

EXTRACT

PENSIONS COMMITTEE 16 JUL 2019

MIN 27 POOL OPERATING AGREEMENT

The Director of Pensions introduced a report that provided Members with a progress report on the implementation of governance arrangements in relation to Merseyside Pension Fund's participation in the Northern LGPS pool (NLGPS).

A copy of the Operating Agreement for the Northern LGPS, which had been taken to Council on 15 July for approval, was attached at Appendix A to the report. The Operating Agreement had been the subject of a report to Pensions Committee on 29 October 2018.

The report informed that in the July Budget 2015, the Chancellor had announced the Government's intention to work with Local Government Pension Scheme (LGPS) (the Scheme) administering authorities to ensure that they pooled investments to significantly reduce costs while maintaining overall investment performance. The Government had subsequently issued the criteria which set out how administering authorities could deliver against the Government's expectations of pooling assets. The report addressed the second of those criteria - Strong governance and decision making. Pooling has been a standing item on the Pensions Committee agenda since that time.

It was reported that in response to the Government's pooling requirements, eight pension pools had been established across England & Wales encapsulating the 88 local government pension funds - and a range of pooling structures had been put in place. Merseyside Pension Fund had formed the Northern LGPS pool with two other local government pension funds; Greater Manchester and West Yorkshire Pension Funds, all large, cost effective Metropolitan funds. The individual funds would retain their current role of setting asset allocation and investment policy and would delegate the implementation of that policy to the Northern LGPS.

Members were informed that a Joint Governance Committee would be formed which would have responsibility for ensuring that the appropriate structure and resources were in place to implement the policy required by each fund, those resources to be provided by the three Funds. The principal activities of the Joint Governance Committee were set out in Schedule 2 of the appendix to the report.

The Director of Pensions advised that a meeting had been held in March 2018 with the advisors to all three funds and the NLGPS shadow Joint Governance Committee to consider options for developing the pool. The unanimously supported conclusion had been to design a simple, low cost pool that will continue delivering the performance the funds expect.

The Northern LGPS Operating Agreement was attached to the report as Appendix A, and set out how the Northern LGPS will operate, with the three partners having equal voting rights, being responsible for costs on an equal basis (except investment

management costs which will be attributed in proportion to the assets being managed). The Agreement also appointed Tameside Borough Council (the administering authority for Greater Manchester Pension Fund) as the host council. The key items of note were those contained in the first three schedules to the agreement, which determined the:-

- Matters reserved to the Pooling Partners
- Joint Governance Committee Terms of Reference
- Joint Governance Committee Procedure

Following agreement by Pensions Committee on 29 October 2018, the Director of Pensions and the Borough Solicitor had been reviewing the Operating Agreement and liaising with pool partners and advisors with a view to ensuring a mutually acceptable agreement that provides Wirral, as administering authority, with the ability to discharge its responsibilities.

Recommended – That Committee approves and recommends to the Standards and Constitutional Oversight Committee and full Council the proposed principles of governance contained in the draft Operating Agreement and delegates to the Director of Pensions and the Director: Governance and Assurance the authority to negotiate and agree with Tameside and Bradford Councils the final draft of the Operating Agreement in consultation with the Chair.