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LOCAL PENSIONS BOARD

Tuesday, 10 October 2017

Present: J Raisin (Chair)

M Hornby	P Wiggins
K Beirne	R Irvine
D Ridland	P Maloney

Apologies G Broadhead

18 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.

19 MINUTES

Resolved – That subject to the deletion of “Councillors” next to attendees names that the accuracy of the Minutes of the Local Pension Board held on 27 June, 2017 be approved.

20 AUDIT FINDINGS REPORT, ANNUAL REPORT & ACCOUNTS

Members gave consideration to a report of the Director of Pensions that presented the Annual Report of Merseyside Pension Fund for 2016/17, which contained the audited statement of accounts, and the Fund's response to the Audit Findings Report from Grant Thornton.

Members of the Board were informed that Grant Thornton had indicated there would be an unqualified opinion; their work had identified no adjustments affecting the Fund's reported position for the year ended 31 March 2017 of net assets of £8.2bn and no recommendations.

Grant Thornton's report expressed a positive outcome from their audit of the accounts and referred to the accounts being prepared to a good standard with good supporting working papers. The report also noted that the draft accounts had been prepared and available for audit by 31 March 2017, one month ahead of the statutory deadline, and meeting the revised timetable that would come into effect in 2018.

Resolved – That;

- 1. the report be noted.**
- 2. thanks be offered to Donna Smith, Group Accountant and the team for producing this work within the timescale.**

21 **LGPS UPDATE**

A report of the Managing Director Delivery presented the Board with the LGPS update report along with the Fund's responses to the government consultations detailed within the report that had been discussed at Pension Committee since the last Local Pension Board meeting.

The report updated Members on the current position concerning potential amendments to the Local Government Pension Scheme and overriding pension policy that could affect scheme administration.

A synopsis of the prospective changes to the legislation was attached as Appendix One to the report.

The report also raised awareness of the publication of the 2016 LGPS Annual Report, detailed scheme trends at a national level and a number of issues relating to governance of the Scheme; including difficulties faced by Academies in fulfilling their employer responsibilities as a consequence of non-standardised administrative and funding policies across the LGPS.

Yvonne Caddock, Principal Pension Officer, presented an outline of the report and highlighted that TPR undertook an annual Public Service Governance Survey. The regulator expected all public service schemes to participate in the research to help understand what schemes were doing to improve their standards of governance and administration - so it could focus on the areas which needed more support and education.

The results of the 2016 Governance and Administration survey had recently been published in their 2017 report. The survey generally showed an ongoing improvement in governance but the most commonly identified barrier to improvements in governance and administration for the LGPS was resource constraints.

It was noted that the top priorities for this year were scheme governance, record keeping, internal controls and member communication. The Regulator had confirmed that tolerance for scheme shortcomings in these areas was reducing and that they were more likely to use their enforcement powers for recalcitrant scheme managers.

The full report could be accessed at:

<http://www.thepensionsregulator.gov.uk/docs/public-service-research-summary-2017.pdf>

Yvonne Caddock, Principal Pension Office, noted that Board Members would be kept informed of any changes.

Resolved – That the report be noted.

22 **TREASURY MANAGEMENT ANNUAL REPORT**

A report of the Director of Pensions presented a review of treasury management activities within Merseyside Pension Fund (MPF) for the 2016/17 financial year and reported any circumstances of non-compliance with the treasury management strategy and treasury management practices. It had been prepared in accordance with the revised CIPFA Treasury Management Code.

The Treasury Management Annual Report taken to Pensions Committee was attached as an appendix to the report.

Resolved – That the report be noted.

23 **GDPR BRIEFING**

Members gave consideration to a report of the Managing Director Delivery that provided members with a copy of a report taken to September Pensions Committee on the implications of the General Data Protection Regulations for the Fund.

Members were informed that the EU's General Data Protection Regulation (GDPR) was a legal framework with the aim of boosting online privacy rights and strengthening the digital economy in the European Union. The GDPR brought harmonisation by applying the same set of Data Protection rules across the EU.

The changes were in response to how both globalisation and technological change had impacted on how data was collected, stored, shared and transferred since the introduction of the Data Protection Act in 1998.

Guy Hayton, Operations Manager, highlighted the key changes for the Pension Fund under the GDPR and responded to questions from members.

Members were informed that all Fund staff annually undertook an e-learning course entitled "Responsibility for Information" as staff awareness of data protection was a significant part of ensuring ongoing compliance.

With regard to Partnership working to meet GDPR duties and obligations members were informed that Fund officers were working with colleagues in Legal & Democratic Services and Wirral Digital as part of the larger Administering Authority plan to meet the new duties and obligations of the GDPR.

Members were further advised that Fund Officers were also actively engaged with colleagues at other Funds and the Local Government Association (on behalf of all Funds) in gaining a clear, coherent and consistent response to the demands of GDPR compliance. In particular, a key work area being worked on collaboratively was appropriate communications to scheme members for use in advance of May 2018.

