

# Public Document Pack

## PENSIONS COMMITTEE

Monday, 4 November 2019

Present: Councillor P Cleary (Chair)

Councillors G Davies C Povall  
A Gardner G Watt  
B Kenny  
J Stapleton (dep for  
Cllr Tony Jones)  
P Lappin, Sefton Council

R Bannister, Unison retired member  
representative

Apologies Councillors C Carubia  
Tony Jones  
S Whittingham

### 34 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.

Roger Bannister declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund.

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

Councillor Andrew Gardner declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund.

Councillor Paulette Lappin declared a pecuniary interest by virtue of being a member of Merseyside Pension Fund.

Councillor Cherry Povall declared a pecuniary interest by virtue of her daughter 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

### 35 MINUTES

Resolved – That the accuracy of the Minutes of the Pensions Committee held on 16 July, 2019 be agreed.

## 36 **AUDIT OPINION**

The Chair informed the Committee that Stuart Basnett from Grant Thornton was in attendance to provide a brief verbal update on the issuing of the audit opinion for Merseyside Pension Fund's 2018/19 Statement of Accounts. The Financial Statements had been presented at the last Pensions Committee held 16 July 2019 (Minutes 17, 18 and 19 refers) and Grant Thornton had presented their Audit Findings Report. Both the financial statements and the audit findings report including the expected audit opinion had not changed from that reported in July, however, there had been delays in the audit opinion being issued and Grant Thornton would provide an update. Stuart Basnett informed the Committee of the reasons why the Council Audit had not been finalised by the end of July and subsequently had not been submitted to the Audit and Risk Management Committee at this time. Members were informed that there were still some final discussions taking place before the Audit Opinion could be issued and although a definitive date could not yet be provided this was now getting close.

**Resolved – That the audit opinion update be noted.**

## 37 **LGPS UPDATE**

Members gave consideration to a report of the Director of Pensions that provided an update on the 'McCloud Case', which related to the transitional protections awarded to members who were closest to retirement age when the Judges' and Firefighter pension schemes had been reformed in 2015.

In addition, the report updated Members on the Scheme Advisory Board's (SAB) review of LGPS Governance models and the proposed changes to Equitable Life policies, the legacy Additional Voluntary Contributions (AVC) provider for Merseyside Pension Fund.

At the meeting of the Pensions Committee 25 March 2019 (minute 4 refers) Members had been informed of the Court of Appeal's decision, known as the 'McCloud Case'. The Court had ruled that the transitional protection afforded to older members of public service pension schemes was unlawful on the grounds of age discrimination.

On the 27 June 2019, the Supreme Court had denied the Government's leave to appeal, which meant that the Court of Appeal's decision would be upheld, and the case would be returned to an employment tribunal for a detailed decision.

Yvonne Murphy, Head of Pensions Administration, set out the implications for the LGPS and reported that on 15 July 2019, the Chief Secretary to the Treasury had announced in a written statement that "the government believes that the difference in treatment will need to be remedied across all public sector schemes; including the NHS, civil service, local government, teachers, police, armed forces, judiciary and fire and rescue workers."

Members were informed that as the remedy would involve "levelling up" member benefits it was expected that any agreed outcome would increase the cost of LGPS pensions. However, there was no certainty on the level of the increased cost.

Yvonne Murphy further outlined the reasons for the uncertainty of cost and the impact on the Triennial Valuation. It was highlighted that once the McCloud case was remedied, Funds must revisit employer contribution rates to ensure they remain appropriate in considering any additional costs.

In relation to the Good Governance Report the report set out that the aim was for an options report to be considered by the SAB in November. Any proposals agreed by the Board would be subject to a stakeholder consultation before being presented to MHCLG.

The Committee were also informed of the Proposal – Transfer to Utmost Life and Pensions. It was reported that in June 2018, Equitable Life had announced that it had entered into an agreement to transfer its business to ‘Utmost Life and Pensions’. Yvonne Murphy outlined the proposal and Members were informed that in August 2019, Equitable Life had written to all the LGPS administering authorities affected by the transfer to advise them that as both ‘Scheme Policy Holders’ and ‘Eligible Members’ they were able to vote:

- 1) to approve the ‘Scheme’.
- 2) to ‘Change the Articles’ which would make Utmost Life and Pensions the Equitable Life’s only Member.

The deadline for the receipt of postal and online votes was 10am on 30 October 2019. If enough Scheme Policyholders supported the proposals, Equitable Life intended to return to the High Court on 22 November 2019 to ask it to approve the Scheme and the Transfer.

