

# APPENDIX 1

## WIRRAL COUNCIL

### PENSIONS BOARD

28 JUNE 2016

<b>SUBJECT:</b>	<b>PENSION BOARD REVIEW 2015-16 AND WORK PLAN 2016-17</b>
<b>WARD/S AFFECTED:</b>	<b>NONE</b>
<b>REPORT OF:</b>	<b>INDEPENDENT CHAIR OF PENSION BOARD</b>
<b>KEY DECISION?</b>	<b>NO</b>

#### 1.0 EXECUTIVE SUMMARY

1.1 This report which has been prepared in accordance with the Terms of Reference of the Pension Board reviews the performance of the Board and its members during its first year. The first year of the Board has been taken as from 15 May 2015 when Board members were selected to 30 April 2016.

#### 2.0 BACKGROUND AND KEY ISSUES

2.1 Section 8 of the Terms of Reference of the Local Pension Board of the Merseyside Fund states that *“The Board will undertake each year a formal review process to assess how well it and its members are performing with a view to seeking continuous improvement in the Board’s performance.”*

The responsibility for preparing and co-ordinating the annual Board Review lies with the Independent Chair as the Terms of Reference state at 4.7 i. that it will be the role of the Chair to *“To annually review and report on the performance of the Board”* and at 4.7 g. to *“Write reports required by the Scheme Manager on the performance of the Board.”*

This Board Review is separate but complementary to the Pension Board Annual Report (required under Section 11.3 of the Terms of Reference) to be prepared by the Director of the Merseyside Pension Fund in consultation with the Independent Chair.

As the Board Members were appointed on 15 May 2015 this review of 2015/16 will cover the period 15 May 2015 to 30 April 2016.

#### Establishment of the Board

The effectiveness of the Board is dependent not only on the approach and contribution of its Members but also that of the Administering Authority. Regulation 106(1) of the Local Government Pension Scheme Regulations 2013 (As amended) requires that each Administering Authority, which in the case of the Merseyside Fund is Wirral MBC, establish a Local Pension Board by 1 April 2015 and that this Board has (Regulation 107(2)) at least two Employer and Employee representatives. Guidance on the creation and operation of Local Pension Boards in England and Wales issued by the (National) Shadow Scheme Advisory Board in February 2015 (Section 3.2, page 7) “*anticipated*” that each Local Pension Board “*be operational*” by 31 July 2015.

The Administering Authority took a clearly proactive approach to both the creation and nature of the Pension Board. The Pension Committee considered the establishment of the Pension Board at its meeting held on 19 January 2015, prior to the Department for Communities and Local Government issuing the relevant final Governance Regulations (which were issued on 28 January 2015). The Pension Committee agreed that the Pension Board should consist of not the minimum of four but eight members (4 Employer and 4 Employee) plus an Independent Chair. This representation enabled Employer representatives to be appointed from each of the major Employer groups – one each for Admitted bodies (excluding contractors) and Education bodies and two from Authorities (Councils, Police, Fire, Transport). Diversity amongst Employee representatives was facilitated by two representing active members and the other two pensioner/deferred members. The Independent Chair was to have experience as a trustee or officer preferably in the LGPS. The Terms of Reference and composition of the Pension Board were approved by the Council at its meeting on 16 March 2016.

The Administering Authority undertook a recruitment campaign which sought to facilitate Board effectiveness in terms of the appointed members. A vigorous information and advertising campaign was undertaken to seek an Independent Chair, Employer and Employee representatives all of whom had significant relevant experience/understanding of Pensions issues. A Selection Panel of three Wirral Councillors advised by the Director of the Merseyside Pension Fund and the External Auditor to the Council appointed the members of the Board.

The Selection Panel appointed four Employer representatives with strategic and operational knowledge, understanding and experience of pension schemes. This included significant involvement with both the LGPS and private sector Defined Benefit and Defined Contribution Schemes. Three of the four Employer representatives are senior managers with large Employers within the Fund which are diverse in their nature (One Vision Housing, Wirral Met College and Merseyside Police). The fourth is a former Councillor and former Member of the Wirral MBC Pension Committee.

