

# GOVERNANCE POLICY 2015



**Contents**

- Introduction .....2**
  - Relationship of Merseyside Pension Fund and Wirral Council ..... 2
  - Scheme of Delegation of (Non-Executive) Functions to Committees ..... 2
- Pensions Committee.....3**
  - Membership ..... 3
  - Terms of Reference ..... 3
- The Local Pension Board .....4**
  - Membership ..... 4
  - Scheme of Delegation of Functions to Officers ..... 5
  - Head of Pension Fund ..... 5
- Decision Making Structure .....6**
- Functions.....7**
- Accountability and Publication of Information .....8**
- Meetings with Stakeholders .....8**
- Compliance Statement .....8**
- ANNEX 1 .....9**
  - Training and Expenses Policy for Members of Pension Committee and Pension Board..... 9
- ANNEX 2 .....11**
  - Merseyside Pension Fund Governance Compliance Statement ..... 11

## **Introduction**

This statement sets out the scheme of delegation, the terms of reference, structure and operational procedures of the delegation.

## **Relationship of Merseyside Pension Fund and Wirral Council**

Wirral Council is the administering authority of the Merseyside Pension Fund under the Local Government Pension Scheme Regulations 2013 and is the Scheme Manager as defined by Section 4 of the Public Service Pension Act 2013. In its capacity as Scheme Manager the council is authorised to manage the Pension Fund's assets and liabilities and carry out any other specified activities associated with the operation of the Scheme. The authority is not authorised to give investment advice.

Due to this status, the Fund is not required to be regulated by the Financial Conduct Authority (FCA) in order to operate its business. It is regulated by the Department for Communities and Local Government (DCLG).

As an administering authority, Wirral Council is required to act as if the Fund were set up under trust with the authority itself as the sole trustee, although the assets are not trust assets in the legal sense.

## **Scheme of Delegation of (Non-Executive) Functions to Committees**

Under its Constitution, the council delegates, under Section 101 of the Local Government Act 1972 to Pensions Committee all those non-Executive functions vested in it, identified in the terms of reference for the Committee (See page 3 below).

The scheme delegates powers and duties within broad functional descriptions and includes powers and duties under all legislation present and future within those descriptions and all powers and duties including any statutory re-enactment or moderation of the legislation referred to in this scheme.

Any exercise or responsibility for functions or delegated powers shall comply with:

- any statutory requirements;
- the Council's Constitution;
- the Council's Budget and Policy Framework and approved budget;
- the Members Code of Conduct;
- the Code of Recommended Practice on local authority publicity;
- the agreed arrangements for recording decisions;

This scheme does not delegate any matters reserved by law to the full Council or assigned to the Executive.

## **Pensions Committee**

### **Membership**

The Committee is comprised of fifteen voting members; ten of whom are members of Wirral Council, four members from the other local authorities and one member representing the other employing organisations in the Fund. Three trade union representatives, with observer status, are invited and represent active, deferred and pensioner members.

### **Terms of Reference**

- 1) To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as administering authority of Merseyside Pension Fund, and in particular the following:
- 2) To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance.
- 3) To appoint and terminate professional advisors to, and external managers of, the Fund and agree the basis for their commission and remuneration.
- 4) To receive actuarial valuations of the Fund and determine the level of employers' contributions necessary to balance the Fund.
- 5) To monitor the Local Government Pension Scheme Regulations and overriding pension law, overseeing the governance of the Fund including the day to day administration and policy decisions relating to the management of the Scheme.
- 6) To consider any views expressed by employing organisations, staff representatives and other stakeholders relating to the Fund.
- 7) To appoint members of the Investment Monitoring Working Party, which shall have responsibility for reviewing the performance of the Fund's investments, and its asset allocation and regularly reporting their findings to the Pensions Committee.
- 8) To appoint members of the Governance and Risk Working Party, which shall have responsibility for reviewing governance and risk issues, and regularly reporting their findings to the Pensions Committee.
- 9) To award contracts for goods and services relating to the Fund in accordance with the Contract Procedure Rules after taking into account the recommendations of officers and external professional advisors (where appropriate).

## The Local Pension Board

The Pension Board was established in April 2015 in accordance with the Public Service Pensions Act 2013, the national statutory governance framework delivered through the LGPS Regulations and guidance as issued by the Scheme Advisory Board.