**Resolved – That;**

- a) **the Pensions Committee note that the administering authority had given due regard to Leading Counsel’s advice and the requirement to act reasonably in determining its vote on the proposed Equitable Life Scheme and Change to Articles as outlined at paragraph 2.21 of the report.**
- b) **national developments relating to the McCloud Case and the SAB governance review be noted.**

38 **CATALYST FUND UPDATE**

Members considered a report of the Director of Pensions that provided an update on the Catalyst Fund. The appendix to the report provided information on two recent projects which had been reported to the Investment Monitoring Working Party in September.

Peter Wallach, the Director of Pensions informed the Committee that the Catalyst Fund had been launched in 2016 with the aim of helping to deliver economic growth projects in Merseyside by providing debt and equity financing, whilst producing a commercial return for the Pension Fund. The Fund was looking to partner with public and private entities in developing projects that would deliver economic growth.

It was reported that the Fund had a flexible investment approach designed to help deliver development in growth areas identified in the Liverpool City Region Growth Prospectus and the devolution deal agreed by Central Government and Liverpool City Region Combined Authority. Its principal focus was the provision of debt financing to local property-related or asset-backed opportunities.

The Chair of the Committee commented that he had had the opportunity to look at the District Heating project and he was pleased to see progress in this and other potential projects.

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

## 39 **GOVERNANCE STATEMENT**

A report of the Director of Pensions informed Members of amendments to the Fund's Governance Policy to reflect changes to the Fund's governance arrangements as a consequence of 'Investment Pooling'.

The Director of Pensions reported that the Fund's Governance Policy Statement needed to be updated to reflect the new arrangements pertaining to investment pooling and a revised statement was attached for members consideration

Members were reminded that, from the separate report on this agenda, MPF had been working with its pooling partners to conclude governance arrangements for the Northern LGPS's Joint Committee. An underpinning element of this was a Northern LGPS inter-authority operating agreement between the three funds. This operating agreement and the associated Constitutional changes had been considered and approved at the Standards and Constitutional Overview Committee on 28 September and at Full Council on 14 October 2019.

Regulation 55 of the LGPS Regulations 2013 set out the requirements for the publication of a Governance Policy Statement by the Fund. The policy had last been reviewed by this Committee on 16 November 2015.

**Resolved – That;**

**1 the report be noted.**

**2 the revised Governance Policy Statement be approved.**

## 40 **THE PENSION REGULATOR ENGAGEMENT REPORT**

A report of the Director of Pensions provided members with an update on the Pensions Regulator (TPR) review of governance and administration risks across the LGPS.

Yvonne Murphy, Head of Pensions Administration, informed the Committee that the catalyst for the review had been the slowdown of improvements that had emerged in the findings from TPR's Annual Governance and Administration survey published in 2018.

In order to understand the challenges facing LGPS funds, TPR had undertaken a formal engagement exercise with ten LGPS funds between October 2018 and July 2019.

The report updated members on the Pensions Regulator (TPR) review of governance and administration risks across the LGPS.

The key findings from the engagement were summarised within a TPR report published on 19 September 2019, that had suggested that focus needed to be placed on policies, processes and people.

The report provided details of the TPR Engagement Strategy, the Synopsis of Key Findings and the recommendations emerging from the findings.

**Resolved – that;**

**1) the key findings and recommendations within TPR’s Engagement Report following its high-level review of ten LGPS funds, based on the Regulators Code of Practice No 14 be noted.**

**2) the planned activity of officers to undertake an analysis of Fund policies and strategies against the findings, to ensure any areas for improvements are incorporated into the section’s work steams, be noted.**

#### **41 PENSION BOARD TERMS OF REFERENCE**

A report of the Director of Pensions informed members of proposed revisions to the Terms of Reference for Wirral Council’s Local Pension Board and requested that these be recommended to full Council for adoption. The revised Terms of Reference were attached as appendix to the report.

The report outlined that in early 2015, Wirral Council’s Pension Board had been established in accordance with statutory requirements prescribed within the Public Service Pension Act 2013 and the Local Government Pension Scheme (Governance) Regulations 2015. The intent had been to provide assurance that all public service pension schemes and individual LGPS Funds were managed effectively with a properly constituted, trained and competent Pension Board monitoring compliance with legislation and best practice standards.

The Director of Pensions reported that the Board had operated effectively since July 2015 when it was implemented and assisted Wirral Council, the administering authority, in its role as the Scheme Manager of the Scheme in Merseyside. The Pension Regulator had increased its oversight of the Local Government Pension Scheme and instigated a number of initiatives to assist it in engaging more widely. As a consequence of this, the role of the Local Pension Board had expanded to encapsulate these and related activities. Matters arose throughout the year and, although were considered at Board meetings, it was not infrequently the case that an immediate response was required and this fell to the Independent Chair who provided guidance to the Board in terms of comment, challenge and a response to officers. The Chair also prepared and presented a report of the Board’s activities to Pensions Committee annually and participated in the Annual Employers Conference. These matters were reflected in the additional responsibilities set out in section 4.7,

points j - m, of the appendix to the report. An amendment to section 6 (Quorum) was also recommended to assist in the operation of the Board.

