



Merseyside Pension Fund Report & Accounts 2019/20

including Policies



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Management Structure

At 31 March 2020

Administering Authority

Wirral Council

Pension Fund Management Committee

Chair:

Cllr Pat Cleary

Wirral

Vice Chair:

Cllr George Davies

Wirral

Cllr Chris Carubia

Wirral

Cllr Andrew Gardner

Wirral

Cllr Tony Jones

Wirral

Cllr Brian Kenny

Wirral

Cllr Cherry Povall, JP

Wirral

Cllr Geoffrey Watt

Wirral

Cllr Stuart Whittingham

Wirral

Cllr Jane Aston

Knowsley

Cllr Ian Byrne

Liverpool

Cllr Pauline Lappin

Sefton

Cllr John Fulham

St Helens

Employee Representatives (Non-voting)

Roger Bannister

UNISON

Officers of the Fund

Peter Wallach

Director of Pensions

Yvonne Murphy

Head of Pensions

Administration

Group Solicitor

Colin Hughes

Head of Finance & Risk

Donna Smith

Director of Finance &

Shaer Halewood

Investments

Advisors to Investment Monitoring Working Party

Director of Pensions

Senior Portfolio Manager

Aon Hewitt

Mr R Worrall

Local Pension Board

Independent Chair:

John Raisin

Employer Representatives:

Geoff Broadhead

Peter Fieldsend

Lynn Robinson

Member Representatives:

Roger Irvine

Donna Ridland

Patrick Moloney

Paul Wiggins

Advisors to Governance and Risk Working Party

Director of Pensions

Head of Pensions Administration

Head of Finance and Risk

Others

Auditor

Grant Thornton

Bankers

Lloyds Banking Group

Consultant Actuary

Mercer HR Consulting

Strategic Investment Consultant

Aon Hewitt

Custodian of Assets

Northern Trust

Responsible Investment Advisors

Pensions and Investment Research

Consultants Ltd

Property Advisors

CBRE Capital Advisors

Property Managers

CBRE Asset Services

Property Valuers

Savills

Performance Measurement

Northern Trust

Solicitor

Wirral Council

AVC Providers

Utmost Life (transfer from Equitable Life)

Standard Life

Prudential

LGPS Investment Pool

Northern LGPS (with GMPF and WYPF)

Chair's Introduction

As Chair of Pensions Committee, I am pleased to present Merseyside Pension Fund's Annual Report for the year ended 31 March 2020. The aim of the report is to highlight the important issues affecting the Fund over the last twelve months, as well as providing general information regarding the pension scheme.



The Overall Aim of the Fund

The principal aim of the Fund is to provide secure pensions, effectively and efficiently administered at the lowest cost to contributing employers. This requires the Fund to strike a balance between achieving the most from its investments and the need to exercise prudence and caution in considering its future liability profile. The Pensions Committee and local Pension Board reviews the Fund's investments, administration, strategies and policies at regular intervals, with the help of its various professional advisors, to ensure that they remain appropriate.

Investments and Performance

Growth in the global economy helped financial markets continue their rise throughout 2019. However, the opening quarter of 2020 was dominated by the emergence and spread of the COVID-19 pandemic. As cases of infections and deaths rose, government actions to contain the spread hit economic activity and dealt a blow to investors' risk appetites.

The impact on asset markets was severe with some equity markets falling by over 30% before stabilising. Corporate credit spreads also widened significantly, as fears of insolvency mounted. In tandem with the carnage in equity markets, the price of crude oil collapsed with the breakdown in OPEC-Russia negotiations, resulting in Saudi Arabia pledging to flood the market with cheap oil at a time when demand was falling sharply. On the positive side, bond markets rose, reflecting investor preferences for defensive assets, with government bonds rallying amid policy rate cuts and pledges for bond purchases by Central Banks.

While the backward-looking nature of economic data has yet to fully capture the impact of measures taken to contain the virus, the effect will be immense. A common reaction of countries was to issue stay at home directives, close

restaurants and hotels, ground flights and send non-essential workers home. This may turn out to be the worst but also the shortest recession for several generations.

The Fund has been moving its investment strategy in a more defensive direction and had also put in place some derivative strategies which helped to limit the effect of the market falls. For the twelve months, the Fund fell in value by just over 2%.

Since the first quarter, markets have rebounded strongly, as unprecedented liquidity injections were provided by major central banks and huge fiscal support from governments.

More detail is provided in the **Investment Report**, including information on the distribution of assets and performance.

We continue to make progress on sustainability matters. This year's report provides information on the carbon footprint of the Fund's investments, consistent with the Taskforce on Climate Related Financial Disclosure (TCFD) requirements. As part of the review of our investment strategy, the Fund is using climate scenario analysis to further articulate its investment beliefs on climate and to shape these into investment strategy goals.

The Fund continues to deploy capital at scale into renewable energy, primarily through its investments in Infrastructure and has over £200m invested in wind, solar, hydro and energy-from-waste projects in the U.K. and overseas.

During the year, the provision of data for the actuarial valuation (as at 31 March 2019) and working through the outcomes has been an area of significant focus. Our overall funding position has shown a significant improvement from 84.8% in March 2016 to 101% at 31 March 2019. This is principally due to stronger than forecast investment returns, but changes in demographic assumptions have also been helpful. Although each employer's results will differ, for most, this has translated into a significant reduction in deficit payments.

The remedy for the McCloud case has yet to be determined. In November 2019, the Scheme Advisory Board confirmed that the LGPS will be dealt with separately to other public service schemes and that the remedy is likely to involve an extension of some form of the 'underpin'. As the remedy will be applied retrospectively, the Fund has communicated to employers the possibility that data such as part-time hours, service breaks and the pre-2014 definition pensionable pay may need to be provided at a future date.

Governance continues to be a matter of priority. The Pensions Regulator undertook a review of governance and administration risks in November 2019 and the Scheme Advisory Board is in the latter phases of its Good Governance review. We are working hard to ensure our arrangements embody best practice.

Further details of current and proposed legislative changes are provided in the ***Scheme Administration Report***.

Communication with Fund Employers and Members

Effective communication continues to be very important to the Fund as it seeks to deal with issues arising from new legislation and the ever-evolving Scheme.

We have offered a variety of courses to members and employers during the year in addition to regular newsletters for employers, employees, deferred members and pensioners. The Fund's websites continue to be updated regularly and we are encouraging greater use of electronic media to enhance security and efficiency of information exchange.

The Annual Employers' Conference was held at Aintree Racecourse in November 2019. The event was well attended and featured speakers from the Scheme Advisory Board, the actuary and officers of the Fund.

Past Changes and the Future

Investment Pooling through the development of the Northern LGPS is developing well. We have introduced a separate report on the Pool in this year's report.

The Pension Board continues its activities in support of the Administering Authority which are set out in the separate Pension Board report.

We continue to seek suitable local opportunities for investment. At present, we are providing funding of around £40m to three investments which will support the regeneration of the City Region. We are also signatories to the Homelessness Charter; a collaborative arrangement with local businesses to alleviate homelessness on Merseyside.

Our internal investment management capabilities continue to develop, which has enabled us to launch an internally managed global equity multi-factor portfolio in March 2019. We see this trend continuing to deliver cost savings and efficiencies.

In mid-March, in response to the pandemic, the Fund's staff moved to homeworking. This has been disruptive but we have been able to keep all of our services available and are striving to maintain service levels.

As we look ahead, we are preparing for the impact of Brexit on financial markets and, more immediately, the ramifications of the pandemic for all of us in every aspect of life.

As ever, the continued success of the Fund depends on the combined efforts of all those concerned with its operation. In conclusion, I should like to thank the Committee, the Pension Board, the Scheme employers and their staff, the financial advisors, the external investment managers and all of the Fund's staff for their considerable work in delivering the service to Scheme members.

Preparation of Report

This Annual Report has been produced in accordance with Regulation 57 of the Local Government Pension Scheme Regulations 2013. In preparing and publishing the Pension Fund Annual Report, the Administering Authority must have regard to guidance issued by the Secretary of State.



Councillor Pat Cleary
Chair, Pensions Committee
June 2020

Management Report

Management of the Fund

The overall responsibility for the management of the Fund rests with the Pensions Committee chaired by Councillor Pat Cleary.

In 2019/20, the Committee comprised Councillors from the Wirral Labour group (4), Conservatives (3), Green Party (1), Liberal Democrats (1), representatives of the four other District Authorities (Liverpool, St. Helens, Knowsley and Sefton) and employee representatives (3). The Director of Finance & Investment, the Director of Pensions and other officers of the Fund also attend Committee, which meets around four times a year to review the administrative and investment issues affecting the Fund.

The Committee ensures the administration of the Fund accords with the statutory framework within which the LGPS operates. The Fund publishes a Governance Compliance Statement confirming that it complies fully with best practice guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG). Committee also ensures that the management of the Fund's assets falls within the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. These regulations require the Fund to have regard to both diversification and suitability of investments and stipulate the requirement to take proper advice when making investment decisions. The Fund's Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS) provide further information on the Fund's investment philosophy and investment framework.

The more detailed consideration of investment strategy and asset allocation of the Fund's portfolio is considered by the Investment Monitoring Working Party (IMWP). The IMWP meets at least four times a year to review investment strategy and to receive reports on investment activity. The Working Party comprises representatives from the Pensions Committee, two independent advisors, Aon Hewitt and members of the in-house investment team.

The Fund uses a combination of internal and external management and active and passive strategies across the various asset classes in which it invests. Investment managers have

specific benchmarks against which performance is measured and monitored. In addition, internal investment managers report to the Director of Pensions through regular Fund Operating Group meetings and follow procedures laid down in an internal Compliance Manual.

Comprehensive details of the Fund's investment managers, mandates and advisors are set out in its Investment Strategy Statement.

Governance, pensions administration and policies, risk management and related matters are scrutinised by the Governance and Risk Working Party (GRWP) which meets twice yearly.

An additional source of assurance is provided by the Local Pension Board. The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme in securing compliance with legislation and ensuring the effective governance and administration of the Fund. A separate report on the Board's activities is contained in this report.

Risk Management

The Fund's governance arrangements, set out in the preceding section, ensure that the management of Fund administrative, management and investment risk is undertaken at the highest levels.

The Fund recognises that risk is inherent in many of its activities and makes extensive use of external advisors and industry best practice in assessing and establishing policies to identify and mitigate those risks.

The principal Fund documents relating to risk management and control are:

- Governance Policy
- Communications Policy
- Funding Strategy Statement
- Investment Strategy Statement
- Investment Monitoring Policy
- Health & Safety Policy
- Data Protection Policy

Copies of these documents are available from the Fund and are published on the Fund website at: mpfund.uk/risk

In addition, the Fund maintains a risk register and a compliance manual for its employees.

These documents are all subject to regular scrutiny by Pensions Committee, Pensions Board and officers, and provide details of the key risks and explanations of the policies and controls adopted to mitigate them. These arrangements are assessed at least once a year by the Fund's external and internal auditors.

Additionally, and where applicable, the Fund adheres to the Administering Authority's constitution in managing its operations. Legal opinion and advice is provided by Wirral Council's legal team and from external sources where appropriate.

Knowledge and Skills

Merseyside Pension Fund recognises the importance of ensuring that all staff and members charged with the financial management and decision-making with regard to the pension scheme, are fully equipped with the knowledge and skills to discharge the duties and responsibilities assigned to them. It therefore seeks to appoint individuals who are both capable and experienced and provides/arranges training for staff and members of the Pensions Committee and Pension Board, to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

Our training plan sets out how we intend the necessary pension finance knowledge and skills are acquired, maintained and developed. The plan reflects the recommended knowledge and skills level requirements set out in the CIPFA Pensions Finance Knowledge and Skills Frameworks.

The Pensions Committee has designated the Director of Pensions to be responsible for ensuring that policies and strategies are implemented.

Activity in Year

Merseyside Pension Fund has conducted a training needs assessment and, based on the outcome, formulated a training plan. This plan is reported to, and approved by, Pensions Committee. The Fund develops its Pensions Committee/Pension Board members and officers, through training and education. This includes regular meetings, ad hoc seminars and conferences, bespoke training and e-learning.

Pensions Committee receives updates on legislative changes, benefit administration changes, procurement, actuarial and investment matters. These are supplemented by regular working parties. The IMWP includes a minimum of two presentations which cover all aspects of investment; asset allocation, asset classes, economics, performance measurement, risk management and responsible investment. The GRWPs enable matters relating to other risks, governance and pensions administration to be covered in greater depth, as necessary.

This year, the Fund has been working with its actuary and advisors on the Fund's triennial valuation and review of investment strategy. Investment strategy was identified as an area for learning and development, and Members received a range of presentations and briefings on the topic particularly at the quarterly working parties and the two LGC conferences.

Bespoke training includes the LGE Trustee Fundamentals training and other conferences and seminars as detailed in **Appendix B - Pensions Committee Items**.

The Fund is a member of the Local Authority Pension Fund Forum and the Chair of the Pensions Committee attends the business meetings covering many aspects of responsible investment.

In addition to regular Committee meetings and Working Parties, training opportunities provided during the year were as follows:

Month	Event
May	PLSA LGPS Conference
September	LGC Investment Summit
October	PLSA Annual Conference
Oct-Dec	Fundamentals Training
December	LAPFF Annual Conference
January	LGPS Governance Conference
February	LGC Investment Seminar

As the officer nominated by the Pensions Committee responsible for ensuring that the Fund's training policies and strategies are implemented, the Director of Pensions can confirm that the officers and members charged with the financial management of, and decision making for, the pension scheme, collectively possessed the requisite knowledge and skills necessary to discharge those duties and make the decisions required during the reporting period.

Pension Board Report

Local Pension Boards (LPB) were established across the Local Government Pension Scheme with a requirement to become operational from 1 July 2015 to assist Administering Authorities in their role as managers of the Scheme.

Statement of Purpose for the Merseyside Local Pension Board

The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:

- secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pension Regulator in relation to the Scheme and;
- ensure the effective and efficient governance and administration of Merseyside Pension Fund.

The Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

There is also the necessity to provide information to the Scheme Manager to demonstrate that board representatives do not have a conflict of interest.

The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively, but not less than four times in a year. There is also the provision for special meetings to be convened at notice.

Constitution/Management Arrangements

The Pension Board consists of nine members and is constituted of:

- four employer representatives: two nominated from Local/Police/Fire/Transport authorities or Parish Councils; one from Academies/Further/Higher Education bodies; one from Admitted bodies;
- four scheme member representatives; two representing active members; two representing deferred and pensioner members;
- one independent, non-voting Chair who has responsibility for the co-ordination and operation of the Board.