Resolved – That the report be noted.

24 **MIFID II OPT UP**

Members of the Board gave consideration to a report of the Director of Pensions that provided details of 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 would be coming into effect on 3 January 2018.

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. The appendix provided information on the “opt up” process being undertaken in response to this change.

Resolved – That the report be noted.

25 **ISS GUIDANCE UPDATE**

A report of the Managing Director for Delivery informed Members of a High Court ruling that impinged on the guidance issued by the Secretary of State in relation to investment strategy statements.

It was reported that in September last year, the DCLG had issued statutory guidance on preparing and maintaining an investment strategy statement (ISS).

Following a case brought by the Palestine Solidarity Campaign, the High Court had ruled on judicial review that the section on boycotting foreign nations and the UK defence industry in the DCLG statutory guidance on preparing and maintaining an investment strategy statement published in September last year was unlawful.

The reason given was that the Secretary of State had exceeded his regulation making powers by using the guidance to protect government foreign policy and UK defence policy, which, in the judges view, were not policies for “pension purposes” The Secretary of State had been held to have acted for an unauthorised purpose and therefore unlawfully. Although not expressly referred to in the judgment, the inference was that that part of the statutory guidance referred to in paragraph 1 of the judgment was struck out.

The High Court had also been asked to judge whether (a) the guidance lacked clarity and certainty and (b) whether Article 18(4) of the 2003 IORP Directive applied to prevent the Secretary of State from imposing a form of approval before investment decisions were made. On both matters, the judge had ruled in favour of the Secretary of State.

Peter Wallach, Director of Pensions, informed the Board that this ruling would not affect the Fund’s ISS which had been approved by Pension Committee in March of this year.

Resolved – That the report be noted.

26 **ANNUAL EMPLOYERS CONFERENCE**

A report of the Managing Director for Delivery 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. The event provided a forum for officers, advisors and the Local Pension Board to report to employers and key stakeholders on the progress of the Fund. Further details would be circulated to all Members as soon as arrangements were finalised. Mr J Raisin, Chair of the Board, noted that this would be a useful event that would be attended by The Pension Regulator and urged Board members to attend.

Resolved – That the report be noted.

27 **RECORDS MANAGEMENT POLICY**

A report of the Director of Pensions provided members of the Pension Board with an update of the introduction of a records management and data improvement policy for the Pension Administration section.

Yvonne Caddock, Principal Pension Officer, informed the Board that it provided a transparent framework in regard to the processes and responsibilities in approaching data quality and demonstrated the Fund's commitment to embed proactive and preventative techniques within its business practice - to achieve a continual programme of data improvement.

A draft version of the policy was attached as an appendix to the report for the Board's consideration.

Yvonne Caddock noted that suggested amendments from the Pension Board to the proposed procedures and policy to improve record keeping would be welcome in the next few weeks as reports would be prepared by the end of October before the final draft was presented to the Pension Committee in November 2017

Resolved – That the report be noted.

28 **POOLING UPDATE**

Members gave consideration to a report of the Director of Pensions that provided the Board with details of update reports that had been taken to Pensions Committee on 21 March 2017 in respect of pooling arrangements relating to the Northern Pool.

The appendix to the report, appendix 2, 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).

Members discussed the report and commented that the inclusion of Employee representatives in the governance of the Northern Pool was a positive step.

Resolved – That the report detailing the progress of Pooling arrangements be noted.

29 **WORKING PARTY MINUTES IMWP MINUTES 16/06/17, GRWP MINUTES 06/07/17 (RISK REG)**

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

The appendix to the report, the minutes of the GRWP on 06.07.17 and IMWP on 16.06.17, 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 Pension Board confirmed that the Risk Register had been received and members had had the opportunity to review it.

Resolved – That the report be noted.

30 **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.

31 **POOLING UPDATE EXEMPT REPORTS**

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

32 **ADMINISTRATION KPI EXEMPT REPORT**

The report and appendices on the Administration KPI Exempt Report were exempt by virtue of paragraph 3.

33 **WORKING PARTY MINUTES IMWP MINUTES 16/06/17, GRWP MINUTES 06/07/17 (RISK REG) EXEMPT REPORTS**

The appendices on the IMWP and GRWP Exempt Reports were exempt by virtue of paragraph 3.

34 **ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR**

35 **PENSION ADMINISTRATION STRATEGY CONSULTATION**

The Principal Pension Officer informed the Board that the consultation on the Pension Administration Strategy (PAS) which opened to all participating employers on 3 August 2017 had closed on 2 October 2017 with responses received from a number of employers. Fund Officers had reviewed the feedback and reasonableness of any suggested amendments and made further revisions to the draft PAS.

Resolved – That a synopsis of the feedback received from the employers and Fund responses along with the revised PAS would be

circulated to the Pension Board for comment before presentation to Pensions Committee on 13 November 2017 for ratification and an implementation date of 1 April 2018.