### Membership

The Pension Board is comprised of four voting employer representatives and four voting Scheme member representatives selected from the broad range of employers in the Fund and the different categories of the membership base.

The employer representatives are office holders or senior employees of employers of the Fund or have experience of representing Scheme employers in a similar capacity.

Member representatives are Scheme members of Merseyside Pension Fund and have the capacity to represent Scheme members of the Fund.

The Pension Board is chaired by an independent non-voting member with significant relevant experience either as a Pension Fund trustee or in the running of Pension Funds.

The role of the Pension Board is to assist Wirral Council, as Scheme Manager to:

- o comply with the Scheme regulations and other legislation relating to the governance and administration of the Scheme; and
- o any requirements imposed by the regulator.

A member of the Pension Board must be conversant with:

- o the rules of the Scheme and the law relating to pensions, and
- o any document recording policy about the administration of the Scheme which is for the time being adopted in relation to the Scheme.

The Council considers that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision making body in relation to the management of the Pension Fund but merely makes recommendations to assist in such management.

Full details of the operational procedures are set out in the Pension Board's Terms of Reference which can be accessed from the following link:

<http://mpfund.uk/pensionboard>

## **Scheme of Delegation of Functions to Officers**

### **Head of Pension Fund**

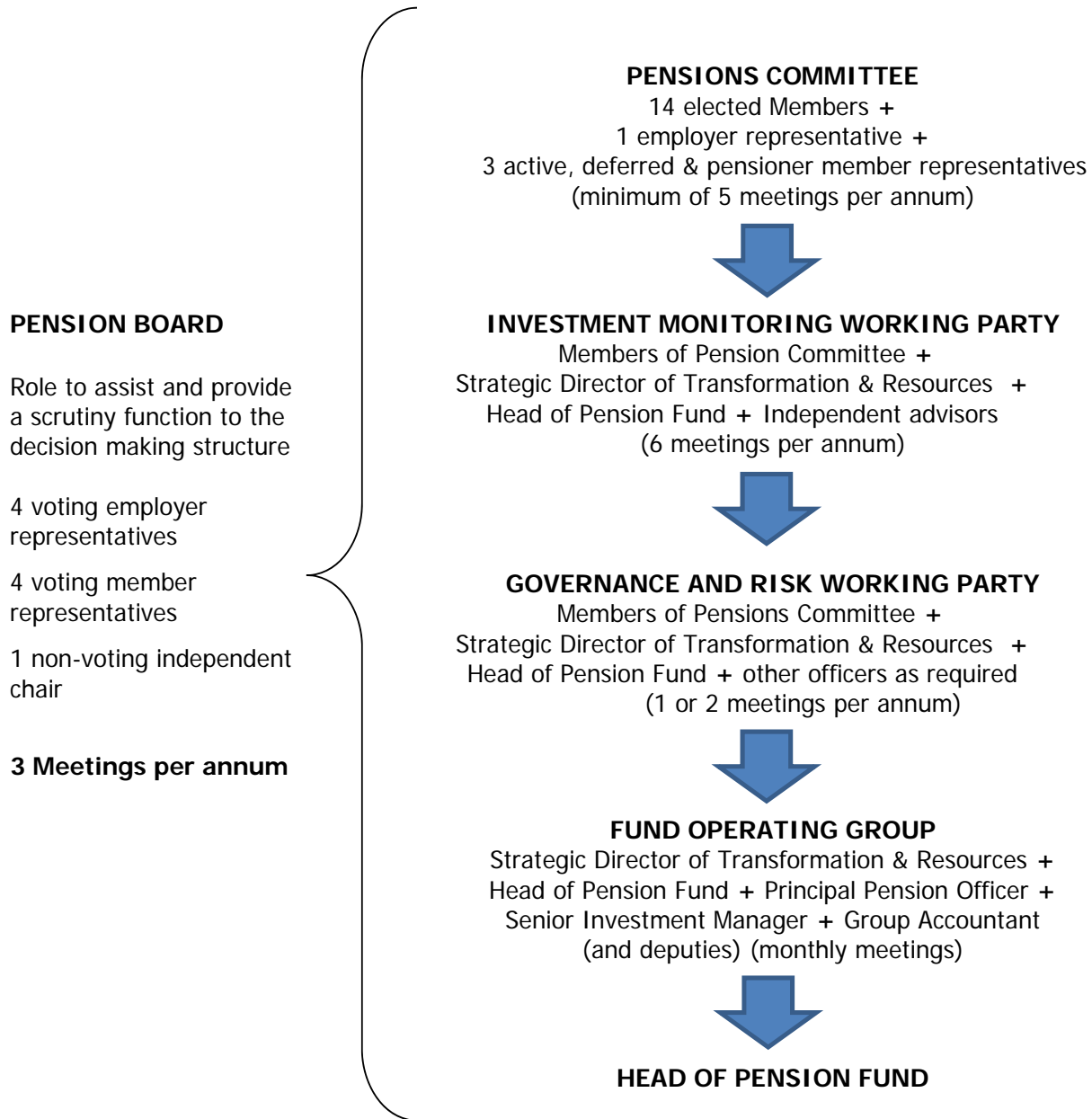
The following functions, particular to the Pension Fund, are delegated to the Head of Pension Fund pursuant to Section 101 of the Local Government Act 1972 and by the Executive under Section 15 of the Local Government Act 2000.