Additional information is included in the Board's Terms of Reference available on the Fund's website at mpfund.uk/lpbterms

Executive Summary

The Board has worked with officers to provide Wirral Council with additional assurance regarding the operation of the Fund. As evidenced in the Board's work plan, the Board has undertaken a rigorous assessment of pooling developments and its implications for the Administering Authority.

It continues to remain abreast of regulatory developments, the activities of the Pensions Regulator and to scrutinise the performance of the Fund, particularly in relation to its administrative functions.

The Chair made a presentation on the Board's activities to Pensions Committee.

Four meetings were to be held during the year, but the meeting scheduled for March 2020 was cancelled due to the pandemic. In addition, a detailed training programme was undertaken involving internal and external training. Board members have attended Working Parties to gain greater familiarity with the activities and procedures of Pensions Committee in managing the governance and structural arrangements of the Fund. Details are set out in the tables below.

Board Changes

In November, Mr Fieldsend joined the Board and, subsequent to the financial year end, Mr Van Arendsen; both as employer representatives.

I am very sorry to advise that in June of this year, Paul Wiggins passed away after a prolonged illness. He fulfilled his role in an exemplary manner, acting with integrity and enthusiasm and was admired both as a person and for his positive and thoughtful contributions. He will be sadly missed.

Issues considered by the Pension Board 2019 - 2020

Agenda Item	17 Jul	12 Nov	5 Feb	31 Mar [#]
LGPS Update	•	•	•	•
Administration KPI Report	•	•	•	
Pooling Update	•	•		•
Funding Strategy Statement			•	
Member Development Programme			•	
Pension Fund Budget	•		•	
Actuarial Valuation			•	
Treasury Management Policy			•	
Treasury Management Annual Report	•			
Working Party Minutes	•	•	•	•
Scheme Pays Policy	•			
Draft Annual Board Report		•		
Risk Register	•	•	•	•
Audit Findings Report, Annual Report & Accounts	•			
Catalyst Fund Update		•		
The Pension Regulator Engagement Report		•		
Audit Plan				•
Training & Development Opportunities	•	•		
Compliance Manual		•		
Gifts & Hospitality				•
Governance Statement		•		
Property Arrears			•	
Internal Audit Plan and Report	•			
Pension Board Revised Terms of Reference		•		
Wirral Council Motion	•			
Good Governance Project			•	
Internal Management			•	
CEM Benchmarking				•
Admission Body Application				•
Write-off of Irrecoverable Pension Payments				•
# Meeting cancelled due to CV-19				

A work plan for 2019/20 has identified a number of key areas where the Board will provide assurance to the Administering Authority as to compliance with regulations and policies.

Pension Board Work Plan 2020 - 2021

Agenda Item	8 Jun (Briefing)	14 Sep	10 Nov	30 Mar
LGPS Update	•	•	•	•
Administration KPI Report		•		•
Pooling Update	•	•	•	•
Audit Plan	•			•
Employer Covenant Review	•			
CEM Benchmarking	•			•
Supreme Court Ruling	•			
Member Development Programme				•
Pension Board Development Programme			•	
Risk Register	•	•	•	•
Working Party Minutes	•	•	•	•
Pension Board Annual Report		•		
Investment Performance		•		
Audit Findings Report			•	
Annual Report & Accounts			•	
Pension Fund Budget				•
Business Plan		•		
Gifts and Hospitality Register		•		
Revised Pooling Guidance			•	
Catalyst Fund Update			•	
Revised Investment Strategy Statement			•	
Compliance Manual			•	
Bond Review			•	
Customer Service Charter				•

Pension Board Attendance Record 2019-20

PENSION BOARD	DATE OF APPOINTMENT/ DECLARATION OF INTEREST	PENSION BOARD MEETINGS 2019 - 2020			
		17 JUL	12 NOV	5 FEB	31 MAR
John Raisin (Chair)	11 March 2015	•	•	•	CANCELLED
Geoff Broadhead	13 March 2015	•		•	
Donna Ridland	12 March 2015	•	•	•	
Paul Wiggins	5 March 2015	•		•	
Roger Irvine	27 February 2017	•	•	•	
Patrick Moloney	9 March 2015	•		•	
Lyn Robinson	3 January 2018		•	•	
Peter Fieldsend	27 June 2019	•	•		

Training & Events Record 2019-20

ATTENDANCE RECORD	LGPS Local Pension Board Summer Seminar	LGPS Local Pension Board Autumn Seminar	LGPS Members Autumn Seminar	PLSA Annual Conference	PLSA Local Authority Update	CIPFA Pensions Network Conference	MPF Annual Conference	LAPFF Bournemouth	LGPS Governance Conference	LGPS Local Pension Board Spring Seminar	LGPS Local Pension Board Members Spring Seminar	PLSA Investment Conference
	26 JUN	7 OCT	9 OCT	16-18 OCT	12 NOV	13 NOV	28 NOV	4-6 DEC	23 JAN	17 FEB	20 FEB	11-13 MAR
John Raisin (Chair)	•	•				•	•				•	
Geoff Broadhead												
Donna Ridland			•	•			•	•	•		•	
Paul Wiggins												
Roger Irvine				•	•		•	•				•
Patrick Moloney				•			•			•		
Lyn Robinson												
Peter Fieldsend												

IMWP & GRWP Attendance Record 2019-20

IN ATTENDANCE	IMWP	GRWP	IMWP	GRWP
	14 NOV		25 FEB	
John Raisin (Chair)			•	•
Donna Ridland	•	•		
Patrick Moloney			•	•

Costs of Operation

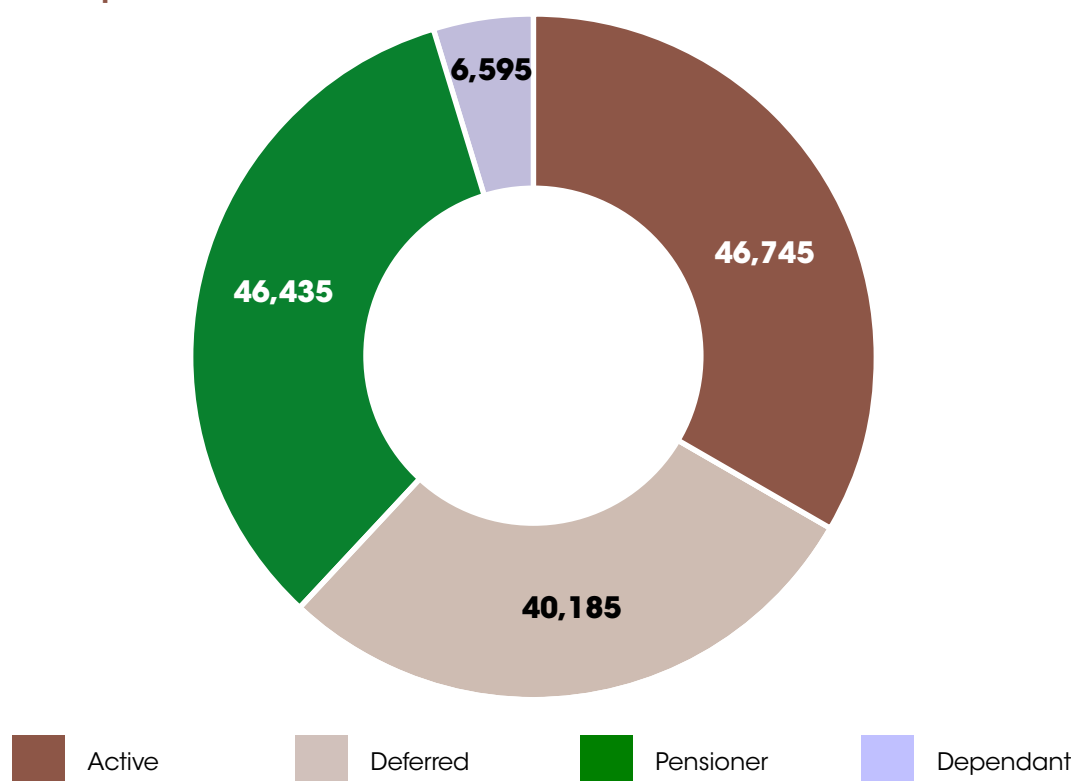
	2019/20 £
Conference	1,535
Travel	2,316
Allowances	18,506
Other	642
Total	22,999

There have been no matters of concern to raise with Wirral Council, the Administering Authority.

A detailed review of the activities of the Pension Board will be undertaken by the Independent Chair and reported to Pensions Committee on 2 November 2020.

Membership Statistics

Membership as at 31 March 2020



Number of Members by Age Band

Status (age in years)	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54
Active				348	1,741	2,906	3,683	4,561	4,819	6,437	8,060
Deferred				3	283	1,530	3,599	4,767	4,759	6,405	8,621
Pensioner							4	12	26	128	411
Dependant	2	21	47	94	44	8	17	17	30	61	147

Status (age in years)	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	95-99	100+	Total
Active	8,039	4,773	1,166	212							46,745
Deferred	7,464	2,369	324	54	7						40,185
Pensioner	3,341	8,993	10,868	9,783	6,010	3,932	2,028	735	149	15	46,435
Dependant	307	433	654	963	1,029	1,081	963	515	138	24	6,595
Total											139,960

Key Membership Statistics 2016 - 2020

Year	Active	Deferred	Pensioner	Dependant	Total
31 March 2020	46,745	40,185	46,435	6,595	139,960
31 March 2019	46,726	40,259	45,038	6,547	138,570
31 March 2018	49,151	38,376	43,495	6,665	137,487
31 March 2017	47,206	38,368	42,194	6,571	134,339
31 March 2016	46,221	37,136	41,136	6,588	131,081



Scheme Administration Report

The Administration Team

The Administration Team's core purpose is to ensure that our members receive their pension benefits as they fall due, and to provide clear information about the benefit options available so they can plan for their retirement.

The Administration Team is accountable to the Pensions Committee, the Pension Board, participating employers and Scheme members in terms of overall effectiveness and value for money. The Pension Regulator (tPR) also has an overriding scrutiny role to ensure the Fund's compliance with the LGPS Regulations and the overriding provisions of the Pensions Act 2004.

The administration function covers a wide range of activities; from processing member benefits, maintenance of the administration system to improve processing capabilities, data quality and regulatory compliance, through to the onboarding of our employers and engagement with our customers.

The team is constantly evolving to comply with regulatory requirements, adhere to industry best practice and service the needs of both our membership and employer base.

Extraordinarily, during March and in the space of a few weeks, the COVID-19 pandemic led to the forced transformation and flexing of working practices to enable staff to deliver effective remote services to members and employers. Given the challenges faced across the pensions industry, the Fund has adapted to comply with the multitude of operational guidance issued by tPR and the Pension Administration Standards Association. We have demonstrated resilience by undertaking the full range of statutory duties in addition to those directed by the regulator.

2019/20 has been a busy year for the team with the migration of its core administration system to an integrated benefit calculation and document management solution, alongside the collaborative work programme between the Fund, the Actuary and employers to complete the 2019 triennial valuation.

Aligned with the objective of improving customer experience, work has been scheduled to review our customer surveys and the Fund's website to ensure we provide the information and support necessary to meet customer needs.

Statutory Framework of LGPS

The Scheme is a public service pension scheme regulated by statute through the Ministry of Housing, Communities and Local Government (MHCLG). It is a contributory defined benefit scheme which is exempt approved for tax purposes, providing pensions and lump sums for members and their dependants, along with ill health, redundancy, and death cover.

Employees of all local authorities and many other public bodies in Merseyside have automatic access to the LGPS via the Fund and a wide range of other bodies, providing a public service or undertaking a contract, are also eligible to join the Fund via a resolution or admission agreement.

Employer Base

Our employer base is now in excess of 200, with the number growing further as the academisation of schools and the outsourcing of facility management continues at pace.

Furthermore, the increase in the number of third-party HR and payroll providers, favoured by a number of local education authority schools, has added a further layer of complexity to the processing and provision of data. A list of the participating employers is shown at **Appendix A**.

Value for Money

To ensure the effectiveness of the administration services, the Fund is monitored through internal and external audits and, as covered later in the report, during 2019/20 the Fund engaged in a benchmarking exercise with other local government, public and private pension funds which provides a comparison of administration cost and service score.

The Fund continues to invest in resources and technology as detailed throughout the report and this demonstrates the commitment to ensure value for money for our stakeholders.

LGPS2014 - Scheme Design

On 1 April 2014, the career average revalued earnings (CARE) scheme was implemented and replaced the final salary scheme in respect of future accrual of pension benefits.

The LGPS:

- has a normal pension age equal to State Pension Age (minimum age 65)
- gives a pension for each year at a rate of 1/49 of pensionable pay received in that year
- provides increased flexibility for members wishing to retire early
- allows members to pay reduced contributions as an alternative to opting out (although benefits build up at a slower rate)
- provides for previous years' CARE benefits to be inflation-proofed in line with the Consumer Prices Index while the member is still paying in
- requires members to have at least 2 years' membership to qualify for pension benefits.

Additionally, protection is given to members who were contributing prior to 1 April 2014, including the following key provisions:

- preserve member benefits accrued under the former LGPS regulations
- retain the final salary benefits and Normal Pension Age of 65 in respect of pre-2014 membership
- provide an 'underpin' for people born before 1 April 1957 to ensure they do not suffer any detrimental loss from the introduction of the new Scheme
- carry forward the member protections under the '85 Year Rule' for voluntary retirement from age 60
- the ability for employers to switch on the '85 Year Rule' in regard a member's benefits if they voluntarily retire between age 55-60.

Legislative Change

To assist Funds in the management of employer risk, the principal regulations were amended during the year by the following statutory instrument:

The Local Government Pension Scheme (Amendment) Regulations 2020

The above regulations clarify the intent of the previous regulations, introducing the requirement to pay exit credits in relevant funding scenarios where an employer leaves the Fund from 14 May 2018.

The change in provisions provide Funds with discretion regarding the amount of any exit credit payment due to an outgoing employer. In applying its discretion, the Fund must consider any risk sharing arrangements in place between the sponsoring employer and the contractor, and consistently apply its policy and governance requirements documented in the Funding Strategy Statement.

The regulatory changes came into force on 20 March 2020 with retrospective effect to 14 May 2018.

Changes to The Tapered Annual Allowance from 6 April 2020

In the Budget on 11 March, it was announced that the tapered Annual Allowance will be amended such that it only applies to individuals with 'adjusted income' (broadly total taxable income from all sources plus the value of pension accrual) of over £240,000; this is compared to the 2019/20 tax year where it applied to individuals with adjusted income over £150,000.

The minimum level to which the Annual Allowance can taper down will reduce from £10,000 to £4,000, which will only impact people with an adjusted income in excess of £300,000. This means that the tapered Annual Allowance is expected to affect fewer people than previously.

