

# LOCAL PENSIONS BOARD

Thursday, 16 March 2017

Present: J Raisin (Chair)

G Broadhead  
M Hornby  
R Dawson  
K Beirne

D Ridland  
P Wiggins  
P Maloney

## MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked to declare any disclosable pecuniary and non-pecuniary interests in connection with any item(s) on the agenda and state the nature of the interest.

No such declarations were made.

### 1 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked to declare any disclosable pecuniary and non-pecuniary interests in connection with any item(s) on the agenda and state the nature of the interest.

No such declarations were made.

### 2 MINUTES

**Resolved - That the accuracy of the Minutes of the Local Pension Board held on 11 October, 2016 be approved as a correct record.**

### 3 LGPS UPDATE

Members were provided with the LGPS updates that had been taken to Pensions Committee since the previous Board meeting and were attached as appendices to the report.

Yvonne Caddock, Principal Pension Officer outlined to the Board that the reports informed of a number of impending reforms to the exit payments made to public sector employees; that would have a direct impact on the LGPS.

The reports also raised awareness of a government initiative to boost state pension entitlements for individuals who were "contracted out" of the

additional state pension, whilst contributing to workplace pension arrangements; including public sector pension schemes.

With regard to the Government Scheme to boost State Pension Yvonne Caddock highlighted that the reform of the state pension scheme for people attaining state retirement age from 6 April 2016 had resulted in the introduction of a flat rate pension, with the requirement to have paid full-rate National Insurance Contributions (NICs) for 35 years to receive the full flat rate pension; which currently stood at £155.65 a week.

It was noted that the vast majority of people, who had contributed to a public sector pension prior to 6 April 2016, paid NICs at a lower rate because the Scheme was “contracted out” of the state earnings-related pension scheme. To reflect this, a large number of LGPS members would have a deduction made from their state pension – which meant that most would not receive the full amount in respect of their period of contracted out service.

For members with gaps in their national insurance records who were not on track to receive the full state pension, there would be the ability to pay heavily subsidised voluntary NICs to fill the gaps. This was particularly relevant for many local government workers who were in receipt of their occupational pension before receiving their state pension; and who would not normally pay any further NICs before state pension age. These members would be able to take advantage of the generous financial terms to receive a full flat rate state pension.

Yvonne Caddock also reported that on 28 November, HM Treasury had commenced a consultation that proposed options for the indexation of GMP elements for members of public service pension schemes who would reach SPA on and after 6 December 2018. The consultation period had ended on 20 February, 2017. MPF had responded and included the comments provided by the Chair of the Local Pensions Board.

**Resolved – That the report be noted.**

#### **4 MEMBER DEVELOPMENT PROGRAMME**

A report of the Director of Pensions provided members of the Board with the programme for the training and development of Members of Pensions Committee in 2017 which had been approved at Pensions Committee in January and was attached as an appendix to the report. The Director of Pensions noted that a number of these development opportunities would also be made available to the Pension Board and details would be circulated to members. The provision of in-house events was also being looked at.

**Resolved – That the proposed training and development plan for 2017 be noted.**

## 5 **POOLING UPDATE**

A report of the Director of Pensions provided the Board with details of update reports taken to Pensions Committee on 15 November 2016 and 23 January 2017 in respect of pooling arrangements relating to the Northern Pool. It was reported that the Minister was happy with the progress being made with the Northern Pool. A formal response had been received on 19 January, 2017 and would be published shortly.

It was reported that MPF was continuing to work with its pooling partners and a workshop was planned at the end of March to consider the implications of the Minister's letter. Collaboration on Alternative investments was making good progress.

**Resolved – That the report be noted.**

## 6 **TREASURY MANAGEMENT STRATEGY**

A report of the Director of Pensions provided the Board with the Treasury Management Policy, attached as an appendix to the report, that was brought annually to the Pensions Committee and had been approved on 23 January, 2017. The Director of Pensions outlined the Strategy and responded to Members' questions.

**Resolved – That the report be noted.**

## 7 **BUSINESS PLANNING**

Members gave consideration to a report of the Director of Pensions, attached as an appendix to the report, that provided Members with an outline of current and future legislative changes affecting MPF and the Pension Fund's key activities and projects in response to them.

To assist the Pension Board in directing its future activities, MPF's key activities and projects were set out in the appendix to the report to enable Board members to identify and develop its work and training programme.

The Chair of the Board noted that members would like assurance as to the process followed in relation to the formulation of Fund's Investment Strategy and requested that a report be brought to the autumn meeting of the Board to show how this had been carried out. The Director of Pensions confirmed that this would be included in the work plan for the Pension Board.

**Resolved – That the report be noted.**

## 8 **INVESTMENT STRATEGY STATEMENT GUIDANCE**

The Director of Pensions submitted the Investment Strategy Statement guidance that had been taken to Pensions Committee and was attached as an appendix to the report.

The Director of Pensions informed the Board that the Investment Strategy Statement had been introduced in the new Investment Regulations. It replaced the Fund's Statement of Investment Principles and must be in place by 1 April 2017. A formal document would be brought to the next Pensions Committee on 21 March, 2017. The Director provided the Statutory Background to the Investment Strategy Statement and made members aware of the new directions including Regulation 8 that enabled the Secretary of State to issue a Direction if he was satisfied that an administering authority was failing to act in accordance with the guidance.

**Resolved – That the report be noted.**

## 9 **DRAFT FUNDING STRATEGY STATEMENT**

Members gave consideration to the draft Funding Strategy Statement that had been taken to Pensions Committee and was attached as an appendix to the report.

The Local Government Pension Scheme (LGPS) regulations required each administering authority to prepare and publish a Funding Strategy Statement (FSS). The FSS set out the key assumptions which the actuary had used in preparing the actuarial valuation and, in those cases where the Administering Authority had some discretion, the policies adopted by the Administering Authority. Members were informed that the FSS must be updated in detail triennially as part of the actuarial valuation. The Administering Authority must also consult with employers on the FSS as part of the valuation process. The report provided the key changes to the 2016 Funding Strategy and noted that the final actuarial outcome would be reported to the Pensions Committee on 21 March, 2017.

**Resolved – That the report be noted.**

## 10 **MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE (MIFID) CONSULTATION**

Members of the Board gave consideration to a report on the implications of MIFID II that had been taken to Pensions Committee and was attached as an appendix to the report.

The report provided members with background information on MIFID II, a European Union Directive that regulated firms who provided services to clients such as the LGPS with a range of financial instruments such as

shares, bonds, and units in collective investment schemes which was currently the subject of a consultation exercise.

It was reported that a major and contentious element in the proposals for MIFID II was the reclassification of local authorities as “retail investors” which would fundamentally change the way in which local authority pension funds conducted investment business with their counterparties in relation to all asset classes.

**Resolved – That the report be noted.**

11 **IMWP MINUTES**

The Director of Pensions submitted the IMWP minutes that had been approved by Pension Committee since the last Pension Board meeting and were attached as exempt appendices to the report.

12 **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.**

13 **ADMINISTRATION KPI EXEMPT REPORT**

The report on the Administration KPI Report was exempt by virtue of paragraph 3.

14 **IMWP EXEMPT MINUTES**

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