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PENSIONS COMMITTEE

Tuesday, 21 March 2017

Present:

Councillor	P Doughty (Chair)	
Councillors	AR McLachlan	G Watt
	G Davies	C Povall
	T Jones	P Cleary
	B Kenny	
	D Elderton (for Cllr T Anderson)	
	W Ward (for Cllr AER Jones)	

Apologies

Councillors	J Fulham St Helens Council
	T Byron, Knowsley Council

Mr P Cleary, Unison

156 COUNCILLOR ANN MCLACHLAN

The Chair informed the Committee that this would be the last meeting attended by Councillor Ann McLachlan as she would be taking up her role as Mayor of Wirral. On behalf of the Pensions Committee Councillor Doughty thanked her for her dedicated service. Councillor Ann McLachlan responded to Members' good wishes and wished the Committee well for the future.

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

Councillor Warrant Ward declared a pecuniary interest by virtue of his employment with the Department of Work and Pensions.

Councillor Geoffrey Watt declared a pecuniary interest by virtue of a relative being a member of Merseyside Pension Fund.

158 MINUTES

Resolved – That the accuracy of the Minutes of the Pensions Committee held on 23 January, 2017 be approved as a correct record.

159 **AUDIT PLAN 2016-17**

Heather Green, Engagement Manager, Grant Thornton UK, attended the meeting and presented the Audit Plan for Merseyside Local Government Pension Scheme Year ended 31 March 2017.

Resolved – That;

1. Heather Green be thanked for her presentation on the Audit Report.

2. the Audit Plan be noted.

160 **LGPS UPDATE**

A report of the Managing Director Delivery, informed Members of the Fund's response to the recent separate consultations on Pension Scams and the Indexation/Equalisation of Guaranteed Minimum Pensions (GMPs) in Public Service pension schemes.

Fund Officers sought comments and approval from the Chairs of both the Pension Committee and Pension Board on the policy perspective within each response, before submission to HM Treasury on the appointed deadline dates for each consultation. The responses were attached as Appendices to the report.

The report also provided an update on the draft LGPS (Amendment) Regulations and the Enterprise Act 2016 Commencement Order.

Resolved – That the report be noted.

161 **POOLING UPDATE**

A report of the Managing Director Delivery provided Members with an update on pooling arrangements relating to MPF and the Northern Pool.

At Pensions Committee on 23 January, Members had been advised that, following the meeting of Pool representatives with the Minister for Local Government on 19 December, the Minister's formal response had just been received.

The Pool had considered the Minister's letter at a shadow joint committee of the Northern Pool. Copies of this correspondence were attached at appendix 1 to the report.

Peter Wallach, Director of Pensions informed the Committee that a workshop on the implications of Financial Conduct Authority authorisation would to be held on 28 March 2017. Advisors to each Fund, the Chairs and one other member of each pensions committee were also invited and Councillor Paul Doughty and Councillor Geoffrey Watt would be attending.

Resolved – That the report be noted.

162 **ACTUARIAL VALUATION**

Members gave consideration to a report of the Managing Director Delivery that informed Members of the triennial actuarial valuation results for the Fund as at 31 March 2016. The position presented followed in-depth discussions between the Fund Actuary (Mercer), officers and constituent employers in relation to the core financial and demographic assumptions.

The statutory purpose of the valuation had been to set a funding plan that struck a balance between Fund solvency, long-term cost efficiency of the scheme and affordable employer contributions for the financial period 1 April 2017 to 31 March 2020.

It was reported that in order to undertake the valuation, the Actuary must have regard to the draft funding assumptions and policies adopted by the Fund. These included the deficit repair plan and investment strategy.

All contributory policies and statutory statements to support the valuation process were covered under separate reports at the Pensions Committee meeting.

Resolved – That;

1. the officers be congratulated for all their hard work.

2. the valuation basis be approved and the Fund Actuary be authorised to certify the final valuation report containing employers' contributions payable for the period 1 April 2017 – 31 March 2020.

163 **FUNDING STRATEGY STATEMENT**

A report of the Managing Director Delivery presented Members with the final version of the Funding Strategy Statement (FSS) following Committee's previous consideration of the draft assumptions and policy document at its meeting of 15 November 2016 (minute 131 refers).

As members had been informed, the refinement and finalisation of the FSS had been delegated to officers subsequent to the completion of an open consultation process with constituent employers. The aim of the consultation had been to encourage employer engagement to the process, with a view to implementing a funding plan which balanced the Fund's solvency and long term cost efficiency against affordable employer contributions.

An updated draft FSS was attached as Appendix 1 to the report, which following due consideration of the comments received, incorporated measures to permit alternative phasing patterns for specific financial periods; to align with employer budget constraints and provide an easement from the upward pressure on cash contributions.

