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PENSIONS COMMITTEE

Monday, 21 March 2016

Present:

Councillor	P Doughty (Chair)	
Councillors	AR McLachlan	G Watt
	G Davies	K Hodson
	T Johnson	C Povall
	B Kenny	P Cleary
Councillors	P Lappin, Sefton Council	
	P Cleary, Unison (Active Member)	
	B Ellis, Unison (Former member)	

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

70 MINUTES

Resolved – That the accuracy of the Minutes of the Pensions Committee held on 25 January, 2016 be approved as a correct record.

71 AUDIT PLAN 2015/16

Fiona Blatcher, Associate Director, Grant Thornton UK, attended the meeting and presented the Audit Plan for Merseyside Local Government Pension Scheme Year ended 31 March 2016.

Resolved – That;

1. Grant Thornton be thanked for their work on the Audit Report.

2. the Audit Plan be noted.

72 LGPS UPDATE

A report of the Director of Transformation and Resources raised awareness of a further government consultation on public sector exit payments and other forthcoming consultations

The report also informed members on the Fund communications relating to the ending of contracting out as a consequence of the closure of the State Second Pension.

On 5 February 2016, the government had launched a further consultation on public sector exit payments as originally announced in the 2015 Spending Review. This consultation had a 12 week timeframe and would close on 3 May 2016.

The purpose of the consultation was to seek views on options to make public sector exit compensation “fairer, more modern and more consistent with the proposals” as detailed in the report.

Yvonne Caddock, Principal Pension Officer, informed the Committee that officers would keep members informed of developments with regard to the consultation and the impact on the scheme provisions dealing with access to unreduced early retirement pensions.

Members were also informed that the Fund would be writing to all contributing members with a template letter provided by the Local Government Association. This template letter would meet the statutory disclosure requirements and raise awareness of the 50/50 section of the LGPS should the rise in NI contributions place the member into financial difficulty. It was hoped that raising awareness of the 50/50 section would offer an alternative to members other than ‘opting out’ of future pension saving.

The letter would be posted to a contributing member’s last known postal address, for arrival in early April, and would also be used as another means of communicating the availability of the Fund’s online ‘MyPension’ service, encouraging members to register in advance of the production of this year’s Annual Benefit Statements.

Resolved – That the report be noted.

73 POOLING CONSULTATION

The Pensions Committee considered a report of the Strategic Director Transformation and Resources that provided Members with details of the Fund’s initial submission to Government in relation to the ongoing consultation in relation to the requirement for the Local Government Pension Scheme to pool investments to deliver significantly reduced costs while maintaining overall investment performance.

The report also sought Members' approval for officers to continue to develop proposals for pooling in consultation with the Chair and for the draft final response to be brought to Committee in June 2016. The Chair informed members that the Fund had met with mainly Northern based Funds and were forging links with Greater Manchester and West Yorkshire Funds.

The Fund's response to the consultation on the LGPS Investment Regulations was appended to the report.

A report to November 2015 and January 2016 Pensions Committees had set out the background to the Government's proposals for pooling of LGPS investments to create up to six British Wealth Funds, each with at least £25bn of assets and the criteria by which those proposals will be assessed by Government.

Funds had been required to submit initial proposals to Government by 19 February 2016. Submissions included a commitment to pooling and a description of progress towards formalising their arrangements with other authorities. Authorities could choose whether to make individual or joint submissions at the first stage.

It was further reported that refined and completed submissions were required by Government by 15 July 2016 which should fully address the criteria set out by Government (and set out in the report of 24 January 2016 to this Committee) and provide any further information that would be helpful in evaluating the proposals. Officers intended to bring a draft final proposal to the Pensions Committee in June 2016.

Resolved – That

- 1. the Head of the Pension Fund and officers be thanked for their hard work.**
- 2. the report be noted.**
- 3. officers be authorised to continue developing pooling options.**
- 4. it be noted that future papers for the Committee provide further information on likely costs/benefits and any material costs incurred in working up proposals. Any final decision would be subject to Committee approval.**

74 PROPERTY VALUER CONTRACT

A report of the Strategic Director Transformation and Resources informed Members of the appointment of Savills (UK) Ltd with respect to the mandate as Independent Property Valuer to Merseyside Pension Fund. The mandate was for an initial term of five years with the option for up to a further five years to be reviewed on an annual basis.

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).

The contract for Independent Property Valuer had last been awarded in 2010 in respect of Merseyside Pension Fund's property portfolio, which had ended with the last valuation on 31 December 2015. Consequently, a procurement exercise had been instigated in the summer to retender the contract. The tender exercise had been conducted in house between the Corporate Procurement Department and Officers of the Fund.

Resolved - That the appointment of Savills (UK) Ltd in respect of Independent Property Valuer for a period of five years with up to a further five years to be reviewed annually, subject to satisfactory reviews, be noted.

75 **CARBON RISK - CLIMATE RISK OPTIONS**

A report of the Director of Strategic Director of Transformation and Resources indicated that there were investment actions in line with a decarbonisation approach that may be suitable for the Merseyside Pension Fund to further explore.

A global context of concerted policy action to limit warming to two degrees Celsius above baseline provided a strong impetus for this; guidance from established partners suggested a strategic framework in which decarbonisation and other investment actions may be planned and evaluated.

Pensions Committee had considered the investment implications of climate change at its meeting on 16th November 2015, in particular the view of the imminent COP21 round of climate talks in Paris and growing calls from civil society groups for divestment from fossil fuels companies. Members had noted that Merseyside Pension Fund addressed these implications through its responsible investment strategy and that further investigation of alternative approaches to addressing climate risk was merited. In particular, Members had requested that a subsequent report be brought, exploring options in this regard.

