pension Fund, reflect on the draft response in the light of comments received by members of the Pension Fund and amends accordingly and, subject the Chair's agreement, the draft response for submission to H M Treasury be recommended for approval.

22 TERMINATION POLICY

Members of the Pension Committee considered a report of the Strategic Director Transformation and Resources. It was reported that the Funding Strategy Statement set out the basis for valuing assets and liabilities in the event of an employer terminating its participation in the Fund. The policy was designed to be equitable to both the exiting employer and the continuing employers within the Fund.

Mercer had provided advice to the Administering Authority following recent changes in the LGPS Regulations governing the options and treatment available to Administering Authorities either at termination, or prior to an expected termination at some point in the future. Mercer's advice was contained within Appendix 1 of the report.

The main changes related to how a termination assessment could be triggered and the repayment plan be set by the Administering Authority. This had implications for the basis on which the termination value was assessed.

It was reported that the changes to policy would be incorporated in the next review of the Funding Strategy Statement.

Resolved – That the changes to the termination policy with regard to:

- i. repayment plans**
- ii. the margin for adverse demographic risk factors**

be approved.

23 LGE FUNDAMENTAL TRAINING

A report of the Strategic Director Transformation and Resources recommended the Committee to approve participation by Members in the LGPS Trustee Training 'Fundamentals XIV' organised by the Local Government Pensions Committee.

Peter Wallach, Head of the Pensions Fund, informed the Committee that this training was targeted at new members but was also appropriate as a refresher for existing members. The Chair of the Committee encouraged new members to attend and commented that it would be possible to 'mix and match' course dates.

Resolved – That;

- 1. attendance by Members on the 'Fundamentals training' be approved.**
- 2. Members wishing to take advantage of this opportunity notify the Head of Pension Fund to enable the necessary registration and administration to be undertaken.**

24 ANNUAL EMPLOYERS CONFERENCE

A report of the Strategic Director of Transformation and Resources informed Members of the arrangements for the annual Employers' Conference to be held at Aintree Racecourse on Thursday 26 November 2015.

Resolved – That the report be noted.

25 LAPFF ANNUAL CONFERENCE

A report of the Strategic Director Transformation and Resources recommended that the Committee approve attendance by the Chair and party spokespersons at the Local Authority Pension Fund Forum (LAPFF) Annual Conference, organised by PIRC, to be held in Bournemouth from 2 to 4 December 2015.

Resolved – That attendance at the LAPFF conference by the Chair and party spokespersons be approved.

26 ELECTED MEMBER EDUCATIONAL EVENT

A report of the Strategic Director Transformation and Resources recommended that the Pensions Committee consider attendance by Members at the fourth 330 Consulting Elected Member Educational Event (EMEE) at the Tower of London in London on Wednesday 7 October 2015.

The event was designed for those members of Pensions Committees who were relatively new to their roles, but it was also open to other, more experienced, Committee members who would like a refresher on some key investment concepts and issues.

Resolved - That attendance at the 330 Consulting Elected Member Educational Event (EMEE) at the Tower of London in London on Wednesday 7 October 2015 by any Member of the Pensions Committee who wishes to attend be approved.

27 BOND REVIEWS

Members of the Pension Committee considered a report of the Strategic Director Transformation and Resources that informed members on the annual review of potential unfunded liabilities for admission bodies. This work had been undertaken by Mercer, the Fund Actuary, following an actuarial review as at 31 March 2015.

The Appendix to the report set out the details of the annual review and 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).

Yvonne Caddock, Principal Pension Officer, outlined the report and informed the Committee that the Actuary had calculated the potential unfunded liabilities as follows:

- i. the cost of providing immediate benefits to those members age 55 or over in the year 1 April 2015 to 31 March 2016
- ii. less, 50% of the potential savings that may materialise in respect of members under age 55 with deferred benefits.
- iii. plus the existing surplus or deficit at 31 March 2015.

It was noted that in view of the current financial pressures faced by employers, which would be exacerbated next April by the loss of the employer's contracted out rebate, many admission bodies would find it difficult to secure the increased indemnities.

If the Fund sought to increase the bond levels inline with the current calculations, a number of employers would be forced into closure on the basis of a speculative event.

Resolved – That, having regard to the current financial pressures facing employers, that the bond requirements for Community Admission Bodies are not increased but are retained at the current 2013 levels.

28 IMWP MINUTES 19 JUNE 2015

A report of the Strategic Director Transformation and Resources provided Members with the minutes of the Investment Monitoring Working Party (IMWP) held on 19 June 2015.

The appendix to the report, the minutes of the IMWP on 19 June 2015, 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 19 June, 2015 be approved.

29 **GRWP MINUTES 30 JUNE 2015**

A report of the Strategic Director Transformation and Resources provided members with the minutes of the Governance & Risk Working Party (GRWP) held 30 June 2015.

An exempt report on the agenda, the minutes of the GRWP on 30 June 2015, 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 GRWP held on 30 June, 2015 be approved.

30 **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.

31 **BOND REVIEWS**

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

32 **EXEMPT IMWP MINUTES 19 JUNE 2015**

The appendix to the report on the IMWP Minutes 19 June, 2015 was exempt by virtue of paragraph 3.

33 **EXEMPT GRWP MINUTES 30 JUNE, 2015**

The appendix to the report on the GWMP Minutes 30 June, 2015 was exempt by virtue of paragraph 3.