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PENSIONS COMMITTEE

Monday, 18 September 2017

Present:

Councillor P Doughty (Chair)

Councillors G Davies K Hodson
T Jones C Povall
AER Jones P Cleary
G Watt

Councillors J Fulham, St Helens Council

R Bannister, Unison retired member
representative

Apologies

Councillors B Kenny
N Crofts, Liverpool City Council

27 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 John Fulham declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund and a Board Member, Torus.

Councillor Tony Jones 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.

28 MINUTES

Resolved – That the accuracy of the Minutes of the Pensions Committee held on 17 July, 2017 be approved as a correct record.

Further to minute 2, 17July 2017, Fossil Fuel Merseyside – Questions to the Pensions Committee Councillor Pat Cleary requested a brief update. The Chair of

the Committee responded that the interested parties had been responded to and a date was going to be set for a visit to the Fund's offices and an opportunity provided for discussion about any issues the group wished to raise.

29 **LGPS UPDATE**

Members gave consideration to a report of the Managing Director Delivery that updated Members on the ongoing workstream of the Scheme Advisory Board's Administration and Communication Sub-Committee (ACSC) to consider the effectiveness of the ill health retirement provisions under the LGPS regulatory framework.

The report also set out the current position on the public sector exit payment reforms, following the general election and the formation of the new Government.

Yvonne Caddock, Principal Pension Officer, presented the Ill Health Retirement Simplification to the Committee and informed members that the Scheme Advisory Board (SAB) had agreed that it was necessary to develop recommendations on a revised ill health retirement structure - in order to simplify the qualification criteria and the administrative process in determining a member's eligibility for ill health retirement.

The ACSC had been tasked to consider the options for change and to commission the Government Actuary Department (GAD) to assess whether the proposed revised structure would fall within the current cost envelope for ill health provision.

Members were appraised on the current ill health benefit structure, issues with the current structure and options and implications for change to the benefit structure and cost envelope. The Committee were informed that the proposed options to reform the ill health benefit provisions would result in a more straightforward qualification and administrations process as detailed in the report.

At the Scheme Advisory Board meeting held on 26 June 2017 ACSC had asked the Board to consider whether the three preferred options outlined should be recommended to the Secretary of State subject to consultation with employers and members. The Director of Pensions advised that members would be apprised of the outcome of the board's decision at a future meeting of the Pensions Committee.

Resolved – That the report be noted.

30 **POOLING UPDATE & JOINT COMMITTEE REPRESENTATION**

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

Agreement 'in principle' was sought for the appointment of two Pensions Committee members to the Northern Pool Joint Committee subject to approval by Council of the final governance arrangements. It was recommended that the existing arrangements for the shadow board be formalised.

It was reported that at the outset of the government's proposals for pooling of LGPS funds, a shadow joint committee had been established to provide a forum for officers

and elected members to develop proposals for the Northern Pool (the Pool). In the update brought to the Pensions Committee in July 2017, the project plan had set out key milestones for the Pool including the formal establishment of a joint committee ahead of the April 2018 deadline for the Pool to become operational.

The Pool's preliminary submission to government in July 2016 had set out high level proposals for governance which were set out in the report and included Governance and the Role of the Pool Board.

Peter Wallach, Director of Pensions, reported that participation in the joint committee would be a key element of the Fund's oversight of the Pool and its operation. Members were also informed that considerable work remained to be done in terms of finalising the detail of governance arrangements and suitable terms of reference.

The Chair of the Committee commented that officers had put in a tremendous amount of work on the Fund's participation in the Northern Pool and indicated that he wished to thank officers for their efforts.

Resolved – That;

1. subject to approval by Council of the final governance arrangements the Pension Committee agree 'in principle' to the appointment of two Pensions Committee members to the Northern Pool Joint Committee.

2. officers continue to work with the Joint Committee to finalise governance arrangements for the Fund's participation in the Northern Pool, for approval by Council.

31 INVESTMENT PERFORMANCE 16/17

Members gave consideration to a report of the Director for Delivery that set out the investment performance of Merseyside Pension Fund for the fiscal year ended March 2017.

Peter Wallach, Director of Pensions, provided a background to financial markets and reported that the Fund had returned 21.45 per cent in the financial year to the end of March 2017 compared to its bespoke benchmark return of 17.79 per cent, an outperformance of 3.11 per cent.

RESOLVED – That;

1. the report be noted.

2. officers be congratulated on their performance.

32 MIFID II OPT UP

Members gave consideration to a report of the Managing Director of Delivery that informed the Committee that a report had been brought to this Committee in January 2017, setting out the implications for the Fund of the implementation of the Markets in Financial Instrument Directive 2014/65 ("MiFID II") and in particular the risk to the administering authority of becoming a retail client on 3rd January 2018. The report

recommended that the committee agree that elections for professional client status should be made on behalf of the authority immediately. The appendices to the report set out the Retail client protections, a summary of the FCA policy statement, an opt up process flowchart and an opt up letter template. Peter Wallach, Head of Pensions outlined the key issues to the Committee.