In addition, as set out in the current legislation, the Lifetime Allowance (LTA) increased to £1,073,100 from 6 April 2020 (in line with the increase in CPI to September 2019 of 1.7%).

Cost Cap Process and McCloud Update

The review of the 2016 Scheme Valuation by the Government Actuary Department determined that the cost of the LGPS has fallen below the 19.5% future service target cost. Therefore, a number of changes, in-line with the cost cap process, were proposed to improve the benefit structure with effect from 1 April 2019.

However, the cost cap process was pended in January 2019 as a result of the highly publicised McCloud case. Consequently, no benefit changes will be implemented until a remedy has been agreed to extend protections to all active members of the Scheme at a prescribed date yet to be agreed.

Despite the challenges that funds are facing, evidence suggests that the McCloud remedy is continuing to progress.

A McCloud Q&A was released for Administering Authorities on 30 March 2020, that:

- Outlined the potential timescales, outcomes, and the impact on the cost cap process. As part of this, the next steps include deciding which members will be protected, the extent of the protection, the effect on other benefits (e.g. transfers, spouses etc.) and ensuring that the remedy is robust and comprehensive for the LGPS.
- Confirmed the setup of two working groups to assist with the development of the remedy; a policy group to assist MHCLG and a larger implementation group (which will include member representatives, actuaries and software providers) to consider the steps of implementing the remedy.
- The main challenge for both the Fund and employers, once the remedy is confirmed, will be the level of input required by administrators. The potential burden on administrators will be material, as they will be required to gather member data, update records, complete calculations, uplift pensions in payment and contact affected members to inform them of any changes.

MHCLG's consultation and amendment regulations on the revisions to the statutory underpin are still awaited at the time of writing this report.

Scheme Consultations

During the year, the Fund responded to the consultation on the £95k 'exit cap' and changes to the Local Valuation Cycle and the Management of Employer Risk. The Fund response to both consultations focused on the policy objectives, technical provisions and ease of application.

£95k Exit Cap

For some time now, the Government have been planning to introduce a £95,000 (£95k) cap to exit payments for public sector bodies. The original Government proposals were issued in summer 2015 and finally on 10 April 2019, the Government announced a final consultation, which closed on 3 July 2019.

The cap limits the exit payments made to employees of public sector bodies. The proposed cap of £95k will cover the total value of exit payments made by an employer and includes the strain cost of early payment of pension and redundancy payments, plus any other compensation or severance payments (e.g. pay in lieu of notice, enhanced employer compensation, lump sum payments etc.).

The Fund highlighted that the draft regulations contained several technical inconsistencies and do not provide details of the impact on the LGPS. As such, it is the Fund's view that a further consultation is required to amend the LGPS provisions in regards accessing benefits on redundancy grounds and to introduce a standard approach to calculate the strain payments across the public sector.

The Government response to the consultation was still awaited at the time of writing this report.

Changes to the Local Valuation Cycle and the Management of Employer Risk

The consultation contained proposals to amend the LGPS regulations 2013 in the following areas:

- Amendments to the local fund valuation from a triennial to a quadrennial cycle to align with the Scheme revaluation
- A number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle
- Proposals to introduce flexibility for exit payments
- Proposals for further policy changes to exit credits
- Proposals to remove the requirement for further education corporations, sixth form college corporations and higher education corporations to offer LGPS membership to new employees.

In general the Fund response supported the overall intent of the proposals, as the changes appear sensible and introduce flexibility for employers in managing their exits from the Scheme, with two significant exceptions in regard to the increase in the valuation cycle and the proposed discretion for higher and further education corporations not to offer access to the LGPS for new employees.

Specifically, the Fund does not agree with the transition to a four-year valuation cycle as this will weaken the ability to manage risk effectively. Extending the cycle is counter to the agile strategies the Fund has implemented to reduce volatility in funding during the inter-valuation period. That said, it recognises the Government's intention to align all public sector scheme valuations on a four-year cycle. Therefore, whilst we do not agree with the four years, the proposal to allow interim valuations is acceptable as this would provide the flexibility required in managing funding, investment, and covenant risk.

As the pandemic is likely to result in acute short-term financial pressures on employers, with the potential for long-term stressors on covenant, the Fund is currently engaging with MHCLG to provide evidence of the requirement to expedite the parliamentary scheduling to implement the proposals with regard to the deferred debt arrangements and the flexibility to vary employer contribution rates, mid-valuation.

The Fund will continue to plan and adapt to changes as they are introduced, keeping members and employers updated through a programme of regular briefings and customer engagement.

Key Projects and Developments

2019 Triennial Valuation

The collaborative work between the Fund and employers to improve membership data took priority over the first quarter of 2019/20 to ensure the valuation data submissions were as clean, complete and accurate as possible.

Resources were redirected across the administration team to process all early leaver, death and aggregation casework in-order to inform the valuation calculations and to provide assurance to employers that the final results reflect the membership status of their current and former employees.

Following this activity to resolve data gaps, the valuation data extract was provided to the actuary within the scheduled deadline of 30 June 2019.

The actuary confirmed that this focused data quality activity, undertaken by the Fund and employers, reduced liabilities in the region of £127m at a whole Fund level.

A key focus during the latter part of 2019 was to discuss individual valuation numbers with Scheme employers and reach agreement on affordable three-year contribution plans, in line with statutory solvency and long-term cost efficiency requirements.

A number of employer forums were arranged to explain the valuation approach and to open the consultation on the Funding Strategy Statement. The purpose of the forums was to assist employers in presenting an informed response to the consultation to explore variants to the actuarial assumptions and provisional employer contributions schedules.

Discussions with employers regarding funding plans continued until the end of February 2020, allowing officers to inform employers of the final numbers and the actuary to sign-off the rates and adjustment certificate by 31 March 2020.

In tandem with the valuation work and as part of the Fund's wider risk management strategy, an exercise was undertaken to identify and monitor the covenants of employers that potentially pose a high risk of default. The results of the covenant analysis fed into the setting of the contribution rates and the investment strategy for each employer.

Data Quality and Annual Benefit Statement Activity

The Fund continues to develop its monitoring and reporting capabilities for measuring the quality of member data for a number of purposes; including valuation, pensions increase and for statutory reporting on common and Scheme specific data required by the Pensions Regulator (tPR).

Work continues at a national level to develop standardised Scheme data requirements for LGPS Funds and Fund Officers are feeding into the debate on the development of standardised measures and reporting metrics.

As documented in last year's Administration Report, the Fund self-reported to tPR our inability to produce annual benefit statements for all active and deferred members. This inability was linked to gaps in data held by the Fund as well as the performance of employers in delivering timely data files, together with the quality of those files.

In 2018/19 the Fund was only able to produce active benefit statements for 90% of its active membership by the 31 August 2018 deadline, increasing to 98% at the end of the rolling programme of production in March 2019.

To increase the number of statements issued and improve compliance against Code of Practice No 14, a further programme of focused data management and engagement with employers took place during 2019/20. This activity resulted in 97% of actives and 98% of deferred benefit statements being produced by 31 August 2019.

Timely employer data submissions and positive responses to data improvement plans have aided improvement over the last year, with work ongoing to identify and address the cases where the Fund is still unable to issue a statement.

Integrated Pension Administration System Migration

In the summer of 2018, the Fund started a project to migrate over eight million documents from the Civica document management system into an integrated system provided by Aquila Heywood. The project completed in June 2019 and internal audit conducted a review of the migration controls and provided a conclusive report to provide stakeholders with reasonable assurances that the data migration had been effectively completed.

Alongside the document migration, a substantial review of the day-to-day management of the business was undertaken to ensure the operational and workflow processes, across the disparate service areas, were compliant with statutory requirements and effective in delivering good outcomes for members accessing the service.

In February 2020, the IT Team started a project to update the internet-based member self-service system, 'MyPension', to an improved version that is more adaptable to mobile phone usage. The launch of the new 'MyPension' upgrade is expected to take place during 2020/21 with increased functionality for members as part of the Fund's ongoing Digital Transformation Programme.

The Pension Regulator Single Modular Code

As part of the Regulator's clearer, quicker, tougher campaign, it has been working to develop clarity on its expectations in the management of pension schemes through the development of a single code of practice.

The Regulator will shortly begin the process of merging its fifteen codes of practice into a single code and will issue a consultation with a focus on developing the supervisory regime across all UK pension schemes.

With Code of Practice No 14 being incorporated into the new single code, it will be necessary for Funds to assess their compliance with this new code, including any new requirements this may place on Scheme Managers or the Pension Board. This will include how compliance will need to be demonstrated along with the expected requirements of the Good Governance review.

Collaboration with Peer Funds, Scheme Employers and National Bodies

During 2019/20 the Fund has worked closely with a number of other LGPS Funds on national groups to drive improvements to administration procedures, share best practice and develop initiatives as follows:

- Develop communications for the wider LGPS, in conjunction with the Local Government Association (LGA), to include the design of annual benefit statements and production of member videos
- A longstanding founder member of the LGPS National Frameworks, we have supported in the rolling-out of a number of new frameworks, as well as revisiting existing ones, to enable more efficient and effective procurement within the LGPS.

In addition, we have engaged at a national level with the LGPS Scheme Advisory Board, the Chartered Institute of Public Finance and Accountancy and the Government Actuary on administration and funding matters. This engagement has enabled us to keep pace with LGPS and pensions industry practice and represent the Fund's views and those of its stakeholders in the wider arena.

Our large employer Pension Liaison Officer Group forums have provided valuable feedback during the year and served as a useful resource to the Fund in establishing realistic operational process when introducing service improvements and regulatory change.

These employer forums are important as they enable Fund officers to cover topical issues and share information on planned activity and service developments.

Review of Fund Policies

Funding Strategy Statement

A detailed review of the Fund's funding strategy (FSS) has been undertaken during the year in conjunction with the 2019 triennial valuation. The potential impact on the costs of scheme benefits following any remedy of the McCloud ruling was a key consideration in setting funding parameters. Overall improvements in the funding level has created an opportunity to review investment risk and the attendant actuarial assumptions to reduce volatility in contribution schedules.

The Pension Committee approved the updated policy at its meeting dated 3 February 2020, taking full consideration of the Scheme employer and Pension Board responses to the consultation exercise.

Operational Improvements

Project Towards Monthly Data Collection

In October 2019, the Fund procured the iConnect service as part of the integrated pensions administration offering from Aquila Heywood.

The iConnect service is a secure, cloud-based platform which accepts employer data submissions on a monthly basis with the appropriate straight-through processing to the Fund's pensions administration system. We are working in partnership with a small number of early adopter employers in developing the documentation, scenarios and required process and governance changes that will be of benefit to all other employers within the Fund. Preliminary work started in December 2019 and will continue during 2020. It is expected that the COVID-19 pandemic will affect the delivery of this early adopter work, but the Fund will share progress, lessons learned and an adoption plan with the rest of the employer base, once it has been developed.

Digital Transformation Programme

Work continues to develop our systems through digital transformation, to drive business efficiencies and cost savings, whilst improving the service we provide to our members.

During the year, the Fund introduced the use of barcodes on its outgoing forms relating to retirements, deferred benefits into payment and transfers. On being returned to the Fund, the process of scanning the document will read the barcode and index it to the member's computerised record, for pension officers to progress the case to the next stage of the process.

Streamlining of TUPE Operational Processes

The ECM team has modified the administration procedure for TUPE transfers to streamline the process, gain efficiencies and reduce manual input. The member communications and option forms have also been updated to permit immediate access to retirement benefits for those over age 55 or the option to keep benefits separate from the ongoing employment - in compliance with the regulations.

Mortality Screening and Deferred Member Tracing

The Fund has utilised the National LGPS Framework to procure a mortality screening service for pensioner and deferred members; to assist in reducing processing times at retirement, potential data breaches and risks of overpayments.

The deferred member screening activity involves an evaluation of address contact information ahead of normal retirement dates, with a mortality screen against key death registers. This will minimise any delay in processing pension payments in the event of a member's death.

Customer Engagement

In line with its Business plan, the Fund has expanded the customer feedback surveys related to specific life events (joiner, transfer, divorce, retirement, etc).

The purpose is to understand how information is received by our members, how it can be improved to enable members' understanding and to evaluate their experience in engaging with the Fund.

This feedback will provide valuable insight into service quality and highlight areas for improvement and development to make our members' journey as smooth and effective as possible.

Strategic Focus, Planning and Operational Cost

Service Planning

The Fund's Management team maintains an annual 'Business Plan' which is shared with, and monitored by the Pension Board and the Governance and Risk Working Party (GRWP) a sub-group of Pensions Committee. This working party meets twice a year to review officer progress against documented objectives and commitments.

The contents of the 'Business Plan' are shared with all the officers and there is a direct link with the performance appraisal process of staff.

Staff Training and Development

The Administration Team has a solid LGPS knowledge base. This collective expertise, together with the high-quality administration systems and record keeping improvement plans, enables us to deliver an effective and efficient service to our members and employers.

As we continue to evolve our operational design and advance service delivery, we ensure we develop our staff to support the changes to working practices.

The Fund provides a comprehensive training programme for its staff and a number have made good progress with their Chartered Institute of Payroll Professional qualification during the year. Training opportunities have also been provided to expand technical knowledge within the Team.

The Fund keeps abreast of best practice by participating in collaborative groups such as; the Local Government Association Communications Group, the Shrewsbury Pensions Officer Group and the Metropolitan Pension Fund Group. These groups all offer opportunities to discuss topical pension issues and to share best practice and innovations enabling greater cross-function working with other LGPS Funds.

Operational Costs

The Fund's operational costs are reviewed by the Pensions Committee, which approves the annual operational budget. Actual spend is monitored throughout the year by the Fund's Management team and overall spend is reported in the annual Report & Accounts.

The MHCLG surveys funds annually to collect administration and fund management costs in the LGPS - this is referred to as the 'SF3' statistical return.

Submitted under Section 168 of the Local Government Act 1972, the data provides the Government with a benchmark of Scheme costs, and is also used in compiling the National Accounts, showing the role of pension funds in the economy.

The administration costs reported in the 2018-19 'SF3' statistical return was £19.61 per member.

In 2019, the Fund participated in a new administration benchmarking initiative by the company CEM. With eight other large LGPS Funds, the exercise produced a comparative report between the participating LGPS Funds and six large public or private schemes in the UK. This report not only provides a comparative cost per member but also a service quality assessment. The Fund was assessed as offering 'median member service at a low cost' by CEM when considering our cost effectiveness against the thirteen other peers.

It is anticipated that the Fund and others will continue to participate in the CEM initiative as the process is refined further during 2020. In the meantime, the officers are using the report to identify areas for improving its service delivery to members.

Equality and Diversity

The Fund aims to deliver accessible, high-quality, value for money services to all of our customers, without discriminating against any social grouping by age, gender, race, disability, sexual orientation or religious belief.