Active, Deferred and Pensioner members of the Fund are all represented by Employee representatives. One active Employee member is an experienced Trade Union representative who was a member of the Wirral Pension Committee from 2008 to 2015. The other active Employee member is a senior finance officer of Liverpool City Council. Deferred members are represented by a former Liverpool City Councillor who also has private sector pension trustee experience. Retired members are represented by an experienced Trade Union representative who also served on the Wirral Pension Committee from 2008 to 2015.

The Independent Chair is Independent Advisor (for Governance and Investment) to three London LGPS Funds. He was Head of the Northamptonshire LGPS Fund from 2004 to 2009 and then Director of Finance of the London Borough of Waltham Forest.

The Board was properly operational prior to 31 July 2015. The Board Members were appointed by the Selection Panel on 15 May 2015, a full day training event was held on 28 May 2015 and the first Board meeting was held on 14 July 2015.

## **Training and Development**

It is a statutory requirement under Schedule 4 of the Public Service Pensions Act 2013 and Section 248A of the Pensions Act 2004 (As amended) that members of Pension Boards have “knowledge and understanding” of pensions law and be “conversant” with the Scheme Regulations and Fund documents. The issue of training and development has been approached in a methodical and serious manner by both the Administering Authority and individual Board members.

Each of the three Board Meetings held between July 2015 and April 2016 considered Training and Member Development. The first Board Meeting held on 14 July 2015 included a paper by the Fund Officers entitled “Training Programme” which provided details of the knowledge and understanding requirements of Board members, set out the overall approach to training to be adopted and included a specific requirement that all Board Members commit to completing the Pensions Regulator’s on-line Toolkit for Public Service schemes. At the Board meeting held on 13 October 2015 members received a further paper on training and were briefed on the CIPFA “*Local Pension Boards A Technical Knowledge and Skills Framework*” issued in July 2015 in respect of all areas of which the report stated training will be provided over time. A further report on Member Development including details of a wide range of external events which Board members may potentially attend was received at the April 2016 Board meeting.

During 2015 the Fund organised two full day training events for Board members. Prior to the first meeting of the Board a full day training session was organised by the Fund on 28 May 2015 which aimed to highlight and in brief explain, all the areas of knowledge a Board member might be expected to have as indicated in Schedule B of the (National) Shadow Scheme Advisory Board “*Guidance on the creation and operation of Local Pension Boards in England and Wales*” issued in February 2015. This was presented by representatives from the Local Government Association, AON Hewitt, Eversheds, and Mercer. This event was attended by six of the nine Board Members. The Fund organised a further all day training event (to which both Pension Committee and Pension Board Members were invited) on 29 September 2015. This focussed on an overview of the Merseyside Fund, Investment and Actuarial issues with presentations by the Director of the Fund, Investec Asset Management, Blackrock and Mercer. Seven of the nine Board members attended.

In addition all Members of the Board were invited to attend the Annual Employers Conference held on 26 November 2015 which received detailed presentations on the

Governance, Investment and Administration of the Merseyside Fund. Eight members of the Board attended. The Independent Chair of the Pension Board also made a presentation on the role, membership and activity so far of the Board

During 2015-16 Board Members were afforded and took up opportunities to attend a range of external training and conference events. In addition a programme of attendance, in an observer capacity, at both the Investment Monitoring Working Party and the Governance and Risk Working Party commenced.

## Board Meetings

Three meetings of the Board were held during the period covered by this review. There were on 14 July 2015, 13 October 2015 and 14 April 2016. At each meeting 8 out of the 9 Board members attended representing an 89% attendance at each meeting.

The Agenda Items Considered at each Board meeting are shown in the Table below:

	14/7/15	13/10/15	14/4/16
Minutes of the Previous Meeting		/	/
Members Code of Conduct – Declarations of Interest			/
Appointment of Chair of Pension Board	/		
Review of Pension Board Policies	/		
Business Planning/Work Plan	/	/	
Stronger Futures: Development of the LGPS	/		
Policy on Compliance with the Pension Regulator	/		
Training/Member Development Programme	/	/	/
LGPS Update		/	/
Annual Report and Accounts		/	
Gifts and Hospitality Policy		/	
Investment Monitoring Working Party Minutes		/	/
Governance and Risk Working Party Minutes		/	/
Administration Report			/
Pooling Update			/
LGPS Investment Regulations Consultation			/
The Pensions Regulator Breaches Policy			/
Revised Policies			/
Draft Pension Board Report			/
Report of Breaches of the law			/