Resolved – That;

- 1. the potential impact on investment strategy of becoming a retail client with effect from 3rd January 2018 be noted.**
- ii. the immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure it can continue to implement an effective investment strategy be agreed.**
- iii. in electing for professional client status the Committee acknowledge and agree to forgo the protections available to retail clients attached as Appendix 1 to the report.**
- iv. for the avoidance of doubt, delegated responsibility to Director of Pensions for the purposes of completing the applications and determining the basis of the application be agreed and approved**

33 GENERAL DATA PROTECTION REGULATIONS

A report of the Managing Director Delivery provided an update to Members on the duties and obligations arising out of the General Data Protection Regulations which would come into force on 25 May 2018.

Guy Hayton, Operations Manager MPF, provided members of the Committee with the background to the report, summarised the key changes and responded to Members questions. Members were informed that the GDPR was a European Union (EU) directive that would govern how personal data should be held and processed by all 28 EU member states. The UK Data Protection Act 1998 would no longer apply after 25 May 2018. It was reported that the potential fines for infringement under the new legislation were substantial, up to 4% of annual global turnover or 20,000,000 Euros.

Resolved – That the report be noted.

34 TRAINING POLICY

A report of the Managing Director, Delivery sought approval for a revised training and development policy. Appendix 1 to the report contained the Training and expenses policy for the members of Pension Committee

Peter Wallach, Head of Pensions reported that the CIPFA Pensions Panel had developed a technical knowledge and skills framework. The framework had been adopted by Committee in 2010 as demonstrating best practice and enabled the Fund to determine that it had the appropriate mix of knowledge and skills necessary. It also assisted Members in planning their training and development needs.

Members were informed that since Committee had adopted the CIPFA framework, there had been a number of developments including the establishment of Local Pension Boards (LPB) and the Pension Regulator had developed an LGPS specific training toolbox. The implications of these changes had been considered by elected members at the Governance & Risk Working Party on 6 July 2017 and it had been recommended that the training policy set out in the appendix be revised to take account of the changing environment and, for example, the statutory requirements for LPBs to be adopted as best practice for Committee members.

Resolved – That the revised training and development policy be approved.

35 **LAPFF CONFERENCE**

Members gave consideration to a report of the Managing Director, Delivery that recommended that Committee approve attendance by the Chair and party spokespersons at the Local Authority Pension Fund Forum (LAPFF) Annual Conference, organised by PIRC, to be held in Bournemouth from 6 to 8 December 2017. Peter Wallach, Director of Pensions indicated that travel costs could be covered by the budget.

Members were informed that MPF was a member of LAPFF and its Annual General Meeting and annual conference provided a forum for Responsible Investment matters and topical issues affecting Local Authority Pension Funds to be discussed and addressed. With sustainability issues gaining a higher profile it was proposed that the arrangements pertaining last year were continued and invitations extended to party spokespersons as well as the Chair. An agenda for the conference had not been published and would be circulated when available.

Resolved – That;

1 attendance at the LAPFF conference by the Chair and party spokespersons be approved.

2 the Chair of the Pensions Committee and Councillor Geoffrey Watt attend the conference on behalf of the Fund.

36 **ANNUAL EMPLOYERS CONFERENCE**

A report of the Director of Pensions informed Members of the arrangements for the annual Employers' Conference to be held on Thursday 30 November 2017.

The 2017 conference would be held at Aintree Racecourse on Thursday 30 November. Members were informed that in addition to the annual reports on investment performance and the administration of the Pension Fund over the previous year, a presentation would be given on the updated Pensions Administration Strategy to be implemented from 1 April 2018.

Members were invited to attend the Conference and further details would be circulated to all Members of the Committee as soon as arrangements were finalised. The Chair of the Committee encouraged Members to attend and recommended that the conference would be well worthwhile.

Resolved – That the report be noted.

37 **PENSION BOARD MINUTES 27/06/2017**

A report of the Director of Pensions provided members with the minutes of the local Pension Board held 27 June 2017.

The Local 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 report be noted.

38 **SYSTEMATIC INVESTMENT**

A report of the Director of Pensions provided Members with an update on the progress made to date in the potential development of internally managed factor-based investment strategies.

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).

Peter Wallach, Head of Pensions, informed members that the Fund had been exploring options to increase the proportion of its assets managed internally, consistent with its long-term investment philosophy and with due regard to risk. The accompanying report provided some background information and initial outcomes from the back testing of factor-based portfolios. Additional information would be provided at the next Investment Monitoring Working Party.

The Chair of the Committee offered congratulations to the Director of Pensions and the Investment Team for their hard work.

Resolved – That the report be noted.

39 **GRWP MINUTES 06/07/2017**

A report provided the Committee with the minutes of the Governance & Risk Working Party (GRWP) held 6 July 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 minutes of the GRWP be approved.

40 **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.

41 SYSTEMATIC INVESTMENT EXEMPT APPENDIX

The appendix to the report on Systematic Investment was exempt by virtue of paragraph 3.

42 GRWP EXEMPT MINUTES 06/07/2017

The appendix to the report on GRWP Minutes 06/07/2017 was exempt by virtue of paragraph 3.

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