All necessary and reasonable adjustments are made to ensure that members with additional needs can access our communications.

Member Communications

Our member services programme and events continue to provide increasing face-to-face help and support across the employer base, presenting courses/surgeries, as requested, at employer workplaces.

The principal communication issued to active and deferred members each year is the Annual Benefit Statement (ABS) and electronic versions have been available electronically since 2013 via the Fund's online 'MyPension' service.

Fund officers continue to work with employers in promoting the 'MyPension' service, to further encourage active members to register. The Fund provided employers with suitable text for staff newsletters, briefings, intranet sites and broadcast emails. On production of the statements, employers were asked to utilise the same communication channels to inform members of their availability online.

Presentations for Scheme Members

	Events	Approx. Attendees
Retirement Planning Course	8	165
Hosted at Employer Premises		
Presentations about the LGPS	23	573
Hosted at Employer Premises		
Total	31	738

Employer Communications

We continue to deliver our practitioner workshops to support new employers, those with staff changes or a need for refresher training. These workshops help to increase the understanding of employer responsibilities and how the Fund and employers work together to deliver benefits to members.

The Fund has a secure employers' website where employers can obtain forms, guidance notes and access payroll and HR administration guides. The Fund does not publish a periodic employer newsletter, but uses the employers' website to announce news, revisions to forms and other pertinent information. Each registered user receives an email notification of any news update or change to the administration of the Scheme.

The Fund has continued to update the comprehensive administration information to employers in the HR and Payroll Guides. Based on national guidance, these Fund-specific documents provide detailed information on administrative and operational practice. Practitioner training sessions are provided by Fund officers to provide guidance on employer duties, operational practice and direction in completing Fund forms.

Data Security

In administering the Scheme, the Fund collects, records and maintains personal data on members, former members, pensioners and beneficiaries.

The following arrangements are in place to safeguard this data:

- All staff are regularly made aware of the corporate policies in respect of Confidentiality, Data Protection & Information Security, and are required to undertake Information Governance training
- New staff, as part of their induction, have the responsibilities and policies explained, and their understanding verified, by the successful undertaking of an online test
- All administration data is stored electronically, and any paper records are securely destroyed
- Staff who work away from the office as part of their role, can only access data by secure means (two-factor authentication or a Wirral Council authorised device)
- Where person identifiable data has to be transferred off-site, the Fund uses secure means, be it Transport Layer Security (TLS) email or encrypted data containers.

Performance Standards

Results of performance against targets are shown below:

Performance Targets	Target	Within Target %
1. Payment of Retirement Benefits	7 days	94
2. Payment of Monthly Pensions	100%	100
3. Payment of Transfer Values	7 days	96
4. Provision of Inward Transfer Quotes	10 days	95
5. Notification of Deferred Benefits	22 days	97
6. Provide Valuation in Divorce Cases	10 days	95
7. Respond to Members' Enquiries	10 days	84

(Details given in respect of 12 month period to 31 March 2020)

Internal Dispute Resolution Cases

Members who disagree with decisions taken by their employer or the Administering Authority may appeal using the Internal Dispute Resolution Procedure (IDRP) under the LGPS regulations. The IDRP is a formal appeals procedure which contains two stages. The first stage allows a member to ask the body who originally made the decision, to review it, that is, either the employer or the Administering Authority. The second stage allows a member, if they are not satisfied with the outcome at the first stage, to ask the Appeals Officer at the Administering Authority to review the disagreement.

Appeals Against Employer Decisions

Employer	Number	Appeal Decision
Merseytravel		
Release of deferred benefits on ill health	1	Upheld
Wirral		
Award of ill health Pension	1	Dismissed
Award of ill health Tier	1	Dismissed
Liverpool		
Release of deferred benefits on ill health	1	Dismissed
Total	4	

Appeals Against Fund Decisions

Reason for Appeal	Number	Appeal Decision
CETV Freedom & Choice	1	Partially Upheld
Total	1	

Appeals to the Pensions Ombudsman

Reason for Appeal	Number	Appeal Decision
Changes to late retirement actuarial increases	1	Dismissed
Total	1	

The Pensions Ombudsman upheld the Funds decision that the Fund was not statutorily required to inform members of a change in the Government Actuaries Department factors.

Investment Report

Year ended 31 March 2020

The global economy experienced a slower pace of growth in 2019 as the introduction of tariffs by the US and the inevitable response from China had a sizable impact on global trade. The bigger hit was taken by China as both their imports and exports fell substantially. So, whilst economic momentum was supported by domestic activity, the rate of expansion for China during the second quarter of the year was at the slowest pace since 1992. Knock on effects of the dispute reverberated through to other regions, particularly those most open to trade, such as Japan, South Korea and Singapore. In Europe, Germany narrowly avoided a recession as their manufacturing sector felt the strain. Fortunately, the demand for services across developed countries, particularly in the US, remained robust being sustained by high employment levels and real wage growth.

Somewhat perversely President Trump's trade war with China worked to drive financial markets higher through 2019. The slower global growth was the spur for a significant change in policy from the US Federal Reserve and it was this element that lifted the spirits of equity and bond investors. In early 2018 expectations were set for a continuation of interest rate hikes that would have taken the US Federal Funds rate beyond the 2% - 2.25% range that prevailed at the beginning of the year, but as global growth slowed into the Spring of 2019, the US Federal Reserve hinted towards a looser monetary stance. On 1 August it implemented the first of three 0.25% cuts. To the delight of investors this more accommodative stance was followed by easing measures elsewhere as the European Central Bank acted by cutting its official interest rate into even deeper negative territory and Central Banks across Asia and Latin America made cuts to their key lending rates.

For UK markets, investors had to contend with the additional uncertainties brought on by the UK's decision to leave the European Union. Boris Johnson replaced Theresa May as Prime Minister in July and brought back a renegotiated Brexit deal. However, parliamentarians were unable to agree on which way to move forward; be it through the revised deal, a no-deal option or a cancellation of Brexit. Eventually the government won support for a general election and the nation went to the polls on 12 December. The result was a resounding victory for the Conservative Party and UK markets were able to breathe a sigh of relief in that not only had some certainty around Brexit been restored, but

the prospect of a less capital market friendly government had been removed.

The biggest shock to the markets, however, came during the opening quarter of 2020 when the world's attention moved firmly to the emergence and spread of the COVID-19 pandemic. As infection rates and deaths spread across the globe governments took drastic action to contain the virus causing economic activity to virtually stall. All of this had a crushing effect on investor risk appetite and global equities, which had reached new a new high only on the 17 January, fell by over 30% in Sterling terms in the period of a month.

Thankfully, governments and monetary authorities across the globe responded quickly to the crisis. The US Federal Reserve cut interest rates by 150 bps in March and announced plans to restart asset purchases and support market liquidity. US Congress passed a \$2.2 trillion spending bill to help firms and individuals impacted by shutdown measures. In the UK, the Bank of England cut rates from 0.75% to 0.10%. Meanwhile, the Government announced a huge fiscal package, stating that it would pay temporarily laid-off employees up to 80% of their salaries (capped at £2,500 per month). Sterling briefly dropped to a low against the dollar that was last seen in the 1980's.

Given the macro environment it is unsurprising that equity markets across all regions delivered negative returns for the one-year period to the end of March 2020. Japan and North America fared better than other regions as both equity markets have large exposures to technology companies which in some instances are beneficiaries of an economy in lockdown. The other end of the performance table is occupied by UK equities, Asia Pacific equities and Emerging Market equities, which fell by 18.7%, 19.4% and 13.2% respectively. These regions have greater exposure to cyclical sectors of the economy where the COVID-19 impact was most acutely felt such as Energy, Commodities, Banking and Airlines.

Bond markets reflected investor preference for defensive assets and UK government bonds (Gilts) provided returns to investors of 9.9% over the period. Corporate bond performance, whilst positive at +1.5%, was not quite so stellar as credit spreads over government bonds widened in Q1 of 2020 and some borrowers, such as Ford, Lufthansa and Heinz had their debt downgraded to below investment grade.

The annualised performance of the Fund against its benchmark for 1, 3 and 5 year periods is shown below.

	1 Year	3 Year (Annualised)	5 Year (Annualised)
Merseyside Pension Fund	-2.13%	2.35%	5.68%
Benchmark	-5.89%	0.52%	3.57%
Relative Return	3.76%	1.82%	2.11%

(Source - Northern Trust)

Merseyside Pension Fund returned a negative 2.1% in the financial year to the end of March 2020 compared to its bespoke benchmark return of minus 5.9%; an outperformance of 4%. This was behind the Consumer Price Index and the increase in Average Earnings which advanced by 1.5% and 2.4% respectively. Over 3-year and 5-year periods the Fund returned 2.4% and 5.7% respectively. The longer-term, 5-year performance number is ahead of both the CPI Inflation number (1.7% annualised) and Average Earnings number (2.5% annualised).

The Fund's 1-year investment performance against its benchmarks across all asset classes is illustrated in Figure 1 below:

Figure 1.
Net Total Return by Asset Class for Year Ending 31 March 2020

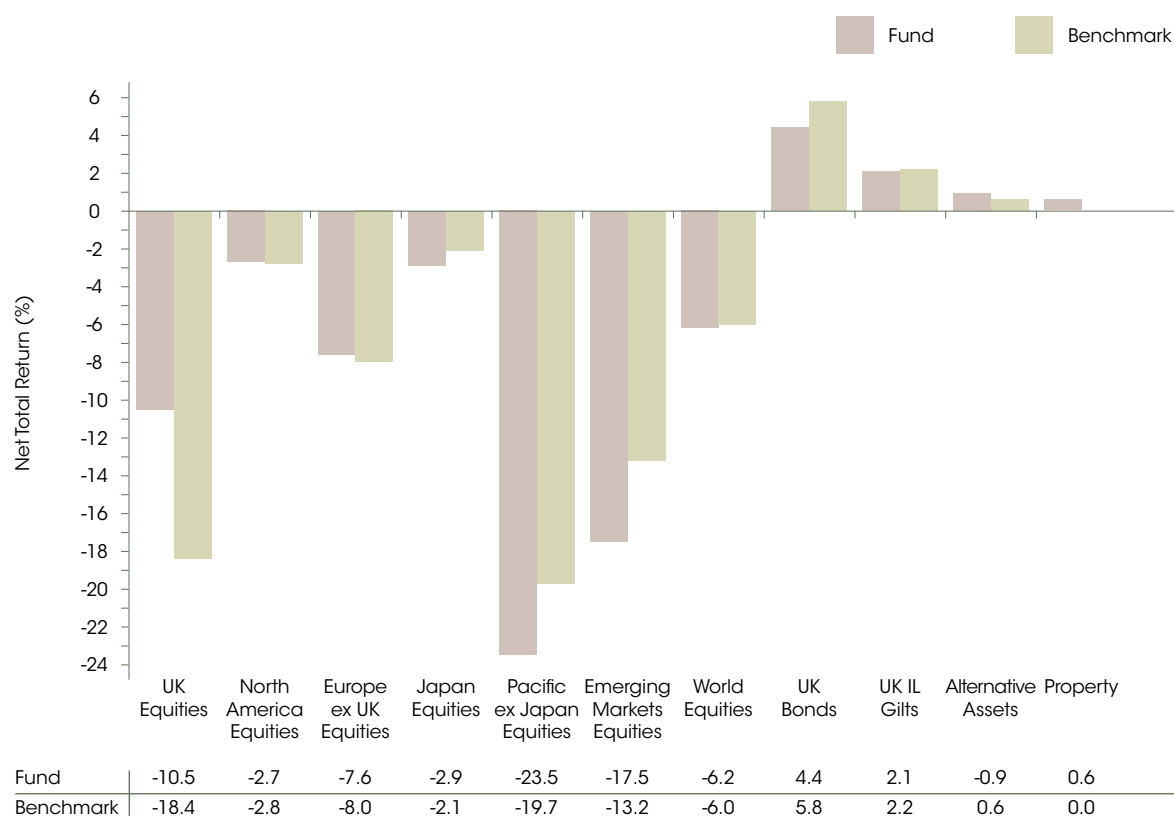
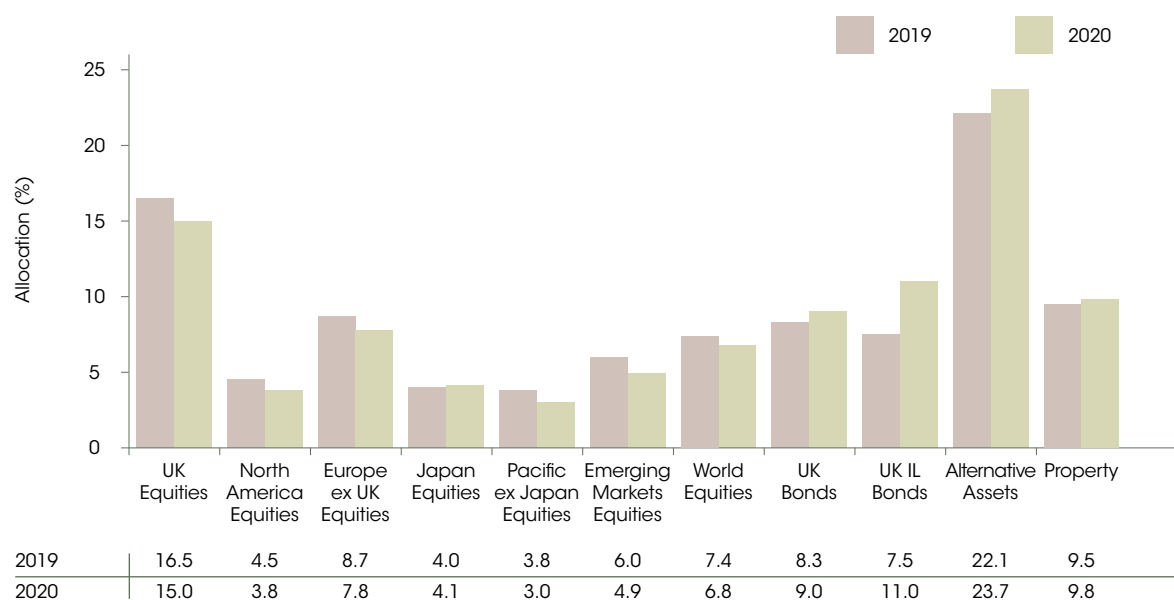


Figure 2 illustrates the asset allocation of the Fund on 31 March 2020 compared to 31 March 2019.

Figure 2.
Asset Allocation Change 2019 vs 2020



On 15 April 2019, the Fund implemented the first of a series of derivative trades aimed at protecting the equity portfolio in the event of a significant market downturn. The trades were implemented at a most opportune time given the sharp corrections experienced through February and March of 2020 and this strategy was the main contributor to the strong overall performance of the Fund against its benchmark. The derivative strategy delivered profits of £215.5m over the period, going some way to offset losses experienced in the Fund's equity positioning.