The 2013 FSS had been updated to incorporate the full suite of discretionary policies that impacted on funding and risk management. This action had improved the

transparency of funding by presenting the individual synergistic policies in one document.

Members were advised that subject to member approval of the FSS, the Fund Actuary (Mercer) would produce the Rates and Adjustment Certificate confirming the individual employer contributions for the financial period 1 April 2017 to 31 March 2020.

Resolved – That;

1. Yvonne Caddock, Principal Pension Officer and the staff be thanked for their work.

2. the Funding Strategy Statement along with the implementation of the alternative investment strategies and internal ill health captive insurance arrangement be approved.

164 **INVESTMENT STRATEGY STATEMENT**

A report of the Managing Director Delivery sought approval from Members for the draft Investment Strategy Statement (ISS) which was attached as an appendix to the report.

Approval was also sought for the revised Asset Allocation Strategy included on page two of the Investment Strategy Statement.

At Committee in November 2016, Members had considered the implications of the new Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the “Regulations”) issued by The Department for Local Government and Communities (DCLG) and the accompanying guidance in relation to the requirement for administering authorities to prepare and maintain an Investment Strategy Statement which must be in place no later than 1 April 2017.

The Investment Strategy Statement would replace the Fund’s Statement of Investment Principles.

In relation to paragraph 2.2 e) of the report “e) the authority’s policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments” Councillor Pat Cleary asked when the Committee would receive an update and Peter Wallach advised that he was hopeful that a report could be brought to the April meeting of the IMWP. Councillor Pat Cleary indicated that Members had not had sight of the letter and response relating to fossil fuels and Peter Wallach agreed to make this available to Members. The Chair commented that the Fund was proactive in investing in areas such as windfarms and anaerobic digestion and indicated that it would be appropriate for Members to receive a brief presentation on what the Fund did invest in at a future meeting.

Resolved – That the Investment Strategy Statement and the revised investment strategy be approved.

165 **LGPC CONFERENCE**

A report of the Managing Director Delivery requested nominations to attend the thirteenth Annual LGPS Trustees' conference organised by the Local Government Pensions Committee from 29 to 30 June 2017 in Bournemouth. Members were informed that this would be made available to all members of the Pensions Committee and they would be contacted by the Head of the Pension Fund's PA.

Resolved – That;

- 1. the Annual LGPS Trustees' conference be made available to all members of the Pensions Committee.**
- 2. Members be contacted by Peter Wallach's PA and indicate their intention to attend to her.**

166 **PLSA LA CONFERENCE**

Members gave consideration to a report of the Managing Director Delivery that requested nominations for members to attend the Pensions & Lifetime Savings (PLSA (formerly NAPF)) Local Authority Conference 2016 to be held in Gloucester from 15 May to 17 May 2017. It was noted that this conference clashed with Wirral Council's Annual Council.

Resolved – That the report be noted.

167 **GIFTS & HOSPITALITY DECLARATIONS**

Members gave consideration to a report of the Managing Director, Delivery that provided Members with a summary of monitoring/training events attended by officers of the Fund and details of gifts and hospitality received over the 12 months to September 2016. The appendix to the report provided a schedule of declarations from October 2015 to December 2016.

Resolved – That the report be noted.

168 **COMPLIANCE MANUAL**

Members of the Committee gave consideration to a report of the Managing Director Delivery that sought approval of a revised Compliance Manual.

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).

The Compliance Manual set out the powers, duties and responsibilities of officers in respect of the financial services legislative and regulatory regimes relevant to MPF. Although the Pension Fund is not regulated by the Financial Conduct Authority (FCA) the manual incorporated, where appropriate, best practice as set out by the FCA and the codes of other professional bodies.

The manual was due for review every three years. The existing Compliance Manual had been approved at Pensions Committee 24 March 2014.

Resolved – That the revised Compliance Manual be approved.

169 IMWP MINUTES 09/02/17

A report of the Managing Director Delivery provided Members with the minutes of the Investment Monitoring Working Party held on 9 February 2017.

The appendix to this 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 the report be noted.

170 GRWP MINUTES 07/02/17

A report of the Managing Director Delivery provided members with the minutes of the Governance & Risk Working Party (GRWP) held 7 February 2017.

An exempt report on the agenda, the minutes of the GRWP, 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 report be noted.

171 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.

172 IMWP MINUTES 09/02/17 EXEMPT MINUTES

The appendix to the report on IMWP Minutes 09/02/2017 was exempt by virtue of paragraph 3.

173 GRWP MINUTES 07/02/17 EXEMPT MINUTES

The appendix to the report on GRWP Minutes 07/02/2017 was exempt by virtue of paragraph 3.

174 COMPLIANCE MANUAL - APPENDIX

The appendix to the report on Compliance Manual was exempt by virtue of paragraph 3.