- 1) Undertake all day to day administration of, and investment decisions for, the Merseyside Pension Fund within the policy laid down by the Pensions Committee including the authorisation of admission agreements with contractor admission bodies pursuant to Best Value arrangements, as required by the Local Government Pensions Scheme Regulations.
- 2) Terminate a contract of an external investment manager and enter into any consequential arrangements for the transitional management of the Fund's investments pending the decision of the Pensions Committee on the award of a new contract.

The Head of Pension Fund may authorise officers in his department to exercise on his behalf, functions delegated to him. Any decisions taken under this authority shall remain the responsibility of the Head of Pension Fund and must be taken in his name, and he shall remain accountable and responsible for such decisions.

## Decision Making Structure

The structure for the management and governance of the Fund is as follows:



## **Functions**

The functions for the various elements are as follows:

### **Pensions Committee**

To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as administering authority of the County of Merseyside Pension Fund.

### **Investment Monitoring Working Party (IMWP)**

Has responsibility for reviewing the performance of the Fund's investments and its asset allocation and regularly reporting their findings to the Pensions Committee.

### **Governance and Risk Working Party (GRWP)**

Has responsibility for reviewing governance and risk issues and regularly reporting their findings to the Pension Committee.

### **Fund Operating Group (FOG)**

Forum for formal monthly reports to the Strategic Director of Transformation & Resources on the day-to-day operations of the Fund.

### **Head of Pension Fund**

Responsible to the Strategic Director of Transformation & Resources and has delegated authority to make investments or to delegate to other employees investment decisions in accordance with the Fund's strategic benchmark and delegated dealing limits.

### **Policy on Training and Expenses**

Details of the policy on training and payment of expenses in respect of members of the Pensions Committee is set out in Annex 1 attached.



## **Accountability and Publication of Information**

Details of Pensions Committee and Pension Board meetings are published on the Wirral Council website together with agendas, reports to be considered by the Committee and Board and minutes of proceedings.

The meetings of the Pensions Committee are held at Wallasey Town Hall with the Pension Board Meetings held at the Fund Office, both are open to the public.

An Annual Pension Fund Report & Accounts is published and circulated to all employing bodies reporting on the activities and investment performance of the Fund during the year. Details of matters considered during the year and meetings held are reported and a copy of the annual report is available on the Fund website.

## **Meetings with Stakeholders**

An Annual Employer Conference is held to which all Fund employers and members of the Pensions Committee and Pension Board are invited to attend. The annual conference is an opportunity for employers to question and challenge officers and elected members on matters of interest to their authorities and organisations.

The Fund also holds other meetings as required with Employers to discuss important issues such as the Funding Strategy which underpins the actuarial valuation of the Fund and determines both employer's liabilities and contribution schedules.

## **Compliance Statement**

The Fund fully complies with the best practice guidelines on governance issued by the DCLG and details can be found at Annex 2 attached.

## **ANNEX 1**

### **Training and Expenses Policy for Members of Pension Committee and Pension Board**

#### **1. Introduction**

- 1.1 Myners' first principle recommends that "decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively". Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.
- 1.2 Trustees should ensure that they have sufficient in-house staff to support them in their investment responsibilities and should assess whether they have the right set of skills, both individually and collectively, and the right structures and processes to carry out their role effectively.