Within equities, whilst the UK market was a laggard, the UK managers employed by the Fund performed well against the benchmark. Disappointment did come however from the active managers covering Asia Pacific ex Japan and the Emerging Markets where returns trailed their respective benchmarks.

An over-weight to Property and Alternatives Assets contributed to the outperformance.

Property returned 0.6%, compared with the benchmark performance of 0.0 %. Returns from property funds were solid, but the direct portfolio accounts for around two thirds of our property assets and here there was some pain experienced with properties having exposure to retail and leisure. Total income return for the direct portfolio was 6.4% which is higher than the benchmark of 4.5%.

Private Equity and Infrastructure led the returns within Alternatives Assets; being highly illiquid assets, they tend not to be sold off in periods when investors take fright. Opportunistic Credit and Hedge Funds however did fall in value over the period as the asset exposures within these areas more often have a higher immediate correlation with equity markets than Private Equity and Infrastructure.

Private Equity in particular will have some correlation with equities, but this will come with a lag.

Largest UK Property Holdings as at 31 March 2020

Holding	Market Value £'000
Fort Halstead	58,750
Tunsgate Square Shopping Centre, Guildford	35,000
Telegraph Road, Heswall	32,650
Mitre Bridge Industrial Estate, Mitre Way, London	25,800
Premier Park, Winsford Industrial Estate	24,500

Largest Infrastructure Holdings as at 31 March 2020

Holding	Market Value £'000
Iona Capital - bio energy	91,000
Clyde Wind Farm	42,000
Anglian Water Group	37,000
Fourth Ports Group	25,000
P3P - Hoddesdon & Belfast	23,000

In response to the Government's pooling initiative the 'Northern LGPS' was established by the local government pension funds for Greater Manchester, Merseyside and West Yorkshire. It is expected that the Northern LGPS will achieve significant cost savings and economies of scale through the pooling of assets. Merseyside Pension Fund's share of the Northern LGPS set up costs was £29k, with £16k in legal costs and £13k in other costs.

Merseyside Pension Fund is a member of GLIL (GMPF & LPFA Infrastructure LLP), an infrastructure investment vehicle initially set up a joint venture between the Greater Manchester Pension Fund and London Pensions Fund Authority. GLIL targets core infrastructure assets predominantly in the United Kingdom. On joining, Merseyside Pension Fund made a commitment to invest £125m, which was subsequently increased to £250m on 1 October 2018 and as at the end of March 2020 around 44% of this amount had been invested. Total committed capital to GLIL from its existing investors stands at £1.825bn, as at 31 March 2020.

Strategic Asset Structure

Asset Class	Strategic Benchmark %	Detail %
UK Equities	18.7	
Overseas Equities	34.3	
US		5.3
European (ex UK)		8
Japan		4
Asia Pacific		4
Emerging Markets		6
World		7
Fixed Income	18	
UK Gilts		4
UK Index-Linked Gilts		10
Corporate Bonds		4
Property	8	
Alternatives	21	
Private Equity		5
Hedge Funds		4
Opportunities		5
Infrastructure		7
Cash		0
Total	100	

In 2018, Merseyside Pension Fund, Greater Manchester Pension Fund and West Yorkshire Pensions Fund established a collective private equity investment vehicle (NPEP). The initial close of NPEP occurred upon its creation in July 2018 with £1,020m of funding capacity. A first "Subsequent Closing" was held on 16 December 2019 which added a further £585m of funding, bringing the total to £1,605m. As at end December 2019 commitments of around £670m had been made to private equity funds, of which c£140m came from Merseyside Pension Fund.

Private market assets generally have costs that are met within the vehicle rather than through an explicit charge paid directly by Merseyside Pension Fund. These costs are not charged directly to the Fund Account, but are included in the fair value adjustments applied to the assets concerned within the Fund Account with performance reported on a net basis. The Fund aims to be both transparent and value-led in its investment approach and the table below shows costs during the current and previous financial year. The performance related fees relate to monies that have been paid out and do not include any accrued performance fee estimates.

Asset Class	31 March 2019		31 March 2020	
	Management Fee £'000	Performance Related Fee £'000	Management Fee £'000	Performance Related Fee £'000
Private Equity	6,751	5,379	7,825	2,388
Infrastructure	4,938	0	5,175	0
Property	4,662	1,501	4,763	460
Opportunities and Hedge Funds	5,868	4,355	5,777	596
Total	22,219	11,235	23,540	3,444

The increase in overall management fees has been driven by the uptick in fees paid to Private Equity and Infrastructure managers. Targeted exposure to Infrastructure has increased over the year and for Private Equity, Merseyside Pension Fund has moved away from investing in Fund of Funds vehicles. Fund of Funds often appear to have lower fees when data is collected, but managers here generally report on the top layer of fees omitting the underlying fund fees which if incorporated would take the all-in management fee to a number more than three times the original. Included in the Infrastructure and Private Equity management fee numbers for 2019/2020 are £164,151 for GLIL and £894,471 for NPEP. Investment Management figures of £17.2m for March 2020 and £16.9m for March 2019 (in Note 11b to the Report and Accounts) are included in the Management Fee figures of £26.9m and £33.5m, respectively.

Responsible Investment

Merseyside Pension Fund has a Responsible Investment policy that has continued to be developed in partnership with like-minded investors committed to integrating sustainability into investment decision-making and acting as stewards of the assets we own. The Fund is a member of the Principles for Responsible Investment (PRI) and has submitted reporting to PRI on its activities to implement the Principles over the 2019 calendar year. The Fund's most recently available PRI Transparency Report can be viewed at: unpri.org/signatories

The Fund works with corporate governance specialists PIRC to vote on all its eligible shareholdings in public listed companies, in line with PIRC's recommendations (based upon PIRC's annually updated Shareholder Voting Guidelines). Full disclosure (by company and year) of those recommendations is accessible at: mpfund.uk/voting

Northern LGPS has committed to co-ordinating activity on proxy voting across listed equity holdings. In addition to public reporting on voting activity through the Northern LGPS website, the pool's RI Policy commits it to pre-disclosing voting intentions and to ensuring vote maximisation by restricting its securities lending programme around 'proxy voting season'. Northern LGPS has appointed PIRC as its RI Adviser to ensure that the pool's voting policy is consistent across the partner Funds.

Addressing the systemic challenges of climate risk has been at the forefront of the Fund's responsible investment work over the year. The Financial Stability Board's Taskforce on Climate-Related Financial Disclosures (TCFD) provides a global framework to translate non-financial information into financial metrics.

In preparing the TCFD statement for inclusion in this Investment Report, the Fund has referred to the guidance in the PRI publication 'Implementing the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations: A Guide for Asset Owners (PRI, 2018)'.

Merseyside Pension Fund - TCFD Statement as at 31 March 2020

Governance

The Pensions Committee (as the Fund's governing body) has mandated that MPF's investment strategy be brought into line with the goals of the 2015 Paris Climate Accord. It has delegated authority to the Director of Pensions to develop and implement the climate risk strategy (as informed by relevant guidance especially from partner organisations such as IIGCC, PRI and the LAPFF) and receives regular reports on progress.

Strategy

MPF's strategy is based on the view that climate change is a systemic risk and thus, a material long-term financial risk for any investor that must meet long-term obligations. The Fund has completed work on reviewing its investment beliefs and strategic framework (including asset allocation policy) to ensure that climate risk considerations are appropriately integrated.

Climate scenario analysis was undertaken by Aon (the Fund's strategic adviser) to model the resilience of MPF's investment strategy in four scenarios, as described in Aon's Climate Change Challenges paper. Under Aon's No Mitigation scenario (+4 degrees of warming), the severity of the risk was starkly illustrated:

- in 20 years, MPF's assets could be worth £9.5 billion less than assumed in the base case, equivalent to 26 years of projected 2020 pensioner out-go;
- 6% p.a. under-performance of the equity portfolio relative to the base case equity return over 20 years, equivalent to a 3.7% p.a. hit to overall expected returns over 20 years.

Risk Management

MPF acknowledges the description of climate risk provided by TCFD, as comprising transition and physical risks. The focus of risk management activity has been primarily on the mitigation of transition risk via ongoing decarbonisation efforts.

Targets and Metrics

Analysis of the equity portfolio, undertaken as at 31 December 2019, showed moderate carbon risk exposure measured at 6.8% lower than the portfolio's strategic benchmark (Scope 1 & 2 emissions):

Portfolio carbon foot-print - 172.0 tonnes of CO₂E/\$M sales

Benchmark carbon foot-print - 184.5 tonnes of CO₂E/\$M sales

Source: Aon/MSCI

The Fund will continue to allocate to the low carbon economy through the unlisted, illiquid segment of its strategic benchmark; primarily, via the allocation to infrastructure where renewable energy and other low carbon aligned areas offer significant opportunity. The allocation to infrastructure is set to increase significantly (from 7 to 11% approx.) as part of the Fund's revised strategic asset allocation.

Climate stewardship

As active members of the global Climate Action 100+ initiative, MPF has been supporting a number of prominent engagements with 'high carbon' companies with the objective of driving strategic change in these businesses to align them with the goals of the Paris Agreement. In addition to this, MPF was a co-filer of a climate resolution at a leading European bank's AGM that called for its lending practices to be brought into line with a net zero carbon pathway and increase the pace at which the financing of future carbon emissions will come to an end.

Northern LGPS Report

As Chairman of the Northern LGPS Pool Joint Committee I am delighted to be introducing this summary annual report for the Northern LGPS Pool. This was my first year as Chair of the Pool having taken over from Cllr Paul Doughty. I would like to thank my predecessor for the excellent job he did as chair and I hope going forward we can continue to build on the progress made under his tenure.

2019-2020 was a busy year for the Pool, which continues to evolve to meet the investment needs of its partner funds, employers and members. During the year GMPF and WYPF moved custody of their assets to Northern Trust, meaning that over £40bn of pool assets are now under a collective custodial arrangement. This has greatly enhanced the scope and timeliness of reporting and our ability to exercise shareholder rights.

Responsible Investment and Environmental Social and Governance continue to be at the top of our agenda. In conjunction with ShareAction and Barclays plc, we supported a successful climate resolution at Barclays' AGM requesting that the bank set and disclose targets to phase out the provision of financial services to the energy sector and gas and utility companies that are not aligned with the Paris Agreement. The proposal was the first to refer to the 'Just Transition' wording in the Agreement, which says that tackling climate change requires the transformation of sectors and economies with important implications for the global workforce.

In the last quarter of 2019-2020 alone we engaged with 90 different companies regarding issues across the environmental, social and governance spectrum, and we voted at 300 distinct meetings. We abstained or opposed shareholder votes on increased remuneration in 71% of shareholder meetings to avoid unfair remuneration practices. We have also filed shareholder resolutions for several large international companies where we felt labour rights and environmental concerns were not being properly addressed.

Northern LGPS also launched a thematic review of the housebuilding sector and conducted engagement with listed companies in the sector. The findings of the review are summarised in a report on the Northern LGPS website.

The Pool's direct infrastructure platform, GLIL, has recently secured a major new investment in Cubico, a leader in sustainable investments in the wind and solar power industries. Our pooled private equity vehicle, NPEP, made several fund commitments and has developed a co-investment arrangement with a leading manager to further enhance returns and reduce investment management costs.

This Pool prides itself on being cost efficient and we obtain independent benchmarking to understand our investment costs relative to global peers. The most recent benchmarking exercise placed the pool within the lowest cost 25% of its international peer group (which consists of 21 global pension funds ranging from £11 billion to £68 billion). This is a tremendous result which shows the value that economies of scale and a constancy of purpose can deliver.

The end of the year saw extreme volatility in most financial markets as governments around the world responded to the COVID-19 pandemic and 2020-2021 therefore promises to be a year of both great challenge and opportunity. Planned activity for the year includes taking further steps towards pooling property investments by progressing our property management framework and further deployment of capital to our existing direct infrastructure and collective private equity vehicles.

I would like to thank my colleagues on the Joint Committee and also the pensions committees, local pension boards and officers from each of the partner funds for their support and hard work over the year. I look forward to helping ensure the Pool's continuing progress over the forthcoming year. We believe we are the most cost-effective and efficient LGPS investment pool, with a simple, democratic governance structure that delivers sustainable financial returns to the benefit of members, employers and taxpayers.

Background

The Northern LGPS Pool is a partnership between the Greater Manchester (GMPF), Merseyside (MPF) and West Yorkshire (WYPF) LGPS funds (the 'partner funds'). The combined assets of the funds stood at approximately £44bn as of 31 March 2020, which is invested on behalf of over 800,000 members and 1,100 contributing employers.

The Northern LGPS Pool's purpose is to facilitate via a simple and democratic governance structure, the pooling of assets and the sharing of services in order to achieve sustainable improved net investment returns for the partner funds.

History

The Northern LGPS Pool was formed in response to the Government's LGPS pooling agenda, which was first announced in 2015. The Government sought to increase the scale of LGPS investment mandates in order to reduce investment management costs and facilitate infrastructure investment to help drive growth in the UK economy.

Due to the existing scale of the three partner funds, the vast majority of the benefits of pooling for the funds are in respect of alternative assets where there is greatest scope to generate further economies of scale and to combine resources to make increasingly direct investments.

Therefore, the focus of the Pool has been on establishing vehicles which can make collective investments in alternative assets, in particular infrastructure and private equity.

The partner funds are the major investors in the GLIL direct infrastructure vehicle and also established a vehicle (known as 'NPEP') in 2018 to make collective private equity investments.

The Pool selected Northern Trust as its FCA regulated custodian to ensure the assets of the pool are held within a single permanent FCA regulated entity. The custodian acts as 'master record-keeper' for all assets of the partner funds and manages the calls and distributions in the Pool private equity vehicle.

Governance

The Northern LGPS Pool is not a standalone legal entity. It is a Local Government Joint Committee structure supported administratively by a Host Authority (currently Tameside MBC), which provides all administrative resources and facilities that may be necessary, such as preparing the annual budget and clerking services for the Joint Committee meetings.

The Pool is governed by an inter-authority agreement signed by the three constituent Administering Authorities. The agreement sets out the terms of reference for the Northern LGPS Joint Committee, which is the decision-making body for the Pool. The Joint Committee has been appointed under S102 of the Local Government Act 1972, with delegated authority from the Full Council of each Administering Authority to exercise specific functions in relation to the pooling of pension fund assets.

The Joint Committee may delegate certain functions to the Officer Working Group which is composed of the Directors of the partner funds. The Officer Working Group has the necessary technical skills to advise the Joint Committee on technical investment matters and is a central resource for advice, assistance, guidance and support for the Joint Committee.