The Director of Pensions reported that when Committee had last considered the operation of the Pension Board, a review of remuneration of Pension Board representatives had been requested by the Chair in view of the greater number of meetings that were being undertaken. The Board's current Terms of Reference linked remuneration to allowances paid to the Chair of Pensions Committee. This had proved to be a hindrance to a review of remuneration because meetings the Council's Remuneration Panel had been repeatedly postponed over the past year or so. It was also apparent that this mechanism was not suited to the Board which was not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority applied to the Board. It had become clear that it would be better if remuneration was aligned with comparable Pension Board roles within the LGPS and as agreed with the Scheme manager. In light of the increased workload and responsibilities, it was proposed that, with effect from 1 April 2019, the remuneration of the Independent Chair is set at £10,000 p.a. and increased annually by the Consumer Price Index (CPI). No change in the level of remuneration for the Employer and Employee representatives was proposed but it was recommended that these allowances have a similar link to CPI. The draft Terms of Reference, attached as an appendix to the report, had been revised to reflect these changes.

The Chair of the committee placed on record his acknowledgement of the work of the Chair of the Local Pensions Board and indicated that Wirral Council was fortunate to have such a Chair of this calibre.

**Resolved - That the Pensions Committee recommends the revisions to the Pension Board's terms of reference to full Council for adoption into the Council's constitution.**

## 42 **TRAINING & DEVELOPMENT OPPORTUNITIES**

A report of the Director of Pensions provided Members with additional information on training and development opportunities.

The report informed that the CIPFA Pensions Panel had developed a technical knowledge and skills framework for the Local Government Pension Scheme. The framework had been adopted by Pensions Committee in 2010 as demonstrating best practice and enabled the Fund to determine that Committee had the appropriate mix of knowledge and skills necessary to discharge its governance requirements. It also assisted Members in planning their training and development needs. An outline training programme was approved by Committee annually with further details of events provided nearer the time. The appendix to the report provided further information on opportunities of which the Fund had been notified.

The Chair of the Committee noted that the date of the LAPFF Conference was now not ideal given the date of the General Election. Members were informed that details would be sent out to them by MPF and they could decide if they wished to attend.

**Resolved – That the report be noted and attendance at the event be approved should members wish to attend.**

43 **PENSION BOARD MINUTES 17/07/2019**

A report of the Director of Pensions provided members with the minutes of the previous meeting of the Local Pension Board held on 17 July 2019.

**Resolved – That the minutes of the Local Pension Board 17 July 2019 be noted.**

44 **COMPLIANCE MANUAL**

Donna Smith, Head of Finance and Risk introduced a report of the Director of Pensions that sought Members approval of a revised Section 5 of the 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 financial or business affairs of any particular person (including the authority holding that information).

Members were informed that 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 was 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 subject to a review as required, but at least every three years. The existing Compliance Manual had been approved at Pensions Committee 22 January 2018. The revised Section 5 of the Compliance Manual was attached as Appendix 1 to the report.

Donna Smith outlined the main changes to the manual highlighting the updates required to reflect the new internally managed internal factor portfolio (IFP).

**Resolved – That the revised Section 5 of the Compliance Manual be approved.**

45 **POOLING UPDATE**

Members gave consideration to a report of the Director of Pensions that provided Members with a short update on pooling arrangements in respect of MPF and the Northern LGPS. Members were informed that since the previous update, the Operating Agreement between the three members of NLGPS had been concluded. It had been considered by the Standards and Constitutional Oversight Committee on 28 September and approved at Council on 14 October 2019.

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 Director of Pensions informed the Committee that MPF had continued to work with its pooling partners to finalise governance arrangements for the Pool's Joint Committee. An underpinning element of this was a Northern LGPS inter-authority operating agreement between the three funds which was close to being concluded by the three authorities. The Fund's Governance Policy had been updated to reflect these changes. The Pooling update and minutes of the Northern LGPS Shadow Joint Committee on 11 July 2019 were attached at exempt appendix 2 to the report.

**Resolved – That the pooling report and minutes of the Shadow Joint Committee meeting on 28 September 2019 be noted.**

46 **WORKING PARTY MINUTES**

A report of the Director of Pensions provided Members with the minutes of meetings of Working Parties held since the last meeting.

Appendix 1 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).

**Resolved – That the minutes be approved.**

47 **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.**

48 **COMPLIANCE MANUAL**

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

49 **POOLING UPDATE**

The Appendix to the report on the Pooling Update was exempt by virtue of paragraph 3.

50 **WORKING PARTY MINUTES**

The Appendix to the report on the Working Party minutes was exempt by virtue of paragraph 3.