The work programme of the Board developed over the year. Given the overall role of the Board is to “assist” the Administering Authority it was appropriate that rather than agree a Business Plan/Work Programme at the commencement of its existence the Board received reports from the Director of the Fund at the 14 July 2015 and 13 October 2015 meetings detailing the key activities and projects of the Merseyside Pension Fund to 2017. Following receipt of these reports informal discussions were held between the Independent Chair and Director of the Fund to determine a formal Work Programme. There was then further informal consultation with all Board

Members regarding the future work programme of the Board and further suggestions were made. Consequently taking account of these discussions and the present national developments in the LGPS a proposed Pension Board Work Plan for 2016-17 is included later in this report for formal approval by the Board. This Work Plan is expected to evolve as new activities and projects arise.

As will be observed during 2015-16 the Board received reports on a wide range of issues covering Governance, Administration and Investment issues. There were active discussions in relation to reports, including those on training, the Minutes of the two Fund Working Parties, the Administration Report and the Investment Poling proposals, with all nine members of the Board contributing regularly to debate during the course of the year.

As the Board's primary role is to assist the Administering Authority and the Board is not in its own right a decision making body it was appropriate that the Board developed a clear focus towards consideration of Governance issues during its first year. This was facilitated by the emphasis on training promoted by the Fund and embraced by the members of the Board (as indicated in the previous section of this report). In particular it was agreed that the Exempt Minutes of both the Investment Monitoring Working Party (the Fund's principal forum for the consideration of Investment related issues) and the Governance & Risk Working Party (the Fund's principal forum for the consideration of risk management/internal control and Pensions Administration) should be standing items on the Board's Agenda. To facilitate further understanding of the working of both of these important bodies within the overall Governance of the Fund it was agreed that members of the Board could attend meetings of these groups as observers to further their knowledge and understanding of the Fund.

Given that the Board is made up of representatives of the Employers and Employees within the Fund it is clearly highly relevant that the Board receives reports on and actively considers Governance and performance issues relating to Pensions Administration. This is the area of the Fund where Employers are primarily involved as the Fund is dependent upon Employers for the provision of timely, accurate and updated member data. For Employees, the primary concern is that records are accurate so that pension entitlements are properly recorded and in due course paid. Furthermore the Pensions Regulator has laid out clear expectations in terms of Pensions Administration including Internal Dispute Resolution in Code of Practice No 14. Therefore during the year the Fund Officers worked to develop a suitably detailed Pension Administration Report. The first such report was presented to the meeting of the Board held on 14 April 2016 and covered a wide range of Pension Administration issues and performance indicators. A Pension Administration report will be presented to each subsequent meeting of the Board.

The Board did not during its first year make any formal recommendations to the Scheme Manager (the Pensions Committee of Wirral MBC). The Board, however, made an important resolution relating to the future Governance of the Investments of the Fund at its meeting held on 14 April 2016. Board members (the Independent Chair, Employee and Employer representatives) jointly prepared and unanimously agreed a resolution at this meeting strongly supportive of the overall approach of the Northern

Pool in their February 2016 submission to the DCLG and the Memorandum of Understanding between the Administering Authorities of the Merseyside, Greater Manchester and West Yorkshire Funds of 19 February 2016. This resolution also supported the overall proposed approach to the Governance of the Northern Pool including the importance of the genuine involvement of Elected Members and the desirability of the genuine involvement and participation of non-district employer, employee and pensioner representatives. Given the fact that the Government's Pooling proposals will result in the Merseyside Fund delegating responsibility for the selection of investment managers to the Pool, over and above the existing delegation of the day-to-day management of its assets to officers of MPF the Board felt it necessary to clearly express a view in respect of the Governance of any Pooling arrangement the Merseyside Fund enters into.

During 2015-16 the attendance at Board Meetings (89%), active participation at Board meetings by all Board members and the level of participation in training indicate the commitment of the Board membership to the effectiveness of the Board.