The Administering Authorities retain full control of their individual funds' asset allocations and nominate members to the Joint Committee. Employee representatives are also being sought to join the Joint Committee.

Northern LGPS Pool 31 March 2020 position at a glance

Fund	Assets Value £bn
GMPF	22,035
WYPF	13,214
MPF	8,602
Total Assets	43,851

Pool Set-up Costs

The set-up costs incurred by the pool during 2019-20 and from inception are set out in the table below. The costs are split equally amongst the 3 Funds.

Set up Costs	2019 - 2020		Total £'000	Cumulative £'000
	Direct £'000	Indirect £'000		
Recruitment	0	0	0	0
Legal	49	0	49	244
Procurement	35	0	35	125
Other support costs	0	0	0	0
Share purchase/subscription costs	0	0	0	0
Other working capital provided	0	0	0	0
Staff costs	0	0	0	0
Other costs	4	0	4	235
Total	88	0	88	604

Northern LGPS Pool - Total costs and savings

The table below sets out the total costs and savings of the Northern LGPS Pool up to 31 March 2020.

	Up to 31 March 2108 £m	2018-19 £m	2019-20 £m	Total to 31 March 2020 £m
Annual running costs	0	0	0.16	0.16
Other service provider fees	0	0.13	0.13	0.26
Transition costs	0	0	0	0
Set up costs	0.22	0.18	0.09	0.49
Total costs	0.22	0.31	0.38	0.91
Investment management fee savings	7.63	12.21	22.24	42.08
Service provider savings	0	0	0	0
Total savings	7.63	12.21	22.24	42.08
Total savings net of costs	7.41	11.90	21.86	41.17

Total costs (including set up, transition and running costs) as at 31 March 2020	£0.91m
Total savings, net of costs, as at 31 March 2020	£41.17m

Responsible Investment Activity

Responsible Investment (RI) is a central aspect of how NLGPS operates, and environmental, social and governance (ESG) issues are discussed at every meeting.

ESG factors can be financially material and, as such, should be part of the assessment and monitoring of investments in all asset classes. Achieving sustainable, long-term financial returns underpins the ability to pay pensions. A focus on ESG issues helps reduce risks to the Pool and its beneficiaries. These risks might be financial, such as the underperformance or failure of an investee company, or reputational, resulting from poor corporate behaviour. NLGPS has appointed PIRC as our responsible investment adviser to undertake voting, engagement and other RI activity on our behalf and we published our collective RI policy in early 2019.

The three member funds co-ordinate their voting activity and all votes are disclosed online in a searchable database two days ahead of company meetings. We believe that we are the only asset owner in the UK that currently discloses voting ahead of meetings.

In the table below we show voting and engagement statistics over the year to 31 March 2020.

Voting and engagement statistics

Quarter	Meetings Where NLGPS voted	Meeting-related engagements (PIRC)
Q2 2019	1863	269
Q3 2019	318	122
Q4 2019	339	91
Q1 2020	416	99

Voting decisions

Quarter	Director Election		Remuneration Report		Remuneration Policy		Auditor Appointment	
	For %	Oppose %	For %	Oppose %	For %	Oppose %	For %	Oppose %
Q2 2019	68	24	35	47	14	66	22	60
Q3 2019	77	20	43	31	31	50	33	49
Q4 2019	70	24	29	51	26	51	34	43
Q1 2020	70	20	59	26	27	54	39	42

RI Highlights

We have prioritised a number of themes in our RI activity including the Just Transition, as part of our work in relation to climate change, public sector risk and employment standards and employee voice.

NLGPS was a panel participant at the launch of the Investor Roadmap Just Transition in October which was headlined by Lord Stern. The NLGPS RI policy, which identified the Just Transition as a priority, is featured in the report. NLGPS also participated in a Just Transition related engagement with Drax early in 2020, which included a visit to its power station near Selby.

We have been active in supporting shareholder resolutions in the UK and elsewhere. NLGPS funds co-filed resolutions addressing issues such as climate risk, lobbying activity and employee rights and representation. These have included companies such as Barclays, Delta Airways and Amazon.

As an additional aspect of our engagement activity we have sought to meet with and attend the annual meetings of a number of companies where we have a significant holding. These have included companies where we have identified public sector risk as a factor.

NLGPS funds have participated in a number of collaborative initiatives. We are active members of the Local Authority Pension Fund Forum and are also involved in collective engagement projects such as Climate Action 100+, Workforce Disclosure Initiative and the Human Capital Management Coalition.

We have initiated a thematic project on the housebuilding sector with the support of PIRC. This has involved engagement with a number of the key firms where NLGPS holdings are significant, alongside research into practice across the sector and engagement with stakeholders. An initial report on the project was published in 2019.

GLIL Direct Infrastructure Vehicle

In April 2015, GMPF and the London Pensions Fund Authority formed a joint venture to invest directly in infrastructure assets, with a focus on the UK. The joint venture is structured as a limited

liability partnership and has been named GLIL Infrastructure LLP (GLIL). As part of their respective pooling arrangements, West Yorkshire, Merseyside and Lancashire County Council pension funds joined GLIL in December 2016. In March 2018 GLIL was re-structured as an open-ended fund to facilitate potential new members. Additional commitments made by existing members in October 2018 mean GLIL now has committed capital in excess of £1.8 billion.

GLIL began investing in October 2015 and has completed nine transactions with a total value in excess of £1.1 billion.

One of GLIL's earliest transactions was the purchase from SSE of a 21.7 per cent stake in Clyde wind farm for £150 million. GLIL invested an additional £30 million in September 2017 with a further £88 million invested in the summer of 2018. Clyde now has a total generation capacity of 522MW, making it one of the largest onshore windfarms in Europe.

GLIL's most recent transaction, which was completed in January, is the £93 million acquisition of a 49 per cent stake in Cubico's portfolio of 250MW of solar and wind assets across the UK. Combined with Clyde and other assets, GLIL now has exposure to over 800MW of renewable energy.

GLIL's remit includes investment in new build (so-called 'greenfield') infrastructure projects. Alongside GLIL's partnership with Iona to construct £130 million of bioenergy plants around the UK, it has also financed two joint ventures for the build and commissioning of more than a thousand new rail vehicles across two rail franchises in the south of England. The first of these fleets is already entering service on the Greater Anglian network.

At 31 March 2020, Northern LGPS's share of GLIL had net assets valued at £883.4 million. GLIL's internal rate of return (IRR) since inception is 6.0% per annum with a 3.4% per annum cash yield.

GLIL's direct approach has generated costs savings of over £21 million for the Pool over the year and over £30 million since inception compared to a global benchmark cost for infrastructure investment via a typical fund structure.

Northern Private Equity Pool LP

Northern LGPS established the Northern Private Equity Pool in May 2018; an investment joint venture structured as an English Limited Partnership. The partnership operates as a single legal entity through which the three Northern LGPS funds can invest collectively and collaboratively in private equity assets.

The Northern Private Equity Pool draws on the combined expertise and experience of the internal teams at each of the respective Northern LGPS funds, and the administration capabilities of Northern LGPS's pool-wide external custodian. The combined scale and resources of the Northern Private Equity Pool enables the partner funds to invest in private equity through lower cost implementation approaches than have been the case historically.

Investment pace since inception has been consistent with targets, with £850 million committed to 15 investment funds. In addition, a substantial agreement was signed at the end of 2019 that will see the partner funds, through Northern Private Equity Pool, access a lower cost implementation method for the private equity asset class through co-investment alongside preferred managers.

At 31 December 2019, NPEP had net assets valued at £53 million and undrawn commitments of £599 million to private equity funds and \$500 million to co-investment. Replacing investment via a fund of funds structure with NPEP's implementation approach has generated savings of approximately £1m over the year, with cumulative savings of approximately £17m forecast by 31 March 2023.

Objectives for 2020/21

The Pool's key objectives for 2020/21 are to:

- Complete the establishment of a pool property framework to deliver efficiencies in the management of property investments and related services
- Further enhance the impact of our responsible investment activities

Councillor Gerald Cooney
Chair of Northern LGPS Pool

Financial Performance

Key Financials for 2019/20

	£'000	£'000	£'000
Fund Value at 31 March 2019			8,882,738
Contributions and Benefits			(104,468)
Employer Contributions	189,130		
Employee Contributions	58,396		
		247,526	
Pensions Paid	(278,801)		
Lump Sums Paid	(73,306)		
		(352,107)	
Net Transfers		113	
Management Expenses			(47,569)
Administration	(3,022)		
Investment Management	(42,442)		
Oversight and Governance	(2,552)		
		(48,016)	
Other Income		447	
Investments			(91,949)
Income	210,018		
Change in Market Value	(301,967)		
Fund Value at 31 March 2020			8,638,752

The table below describes the Fund's performance for key financial variables against forecasts (forecast January and July 2019) for the 12 months to 31 March 2020.

2019/2020 or at 31 March 2020	Predicted £'000	Actual £'000
Fund Size 2019	8,882,738	8,882,738
Fund Size 2020	9,315,192	8,638,752
Contributions Received	214,999	247,526
Pensions Paid	(347,853)	(352,107)
Net Transfers	-	113
Net Cash Flow From Members	(132,854)	(104,468)
Net Management Expenses	(47,601)	(47,569)
Investment Income	231,169	210,018
Change in Valuation of Assets	381,740	(301,967)
Return from Investments	+612,909	(91,949)
Net Change Overall	+432,454	(243,986)

The key variance between the forecast and the actual performance, was the return on investments, the change in the valuation of assets; this is largely out of the control of the Fund and as explained throughout the report, were seen in the final quarter of the financial year, due to the COVID-19 pandemic.

The contributions received in 2019/20 are lower than in previous years, due to a number of employers opting to pay their three year deficits calculated by the actuary in year 1 (2017/18), therefore the following 2 years are reduced accordingly. However, the Fund did receive additional and upfront payments in 2019/20, totalling £22.4 million.

The Fund monitors its costs closely. The table below shows the out-turn against the budget approved at Pensions Committee for the year:

12 months to 31 March 2020	Budget £'000	Actual £'000
Employees	3,799	3,344
Premises	197	197
Transport	54	29
Investment Fees - operating budget	14,044	13,419
Supplies and Services	2,750	1,683
Third Party	1,114	1,183
Recharges	360	331
Total	22,318	20,186

*Note: Premises' expenditure is agreed as a notional charge based on market rates, as MPF owns the building.
For the purposes of the operating budget, Investment fees above refers to invoiced investment costs only.*

Overall the actual out-turn for 2019/20 was £20.2 million, lower than the original budget of £22.3 million approved by the Pensions Committee in July 2019, this is largely due to investment market volatility and budgeted projects and areas of work being deferred to 2020/21.

The 2020/21 Fund budget, as approved by the Pensions Committee in February 2020 is detailed in the table below:

	2020/21 £'000
Employees	3,736
Premises	199
Transport	36
Investment Fees - operating budget	14,908
Supplies and Services	2,560
Third Party	1,250
Recharges	360
Total	23,049

The assumptions that underpin this budget are that investment performance follows long-term trends and that the Fund follows the long-term trends in mortality and other factors assumed within the actuarial valuation. Investment fees shown above are for invoiced investment management costs only and do not include any fees for private market assets, any property related expenditure nor any investment changes associated with pooling. The budget for 2020/21 at £23 million reflects a number of budgeted projects and areas of work originally budgeted in 2019/20 carried forward to the next financial year.

The predictions for key financial variables over the next 3 years are detailed in the table below:

	2020/21 £'000	2021/22 £'000	2022/23 £'000
Fund Size Start of Year	8,638,752	8,986,463	9,189,030
Fund Size End of Year	8,986,463	9,189,030	9,395,568
Contributions Received	324,862	171,600	175,032
Pensions Paid	(358,093)	(364,180)	(370,371)
Net Transfers	-	-	-
Net Inflow From Members	(33,231)	(192,580)	(195,339)
Net Management Expenses	(50,995)	(54,176)	(57,574)
Investment Income	126,010	210,000	224,490
Change in Valuation of Assets	305,928	239,323	234,962
Return from Investments	431,938	449,323	459,452
Net Change Overall	347,711	202,567	206,538

The contributions predicted for 2020/21 reflect a number of employers paying their normal employer contributions and deficit contributions upfront, covering up to a 3 year period. Consequently, year 2 (2021/22) and year 3 (2022/23) have been reduced accordingly.

It is predicted that investment income will be reduced during 2020/21 as a result of the economic downturn.

The material variable in these assumptions is investment returns. If returns over the next few years are different from the predicted long-term average, then the out-turn will be significantly different. The other key variable is the pattern of membership of the Scheme. If the employers make significant changes which affect the number of active members or deferred members and pensioners, then the cash-flows of the Scheme can change materially. Both of these factors are largely outside the influence of Merseyside Pension Fund.



Financial Statements

Fund Account - for year ended 31 March 2020

	Note	2019/20 £'000	2018/19 £'000
Dealing with Members, Employers and Others Directly Involved in the Fund			
Contributions Receivable	7	247,526	210,577
Transfers In	8	18,152	11,797
		265,678	222,374
Benefits Payable	9	(352,107)	(340,698)
Payments to and on Account of Leavers	10	(18,039)	(19,035)
		(370,146)	(359,733)
Net Additions/(Withdrawals) from Dealing with Members		(104,468)	(137,359)
Management Expenses	11	(47,569)	(44,434)
Net Additions/(Withdrawals) including Fund Management Expenses		(152,037)	(181,793)
Return on Investments:			
Investment Income		214,882	220,626
Profit and Losses on Disposal of Investments and Change in Market Value of Investments		(301,967)	284,842
Taxes on Income		(4,864)	(4,378)
Net Return on Investments		(91,949)	501,090
Net Increase/(Decrease) in the Fund During the Year		(243,986)	319,297
Net Assets of the Fund at the Start of the Year		8,882,738	8,563,441
Net Assets of the Fund at the End of the Year		8,638,752	8,882,738

Net Assets Statement - for year ended 31 March 2020

	Note	2019/20 £'000	2018/19 £'000 Restated
Investment Assets	13		
Equities		2,483,568	2,795,439
Bonds		696,229	665,610
Pooled Investment Vehicles		4,432,443	4,621,558
Derivative Contracts		171,194	-
Direct Property		471,925	521,750
Loans		86,076	73,947
Short-term Cash Deposits		105,010	86,098
Other Investment Balances		181,507	104,196
		8,627,952	8,868,598
Investment Liabilities	18	(21,063)	(8,445)
Total Net Investment Assets		8,606,889	8,860,153
Long-term Assets	19	6,337	4,146
Current Assets	20	41,621	35,413
Current Liabilities	20	(16,095)	(16,974)
Net Assets of the Fund as at 31 March		8,638,752	8,882,738

Notes to the Accounts

1. Description of Fund

Merseyside Pension Fund (MPF/the Fund) is part of the Local Government Pension Scheme (LGPS) and Wirral Council is the Administering Authority. Wirral Council is the reporting entity for this pension fund.