#### **2. Legal Considerations**

- 2.1 Elected members have a fiduciary responsibility to the Fund, Scheme members and local council tax payers in relation to the Local Government Pension Scheme. They can delegate functions to officers but they retain overall responsibility for the management of the Fund and its investment strategy, and individual decisions about investments.
- 2.2 Administering authorities are required to take proper advice to enable them to fulfil their obligations under the above regulations. "Proper advice" is defined in the regulations as "the advice of a person who is reasonably believed...to be qualified by his ability in and practical experience of financial matters...."
- 2.3 The Local Pension Board has a statutory duty under the Public Service Pension Act 2013 to be conversant with the rules of the Scheme and to discharge their responsibilities as set out in the Pension Regulator's Code of Practice No 14 and to comply with the Knowledge and Understanding Policy specific to Wirral Pension Board.

#### **3. Training Policy and Plan**

- 3.1 The Fund has had regard to the legal requirements set out in the Local Government Pension Scheme Regulations, other relevant legislation and best practice guidance published by CIPFA and other professional and regulatory bodies in drawing up this policy to ensure that all those involved in the decision making and oversight process receive all relevant training required to properly discharge their responsibilities.
- 3.2 The Fund arranges an annual program of external and internal training events throughout the year designed to meet the requirements of new members of the Committee and the Board along with the ongoing needs of existing members.

- 3.3 These events are reported, formally, to Members of Committee and Pension Board on an annual basis.

Individual reports, to authorise attendance at these events are put to Committee on an event-by-event basis. Attendance of training events for the Pension Board is as agreed by the Independent Chair and the Head of Pension Fund.

#### **4. Policy for Payment of Expenses**

- 4.1 The Fund will reimburse all reasonable costs and expenses incurred in undertaking approved training for all members of the Pensions Committee and Pension Board.
- 4.2 Claims should be submitted to the Fund and supported by an official receipt.
- 4.3 Members serving on the Committee from other local authorities or organisations may choose to continue to claim any such expenses from these bodies instead if they prefer.

## ANNEX 2

### Merseyside Pension Fund Governance Compliance Statement

Part	Governance Requirement	Fully Compliant
II/A	<b><u>Structure</u></b>	
a.	The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council.	Yes
b.	That representatives of participating LGPS employers, admitted bodies and Scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Yes
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Yes
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Yes
II/B	<b><u>Representation</u></b>	
a.	That all key stakeholders are afforded the opportunity to be represented, within the main or secondary committee structure. These include:-  i) employing authorities (including non-Scheme employers, e.g. admitted bodies); ii) Scheme members (including deferred and pensioner Scheme members), iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).	Yes
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes
II/C	<b><u>Selection and role of lay members</u></b>	
a.	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes

II/D	<p><b><u>Voting</u></b></p> <p>a. The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.</p> <p>Following consultation undertaken with all stakeholders groups during 2008 the Fund confirmed that it believes its current representation and voting arrangements are appropriate to ensure good governance.</p> <p>Although they do not have voting rights the three trade union members representing the interests of active, pensioner and deferred members are able to play a full role in all aspects of the Governance of the Fund, including attendance at the Pension Committee and Investment Monitoring Working Party. They receive copies of all reports and are included in all training and briefings.</p>	Yes
II/E	<p><b><u>Training/Facility time/Expenses</u></b></p> <p>a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.</p> <p>b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.</p>	Yes  Yes
II/F	<p><b><u>Meetings (frequency/quorum)</u></b></p> <p>a. That an administering authority's main committee or committees meet at least quarterly.</p> <p>b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.</p> <p>c. That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.</p>	Yes  Yes  Yes

II/G	<b><u>Access</u></b>	
a.	That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Yes
II/H	<b><u>Scope</u></b>	
a.	That administering authorities have taken steps to bring wider Scheme issues within the scope of their governance arrangements.	Yes
II/I	<b><u>Publicity</u></b>	
a.	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the Scheme is governed, can express an interest in wanting to be part of those arrangements.	Yes

**DRAFT**  
**28<sup>th</sup> October 2015**



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ADMINISTERING AUTHORITY