IIGCC, Climate Change Investment Solutions: A Guide for Asset Owners was attached as an appendix to the report.

Resolved – That;

- 1. Owen Thorne, Investment Officer, be thanked for his work in this area.**
- 2. Regular updates on progress be brought to the Investment Monitoring Working Party meeting.**
- 3. an initial decarbonisation plan for Merseyside Pension Fund be progressed, to encompass carbon-footprinting of listed equities and reduction of exposure in the passive equities portfolio.**
- 4. a strategic review be initiated, along the lines set out in the IIGCC Investment Solutions: Asset Owner Guide, with an updated policy statement on climate change be included in the forthcoming Investment Strategy Statement.**

76 **TUNSGATE QUARTER UPDATE**

A report of the Director of Transformation and Resources recommended approval for the second phase of the development of the Tunsgate Centre as set out in the report from CBRE.

An exempt report on the agenda, report of CBRE, 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).

On 15 January 2013, Committee had given approval for an extensive redevelopment of Tunsgate Square in accordance with a detailed proposal from the Fund's property advisors, and authorised officers to undertake the implementation of that proposal in conjunction with CBRE.

It was reported that good progress had been made in preparing the design works, achieving the necessary planning approvals, procurements and all the other prerequisites for construction works to begin. CBRE continued to work closely with the developers in managing the project and a status report had been prepared by them (attached to the report) that made recommendations in terms of the key future actions required to take the scheme forward to full implementation.

Members were informed that arrangements were being made for the developers to attend a future Investment Monitoring Working Party to provide members with a further update on plans and progress.

Resolved – That the recommendations from CBRE as set out in the exempt report be approved.

77 **LGPS TRUSTEES CONFERENCE**

A report of the Director of Transformation and Resources requested nominations to attend the thirteenth Annual LGPS Trustees' conference organised by the Local Government Pensions Committee from 23 to 24 June 2016.

The LGPC trustees' conferences were specifically aimed at elected members with responsibility for the Local Government Pension Scheme but were open to officers and other scheme member representatives who support pensions committees or hold pension fund investment or administration responsibilities. It was also of interest to local pension board members.

The programme for this year's conference "In at the deep end" had yet to be finalised but was likely to include pooling of investments. Likely topics to be included were outlined in the report. The Chair noted that this conference was close to the date set for the Referendum.

Resolved – That members wishing to attend the LGPC trustees' conference contact the Head of the Pension Fund's office.

78 **PLSA LOCAL AUTHORITY CONFERENCE**

A report of the Strategic Director Transformation and Resources requested nominations for members to attend the Pensions & Lifetime Savings (PLSA (formerly

NAPF)) Local Authority Conference 2016 to be held in Gloucester from 16 May to 18 May 2016.

The PLSA Local Authority Conference was a specialist pension event for Local Authorities, designed to look at the ever-changing Local Government Pension Scheme.

This year's conference would focus on efficiency, transparency and collaboration: the major themes shaping the modern LGPS. The programme would cover many of the challenges associated with the day job but pooling was clearly at the top of the agenda and there would be a number of sessions focusing on how to get pooling right. The Chair noted that the Conference dates would clash with those set for Annual Council.

A draft agenda was attached as an appendix to the report.

Resolved - That members consider if they wish to attend the LGPC trustees' conference and if so contact the Head of the Pension Fund's office.

79 **PENSION BOARD MINUTES 14/07/15 & 13/10/15**

A report provided members with the minutes of the Pension Board held on 14 July 2015 and 13 October 2015 for information.

The Pension Board was established in 2015 in accordance with section 5 of the Public Service Pensions Act 2013 to assist the Administering Authority in its role as a scheme manager of the Scheme.

The Pension Board provided reports to the Administering Authority on its activities and, as a part of that reporting, the minutes of its meetings were shared with Pensions Committee.

Resolved – That the minutes of the Pension Board held on 14 July 2015 and 13 October 2015 be noted.

80 **IMWP MINUTES 10/03/16**

A report of the Strategic Director Transformation and Resources provided Members with the minutes of the Investment Monitoring Working Party held on 10 March 2016.

The appendix to the report contained exempt information. This was by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of 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, subject to the addition of apologies for Councillor Cherry Povall, the minutes of the Investment Monitoring Working Party held on 10 March 2016 be noted.

81 **GRWP MINUTES 28/01/16**

A report of the Strategic Director Transformation and Resources provided members with the minutes of the Governance & Risk Working Party (GRWP) held 28 January 2016.

An exempt report on the agenda, the minutes of the GRWP on 28 January 2016, 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 Governance & Risk Working Party (GRWP) held 28 January 2016 be noted.

82 **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.

83 **POOLING CONSULTATION**

The appendices to the report on the Pooling Consultation were exempt by virtue of paragraph 3.

84 **PROPERTY VALUER CONTRACT**

The appendices to the report on Property Valuer Contract were exempt by virtue of paragraph 3.

85 **TUNSGATE QUARTER UPDATE**

The appendices to the report on the Tunsgate Quarter Update were exempt by virtue of paragraph 3.

86 **IMWP MINUTES 10/03/16**

The appendices to the report on IMWP Minutes were exempt by virtue of paragraph 3.

87 **GRWP MINUTES 28/01/16**

The appendices to the report on GRWP Minutes were exempt by virtue of paragraph 3.

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