The overall responsibility for the management of the Fund rests with the Pensions Committee, which for 2019/20 included 9 councillors from Wirral Council, the Administering Authority, and one councillor from each of the four other Merseyside Borough Councils. Representatives of trade unions also attend. The more detailed consideration of investment strategy and asset allocation of the Fund's portfolios is considered by the Investment Monitoring Working Party, which includes two external advisers and a consultant. The more detailed consideration of governance and risk issues is considered by the Governance and Risk Working Party.

In 2015/16 the Local Pension Board was introduced in accordance with Public Service Pensions legislation and regulations. The Board's aim is to assist the Administering Authority with ensuring compliance and the effective governance and administration of the Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to Merseyside Pension Fund Annual Report 2019/20 and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the LGPS Regulations.

a. General

The Scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefit pension scheme administered by Wirral Council to provide pensions and other benefits for pensionable employees of the Merseyside Local Authorities and a range of other scheduled and admitted bodies. Teachers, Police Officers and Fire Fighters are not included as they come within other national pension schemes.

b. Membership

Membership of the LGPS is voluntary and employees are free to choose whether to remain in the Scheme or make their own personal arrangements outside the Scheme.

Organisations participating in Merseyside Pension Fund include:

- Scheduled bodies, which are Local Authorities and similar bodies whose staff are automatically entitled to be members of the Fund
- Admitted bodies, which are organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation.

There are 207 employer organisations within Merseyside Pension Fund including Wirral Council itself, the Fund also has 139,960 members as detailed below:

	31/3/20	31/3/19
Number of Employers with Active Members	207	208
Number of Employees in Scheme	46,745	46,726
Number of Pensioners	46,435	45,038
Number of Dependants	6,595	6,547
Number of Deferred Pensioners	40,185	40,259
Total Scheme Members	139,960	138,570

c. Funding

Benefits are funded by employee and employer contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS and are matched by employers' contributions which are set based on triennial actuarial funding valuations.

d. Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service as summarised below.

	Service pre-1 April 2008	Service post-31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the Scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the Scheme, for more details please refer to the Fund's website at: mpfmembers.org.uk

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2019/20 financial year and its position at year end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is shown within the **Consulting Actuary's Statement**, which is published as an addendum to the accounts.

Restatements for 2018/19 are a change in presentation only, the requirements of the code were previously met, but now additional information is being provided.

The accounts have been prepared on a going concern basis.

3. Summary of Significant Accounting Policies

The financial statements have been prepared on an accruals basis, unless otherwise stated.

Contributions and Benefits

Contributions are accounted for on an accruals basis. Contributions are made by active members of the Fund in accordance with LGPS Regulations and employers' contributions are based on triennial actuarial valuations.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Scheme Actuary, or on receipt if earlier than the due date.

Employers' pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year, but unpaid, will be classed as a current financial asset. Amounts not due until future years, are classed as long-term financial assets.

Benefits payable represent the benefits paid during the financial year and include an estimated accrual for lump sum benefits outstanding as at the year end. Benefits payable includes interest on late payment. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Estimates for post year end outstanding items have been used for payments of retirement grants and death grants:

- Retirement grants due for payment, but not paid by 31 March: using actual figures as far as possible, and assuming maximum commutation to be taken, where the knowledge of the individual member's choice is still outstanding
- Death grants due for payment, but not paid by 31 March, for example, awaiting Probate.

Transfers to and from other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined, or left the Fund, during the financial year, and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Management Expenses

The Fund discloses its management expenses analysed into three categories; administration costs, investment management costs and oversight and governance costs, in accordance with CIPFA 'Accounting for Local Government Management Costs'.

Administration Costs

All administration expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the Fund. Associated management and other overheads are apportioned to the Fund in accordance with Council Policy.

Investment Management Costs

All investment expenses are accounted for on an accruals basis.

Fees of the external Investment Managers and Custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market values of the investments under their management, and therefore increase or reduce as the value of these investments change.

Costs in respect of the internal investment team are classified as investment expenses.

Estimates for post year end outstanding items have been used for external Investment Management fees using the Fund's valuations as at 31 March.

In accordance with CIPFA 'Accounting for Local Government Management Costs' guidance, transaction costs and property related expenses are shown under investment expenses.

For certain unquoted investments including Private Equity, Hedge Funds, Opportunities and Infrastructure, the Fund does not charge costs for these to the Fund Account because the Fund Manager costs are not charged directly to the Fund. They are instead deducted from the value of the Fund's holding in that investment, or from investment income paid to the Fund. If the Fund has been charged directly for Fund Manager costs, they are shown as external private market fees and expenses.

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with oversight and governance are charged direct to the Fund. Associated management and other overheads are apportioned to the Fund in accordance with Council Policy.

The cost of obtaining investment advice from external consultants is included in governance and oversight expenses.

Investment Income

Income from Equities is accounted for when the related investment is quoted ex-dividend. Income from Bonds, Pooled Investment Vehicles and interest on Loans and Short-Term Deposits has been accounted for on an accruals basis. Distributions from Private Equity are treated as return of capital until the book value is nil then treated as income on an accruals basis.

Rental income from properties is recognised on a straight-line basis over the term of the lease, rent is accounted for in the period it relates to and is shown gross of related expenses. The Fund accrues rent up to 24 March each year. Rent received on the Quarter Day, 25 March, is accounted for in full in the following year.

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Taxation

The Fund is a registered Public Service Scheme under Section 1 (1) of Schedule 36 of the Finance Act 2004, and as such, is exempt from UK income tax on interest received, and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Valuation of Investments

All financial assets, apart from loans, are included in the Net Asset Statement on a fair value basis as at the reporting date. Loans are included in the Net Asset Statement on an amortised cost basis. The values of investments as shown in the Net Asset Statement are determined as follows:

- Listed securities are valued at quoted bid market prices on the final day of the accounting period. The bid price is the price which the Fund would have obtained had the securities been sold at that date
- For unlisted investments, wherever possible, valuations are obtained via the Independent Administrator. Valuations that are obtained direct from the Manager are verified against the latest available audited accounts adjusted for any cash flows up to the reporting date
- Hedge Funds and Infrastructure are recorded at fair value based on net asset values provided by Fund Administrators, or using latest financial statements published by respective Fund Managers, adjusted for any cash flows
- Private Equity valuations are in accordance with the guidelines and conventions of the British Venture Capital Association/International Private Equity guidelines or equivalent
- Indirect Property is valued at net asset value or capital fair value basis provided by the Fund Manager. For listed Funds, the net asset value per unit is obtained through data vendors
- The freehold and leasehold interests in the properties held within the Fund were independently valued as at 31 March 2020 by Savills (UK) Limited, acting in the capacity of External Valuers as defined in the RICS Red

Book (but not for the avoidance of doubt as an External Valuer of the Fund as defined by the Alternative Investment Fund Managers Regulations 2013). This valuation has been prepared in accordance with the RICS Valuation - Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together, where applicable, with the UK National Supplement effective 14 January 2019, together the 'Red Book'. The valuations were arrived at predominantly by reference to market evidence for comparable property

- Pooled Investment Vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of Pooled Investment Vehicles that are Accumulation Funds, change in market value also includes income which is reinvested by the Manager of the vehicle in the underlying investment, net of applicable withholding tax.

Translation of Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at rates ruling at the year end. Foreign income received during the year is translated at the rate ruling at the date of receipt. All resulting exchange adjustments are included in the revenue account.

Derivatives

The Fund uses derivative financial assets to manage exposure to specific risks arising from its investment activities.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of future contracts is determined using exchange prices at the reporting date. Amounts due from, or owed to, the broker, are the amounts outstanding in respect of the initial margin and variation margin.

The value of exchange traded options is determined using the exchange price for closing out the option at the reporting date.

The future value of forward currency contracts is based on market forward exchange rates at the year end date, and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

Short-Term Deposits

Short-term deposits only cover cash balances held by the Fund. Cash held by Investment Managers awaiting investment is shown under 'Other Investment Balances'.

Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Additional Voluntary Contributions

The Fund holds assets invested separately from the main Fund. In accordance with regulation 4 (1) (b) of the Pensions Schemes (Management and Investment of Funds) Regulations 2016, these assets are excluded from the Pension Fund accounts.

The Scheme providers are Utmost Life (transferred from Equitable Life 1 January 2020), Standard Life and Prudential. Individual members participating in this arrangement each receive an annual statement confirming the amounts held on their account and the movements in the year.

4. Critical Judgements in Applying Accounting Policies

The Fund has not applied any critical judgements.

5. Estimation and Uncertainty

The outbreak of COVID-19, declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries and market activity has been impacted in many sectors.

Unquoted Investments

The Fund has significant unquoted investments within Private Equity, Infrastructure, Property and other Alternative investments. These are valued within the financial statements using valuations from the Managers of the respective assets. There are clear accounting standards for these valuations and the Fund procedures in place for ensuring that valuations applied by Managers

comply with these standards and any other relevant best practice. The value of unquoted assets as at 31 March 2020 was £4,289 million (£4,221 million at 31 March 2019).

Private Equity investments are valued at fair value in accordance with International Private Equity and British Venture Capital Association guidelines. These investments are not publicly listed and, as such, there is a degree of estimation involved in the valuation. The IPEV Board issued additional guidance as at 31 March 2020 given the magnitude of the COVID-19 crisis, accompanied by the significant uncertainty.

Hedge Funds are valued at the sum of the fair values provided by the Administrators of the underlying Funds plus adjustments that the Hedge Fund Directors or Independent Administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

Direct property and pooled property funds use valuation techniques to determine the carrying amount. Where possible these valuations are based on observable data, but where this is not possible management uses the best available data.

For 2019/20 there is additional uncertainty regarding the valuations of illiquid assets, due to the uncertainties in the financial markets and the time it will take to fully realise the impact of COVID-19 on such assets. There is an increased level of risk that the estimated valuations may be mis-stated. The valuations have been updated based upon the available information as at 31 March 2020 and maybe subject to variations as further information becomes available. Note 14 sets out a sensitivity analysis of such assets valued at level 3.

For 2019/20, also due to COVID-19, the property valuation has been reported on the basis of 'material valuation uncertainty' as per VPS3 and VPGA10 of the RICS Red Book Global and stated consequently, less certainty, and a higher degree of caution should be attached to their valuation than normally would be the case. The value of direct property as at 31 March 2020 is reported as £471.9 million, using the potential variance of 10% (provided by the Fund's investment consultants for note 14), there is a risk that these investments may be misstated in the accounts by up to £47 million.

6. Events After the Reporting Date

There have been no events since 31 March 2020, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

Non-Adjusting Event - COVID-19

There have been a number of material factors which make it difficult to quantify what the outcome could be on financial markets. How long will the pandemic last? How many waves will there be? How deep will its economic impacts be?

There has been unprecedented government support through stimulus policies including support via the furlough scheme, central banks have reacted by immediately reducing the base rate and have embarked on substantial asset purchase programs.

Both the short and long-term implications of the shut down and the affect it will have on companies remain uncertain and longer-term performance will ultimately be impacted by how long the recovery takes.

As a result of COVID-19, the future investment values may be more volatile, at least over the short to medium term, until a vaccine or other successful cure is found for COVID-19. However, to date, although there has been significant variation to individual fund values (both upwards and downwards) as at the end of November 2020, the investments were valued overall at a higher value than they were at 31 March 2020 (as reported in these financial statements).

With regards to the Fund's level 3 investments, these are well diversified between sectors and also vintage year (year in which first influx of investment capital is delivered to a project or company) meaning that there will be a wide dispersion between the potential valuation effects. Some of the underlying level 3 investment assets could have seen positive uplifts to their valuations (e.g. broadband/telecommunications infrastructure providers) as well as those which will have seen negative (e.g. transport sectors due to short-term demand shocks).

7. Contributions Receivable

	2019/20 £'000	2018/19 £'000
Employers		
Normal	137,903	127,865
Pension Strain	9,726	9,274
Deficit Funding	41,501	18,016
Total Employers	189,130	155,155
Employees		
Normal	58,396	55,422
	247,526	210,577
Relating to:		
Administering Authority	27,826	24,581
Statutory Bodies	175,241	160,776
Admission Bodies	44,459	25,220
	247,526	210,577

Contributions are made by active members of the Fund in accordance with the LGPS and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The 2019/20 contributions above were calculated at the valuation dated 31 March 2016. The 2016 actuarial valuation calculated the average primary employer contribution rate of 15.4% (2013 13.3%).

'Pension Strain' represents the cost to employers when their employees retire early, to compensate the Fund for the reduction in contribution income and the early payment of benefits. Payments to the Fund for such costs are made over agreed periods. An accrual has been made for agreed future payments to the Fund.

'Deficit Funding' includes payments by employers for past service deficit and additional payments by employers to reduce a deficit. During 2019/20 the Fund has received additional and upfront payments, totalling £22.4 million, (in 2018/19 £2.2 million, in 2017/18 a number of employers opted to pay their three years deficit as a lump sum payment in year 1 totalling £141.2 million).

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2019/20 no such charges were levied.

8. Transfers In

	2019/20 £'000	2018/19 £'000
Group Transfers	-	-
Individual Transfers	18,152	11,797
	18,152	11,797

There were no group transfers to the Fund during 2019/20.

9. Benefits Payable

	2019/20 £'000	2018/19 £'000
Pensions	278,801	265,886
Lump Sum Retiring Allowances	66,288	66,173
Lump Sum Death Benefits	7,018	8,639
	352,107	340,698
Relating to:		
Administering Authority	48,313	46,919
Statutory Bodies	246,651	240,601
Admission Bodies	57,143	53,178
	352,107	340,698

10. Payments to and on Account of Leavers

	2019/20 £'000	2018/19 £'000
Refunds to Members Leaving Service	568	538
Payment for Members Joining State Scheme	-	8
Income for Members From State Scheme	(239)	-
Group Transfers to Other Schemes	-	-
Individual Transfers to Other Schemes	17,710	18,489
	18,039	19,035

There were no group transfers out of the Fund during 2019/20.