### **Reporting Breaches of the Law to the Pensions Regulator**

The Pension Board does not itself have decision making powers. The Administering Authority may however delegate functions or grant powers to the Board. In respect of the Reporting of Breaches of the Law to the Pensions Regulator the Administering Authority has determined (Pensions Committee of 16 November 2015) that the Board should be consulted by Officers when considering whether or not to report a specific breach (or likely breach) to the Regulator. This is an important role granted to the Board in terms of ensuring the good Governance of the Fund and appropriate interpretation of the Pensions Regulators guidance and the Merseyside Fund's policy on reporting breaches of the law. During the period covered by this report the members of the Board were asked to give their view on two occasions as to whether or not a breach of the law should be reported to the Pensions Regulator or alternatively recorded in the Breaches Log. On both occasions the Board unanimously confirmed the Officers view that the breach was not material and therefore did not need to be reported to the Regulator but should be recorded in the Breaches Log.

### **Pension Board Costs of Operation to 31 March 2016**

<b>Training</b>	<b>£10,584</b>
<b>Transport</b>	<b>£2,088</b>
<b>Allowances</b>	<b>£12,772</b>
<b>Other</b>	<b>£1,487</b>
<b>Total</b>	<b>£26,931</b>

## Proposed Pension Board Work Plan 2016-17

Agenda item	28.06.16	11.10.16	2017
LGPS update	√	√	√
Administration KPI report		√	√
Pooling update	√		
Member Development Programme			√
Pension Board Development Programme	√		√
IMWP/GRWP minutes	√	√	√
Pension Board Annual Review	√		
Pension Board Annual Report		√	
Investment Performance		√	
Audit Findings Report		√	
Annual Report & Accounts		√	
Review of Actuarial Valuation			√
Fund discretions			√
AVC arrangements			√
tPR self-assessment			√

## Support for the Board by the Administering Authority during 2015-16

As stated earlier in this report the effectiveness of the Board is dependent not only on the approach and contribution of its members but also that of the Administering Authority. Throughout the year the Board received extremely positive support, advice and guidance from the officers of the Merseyside Pension Fund. Meetings of the Board were supported and attended not only by the Director of the Fund but also the senior members of his team responsible for Pensions Administration and the Finance/Accounting of the Fund. The commitment of Wirral MBC to the Board's role

within the Merseyside Pension Fund was also clearly demonstrated by the attendance of the Council's Strategic Director Transformation and Resources at Board meetings.

Between meetings the Director of the Fund provided me with advice whenever requested as did his senior staff responsible for Pensions Administration and Finance/Accounting. The Director's Personal Assistant also positively provided support throughout the year.

On behalf of the Board I would wish to thank the Officers for their positive approach and their reports, guidance and advice which enabled us to commence our task of seeking to genuinely "assist" the Administering Authority in its stewardship of the Merseyside LGPS Fund.

**John Raisin**  
**Independent Chair**  
**Merseyside LGPS Local Pension Board**

### **3.0 RELEVANT RISKS**

3.1 There are none arising from this report.

### **4.0 OTHER OPTIONS CONSIDERED**

4.1 No other options have been considered.

### **5.0 CONSULTATION**

5.1 The Director of the Merseyside Pension Fund and the eight voting Members of the Pension Board have been consulted in the preparation of this report.

### **6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS**

6.1 There are no previously approved actions outstanding.

### **7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

7.1 There are none arising from this report.

### **8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

8.1 There are none arising directly from this report.

### **9.0 LEGAL IMPLICATIONS**

9.1 There are none arising from this report.

### **10.0 EQUALITIES IMPLICATIONS**

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?



(b) No because there is no relevance to equality.

## **11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS**

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

## **12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

12.1 There are none arising from this report.

## **13.0 RECOMMENDATION/S**

13.1 That the Board receive and approve the Pension Board Review 2015-16.

13.2 That the Board approves the proposed Work Plan 2016-17

## **14.0 REASON/S FOR RECOMMENDATION/S**

14.1 Section 8 of the Terms of Reference of the Local Pension Board of the Merseyside Fund states that *“The Board will undertake each year a formal review process to assess how well it and its members are performing with a view to seeking continuous improvement in the Board’s performance.”*

**REPORT AUTHOR: JOHN RAISIN**  
**Independent Chair**  
**Merseyside Local Pension Board**

## **APPENDICES**

## **BACKGROUND PAPERS/REFERENCE MATERIAL**

## **BRIEFING NOTES HISTORY**

<b>Briefing Note</b>	<b>Date</b>

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>