11. Management Expenses

	2019/20 £'000	2018/19 £'000
Administration Costs	3,022	2,778
Investment Management Costs	42,442	39,708
Oversight and Governance Costs	2,552	2,269
Other Income	(447)	(321)
	47,569	44,434

11a. Administration Costs

	2019/20 £'000	2018/19 £'000
Employee Costs	2,075	1,867
IT Costs	667	616
General Costs	248	255
Other Costs	32	40
	3,022	2,778

11c. Oversight and Governance Costs

	2019/20 £'000	2018/19 £'000
Employee Costs	585	520
External Services	1,405	1,179
Internal Audit	49	49
External Audit	46	31
Other Costs	467	490
	2,552	2,269

Actuarial fees included within External Services above (note 11c) are shown gross of any fees that have been recharged to employers. Included within Other Income for 2019/20 is £374,145 relating to recharged Actuarial fees (2018/19 £259,917).

The external Audit fee for 2019/20 is £34,049, additional fees of £2,000 are in relation to work for 2018/19 and an additional £9,800 relates to services in respect of IAS 19 assurances for admitted body auditors, which are recharged to those admitted bodies.

11b. Investment Management Costs

	2019/20 £'000	2018/19 £'000 Restated*
External Investment Management Fees	11,592	10,661
External Investment Management Performance Fees	1,826	544
External Private Market Fees and Expenses	17,214	16,991
External Services	684	799
Internal Investment Management Fees	774	713
Property Related Expenses	6,259	6,334
Transaction Costs	4,093	3,666
	42,442	39,708

* Note: 2018/19 has been restated to show separately fees and expenses paid for private market assets, this was previously included within external investment management fees.

12. Investment Income

	2019/20 £'000	2018/19 £'000 Restated
Dividends from Equities	101,798	99,895
Income from Bonds	4,664	69
Income from Pooled Investment Vehicles	43,827	49,798
Rents from Properties	30,938	30,512
Interest on Short-term Cash Deposits	1,208	712
Income from Private Equity	16,183	33,877
Interest from Loans	14,793	4,814
Other	1,471	949
	214,882	220,626
Irrecoverable Withholding Tax	(4,864)	(4,378)
	210,018	216,248

Rental income is shown gross of any property related expenses, with related expenses shown under investment expenses (note 11b).

Interest on loans has been accrued up to 31 March 2020, interest on loans for 2018/19 is interest received during the period (previously shown within income from pooled investment vehicles).

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £9.0 million (2018/19 £6.3 million).

The Fund is seeking to recover tax withheld by UK and overseas tax regimes under the EU principle of free movement of capital within its borders, repayments received in 2019/20 £nil (2018/19 £20,981).

12a. Property Income

	2019/20 £'000	2018/19 £'000
Rental Income	30,938	30,512
Direct Operating Expenses	(6,259)	(6,334)
Net Rent from Properties	24,679	24,178

No contingent rents have been recognised as income during the period.

12b. Property Operating Leases

The Fund's property portfolio comprises a variety of units which are leased to organisations with the objective of generating appropriate investment returns.

These leases are all categorised as operating leases due to the relatively short length of the agreements i.e. relative to the overall life of the asset and proportion of the assets overall value. The leases do not meet the assessment criteria for finance leases, and the risks and rewards of ownership of the leased assets are retained by the Fund and reflected in the Net Assets Statement.

The properties comprise a mix of office, retail and industrial buildings. These leases vary in length from short-term to over 25 years.

The future minimum lease payments receivable under non-cancellable leases in future years are:

Age Profile of Lease Income	2019/20 £'000	2018/19 £'000
No later than one year	4,584	5,195
Between one and five years	5,147	11,208
Later than five years	14,386	11,635
Total	24,117	28,038

With regards to the properties owned and leased by the Fund, all are leased to the tenants under contracts that have been assessed as operating leases and which may include periodic rent reviews etc. The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease has been entered into, such as adjustments following rent reviews.

13. Investments

2019/20	Market Value 31/3/19 £'000	Purchases at Cost and Derivative Payments £'000	Sale Proceeds and Derivative Receipts £'000	Change in Market Value** £'000	Market Value 31/3/20 £'000
Equities	2,795,439	1,252,204	(1,124,083)	(439,992)	2,483,568
Bonds	665,610	50,749	(31,827)	11,697	696,229
Pooled Investment Vehicles	4,621,558	625,588	(752,749)	(61,954)	4,432,443
Derivative Contracts	-	725,413	(781,934)	227,715	171,194
Direct Property	521,750	21,943	(35,483)	(36,285)	471,925
Loans	73,947	45,252	(33,123)	-	86,076
	8,678,304	2,721,149	(2,759,199)	(298,819)	8,341,435
Short-Term Cash Deposits	86,098				105,010
Other Investment Balances	104,196			(3,148)	181,507
	8,868,598			(301,967)	8,627,952

2018/19 Restated*	Market Value 31/3/18 £'000	Purchases at Cost and Derivative Payments £'000	Sale Proceeds and Derivative Receipts £'000	Change in Market Value** £'000	Market Value 31/3/19 £'000
Equities	2,768,408	1,635,758	(1,634,730)	26,003	2,795,439
Bonds	-	689,963	-	(24,353)	665,610
Pooled Investment Vehicles	5,030,518	1,028,347	(1,721,615)	284,308	4,621,558
Derivative Contracts	218	613,961	(614,344)	165	-
Direct Property	519,750	3,636	-	(1,636)	521,750
Loans	43,961	48,832	(18,846)	-	73,947
	8,362,855	4,020,497	(3,989,535)	284,487	8,678,304
Short-Term Cash Deposits	53,226				86,098
Other Investment Balances	99,613			355	104,196
	8,515,694			284,842	8,868,598

* Note: 2018/19 has been restated to show loans, these were previously shown under pooled investment vehicles.

** Note: The change in market value of investments during the year comprises all realised and unrealised appreciation and depreciation.

Direct transaction costs are shown under investment management costs in note 11b, in accordance with CIPFA guidance. Indirect costs are incurred through the bid-offer spread on investments in pooled vehicles. The amount of indirect costs is not provided directly to the Fund.

13a. Analysis of Investments

	2019/20 £'000	2018/19 £'000 Restated		2019/20 £'000	2018/19 £'000 Restated
Equities (Segregated Holdings)			Loans	86,076	73,947
UK Quoted	1,014,305	1,150,144	Short-Term Cash Deposits	105,010	86,098
Overseas Quoted	1,469,263	1,645,295	Other Investment Balances		
	2,483,568	2,795,439	Outstanding Trades	55,729	7,439
Bonds			Outstanding Dividend	22,589	22,275
UK Public Sector Quoted	679,699	665,610	Entitlements and Recoverable		
UK Corporate Quoted	400	-	Withholding Tax		
Overseas Corporate Quoted	16,130	-	Cash Deposits	103,189	74,482
	696,229	665,610		181,507	104,196
Pooled Investment Vehicles			Total Investments	8,627,952	8,868,598
UK Managed Funds:					
Equities	75,913	138,487			
Private Equity	108,663	286,359			
Hedge Funds	172,358	41,772			
Corporate Bonds	384,588	354,726			
Infrastructure	299,982	353,669			
Opportunities	216,442	323,557			
Overseas Managed Funds:					
Equities	564,600	494,233			
Private Equity	518,898	279,333			
Hedge Funds	102,410	221,975			
Corporate Bonds	62,884	-			
Infrastructure	251,592	192,604			
Opportunities	68,655	209,989			
UK Unit Trusts:					
Property	72,111	116,426			
Overseas Unit Trusts:					
Property	214,805	124,120			
Other Unitised Funds	1,318,542	1,484,308			
	4,432,443	4,621,558			
Derivative Contracts	171,194	-			
UK Properties					
Freehold	345,825	387,820			
Leasehold	126,100	133,930			
	471,925	521,750			
Balance at 1 April	521,750	519,750			
Additions	21,943	3,636			
Disposals	(35,483)	-			
Net Gain/(Loss) on Fair Value	11,583	-			
Other Changes in Fair Value	(47,868)	(1,636)			
Balance at 31 March	471,925	521,750			

As at 31 March 2020 there were no restrictions on the realisability of investment property or of the remittance of income or proceeds of disposal and the Fund is not under any contractual obligations to purchase, construct or develop any of these properties.

13b. Analysis of Derivatives

Forward Currency Contracts

The Fund's forward currency contracts are exchange traded and are used by a number of our external Investment Managers to hedge exposures to foreign currency back into Sterling.

Settlement Date	Currency Bought '000	Currency Sold '000	Asset £'000	Liability £'000
Up to one month	GBP 15,027	EUR 16,536	389	
Up to one month	EUR 6,949	GBP 6,211		(60)
Up to one month	SGD 331	GBP 189		(1)
Up to three months	GBP 182,415	EUR 200,000	5,126	
Up to three months	GBP 169,991	USD 200,000	8,924	
			14,439	(61)
Net Forward Currency Contracts at 31 March 2020				14,378
Prior Year Comparative				
Open Forward Currency Contracts at 31 March 2019			-	(91)
Net Forward Currency Contracts at 31 March 2019				(91)

Purchased/Written Options

Options are contracts between two parties that gives the purchaser the right, but not the obligation to either buy (call) or sell (put) at a price at a specific date. The purchaser pays immediately, a non-returnable premium (price) to secure the option. To minimise the risk of loss of value through adverse equity price movements,

during 2019/20 the Fund bought a number of equity option contracts that protect it from falls in value in its main investment markets, principally the UK, USA and Europe.

There were no purchased or written options as at 31 March 2019.

Underlying Option Contract	Expires	Put/Call	Notional Holding £'000	Market Value 31/3/20 £'000
Assets				
Overseas equity purchased	One to three months	Put	306	214,158
Overseas equity purchased	Over three months	Put	36	9,452
Overseas equity purchased	Over three months	Put	72	6,227
Total Assets				229,837
Liabilities				
Overseas equity written	One to three months	Put	(356)	(62,832)
Overseas equity written	One to three months	Call	(307)	(3,724)
Overseas equity written	Over three months	Call	(36)	(12,309)
Total Liabilities				(78,865)
Net Purchased/Written Options				150,972

Swaps

	Expires	Notional Holding £'000	Market Value 31/3/20 £'000
Assets			
Total Return Swaps	Up to one year	6,999	878
Total Return Swaps	Up to one year	123,000	5,252
Total Assets			6,130
Liabilities			
Total Return Swaps	Up to one year	6,000	(287)
Total Liabilities			(287)
Net Swaps			5,843

There were no Swaps as at 31 March 2019.

A swap is an over the counter contractual obligation to exchange cash flows, the amount of which is determined by reference to an underlying asset, index, instrument or notional amount, according to terms which are agreed at the outset of the swap. MPF uses swaps to raise or lower the Fund's exposure in certain regions, to manage risks.

As at 31 March 2020, the Fund held cash and non-cash collateral of £223.6 million to mitigate the risk of loss and credit risk. As the Fund has an obligation to return the collateral, it is excluded from the Fund valuation.

13c. Summary of Managers' Portfolio Values at 31 March 2020

	2019/20		2018/19	
	£'m	%	£'m	%
Externally Managed				
JP Morgan (European Equities)	225	2.6	260	2.9
Nomura (Japan)	344	4.0	353	4.0
Schroders (Fixed Income)	385	4.5	355	4.0
Legal & General (Fixed Income)	391	4.5	382	4.3
Unigestion (European Equities and Pooled Emerging Markets)	274	3.2	337	3.8
M&G (Global Emerging Markets)	145	1.7	188	2.1
TT International (UK Equities)	211	2.4	249	2.8
Blackrock (UK Equities)	243	2.8	272	3.1
Blackrock (Pacific Rim)	129	1.5	158	1.8
Blackrock (QIF)	-	-	91	1.0
Newton (UK Equities)	244	2.8	281	3.2
Amundi (Global Emerging Markets)	169	2.0	187	2.1
Maple-Brown Abbot (Pacific Rim Equities)	130	1.5	177	2.0
State Street Global Advisor (Passive Manager)	929	10.8	1,104	12.3
State Street Global Advisor (Bonds Manager)	892	10.3	666	7.5
Blackrock (Transition Manager)	1	-	1	-
	4,712	54.6	5,061	56.9
Internally Managed				
UK Equities	439	5.1	450	5.1
European Equities	228	2.6	247	2.8
Property (Direct)	472	5.5	522	5.9
Property (Indirect)	371	4.3	316	3.6
Private Equity	628	7.3	566	6.4
Hedge Funds	411	4.8	264	3.0
Infrastructure	585	6.8	546	6.2
Opportunities	415	4.8	580	6.5
Global Equities Internal Factor	184	2.1	201	2.3
Short-Term Deposits and Other Investments	183	2.1	116	1.3
	3,916	45.4	3,808	43.1
Total	8,628	100.0	8,869	100.0

As at 31 March 2020 no single investment represented more than 5% of the net assets available for benefits.

13d. Stock Lending

As at 31 March 2020, £543.9 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totalling £588.9 million. Collateral is marked to market, and adjusted daily. Income from Stock Lending amounted to £751,064 and is included within 'Other' Investment Income. As the Fund retains its economic interest in stock on loan, their value remains within the Fund valuation. As the Fund has an obligation to return collateral to the borrowers, collateral is excluded from the Fund valuation. The Fund used its Custodian as agent lender, lending only to an agreed list of approved borrowers. An indemnity is in place which gives the Fund further protection against losses.

14. Fair Value - Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
Market Quoted Investments	Level 1	Published bid market price ruling on the final day of the accounting period.	Not Required	Not Required
Quoted Bonds	Level 1	Fixed interest securities are valued at a market value based on current yields.	Not Required	Not Required
Derivatives - Futures and Options	Level 1	Published exchange prices at year end.	Not Required	Not Required
Exchange Traded Pooled Investments	Level 1	Closing bid value on published exchanges.	Not Required	Not Required
Unquoted Bonds	Level 2	Average of broker prices.	Evaluated Price Feeds	Not Required
Derivatives - Forward Currency Contracts	Level 2	Market forward exchange rates at the year end.	Not Required	Not Required
Pooled Investments - Overseas Unit Trusts and Property Funds	Level 2	Closed bid price where bid and offer prices are published - closing single price where single price is published. Valuation for property funds are provided by fund managers and where available closing bid prices are used.	NAV - based pricing set on a forward pricing basis.	Not Required
Derivatives - OTC Options and OTC Swaps	Level 2	Option and Swaps pricing models.	Not required	Not required
Direct Property	Level 3	Valued at fair value at the year end using independent external Valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards (the 'RICS Red Book').	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength of existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices.
Unquoted Equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines or equivalent.	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium.	Material events occurring between the date of the financial statements provided and the Fund's own reporting date, changes to expected cashflows, differences between audited and unaudited accounts.
Pooled Investments - Hedge Funds and Infrastructure	Level 3	The funds are valued in accordance with International Financial Reporting Standards (IFRS). The valuation basis, determined by the relevant Fund Manager, may be any of quoted market prices, broker or dealer quotations, transaction price, third party transaction price, industry multiples and public comparables, transitions in similar techniques, third party independent appraisals or pricing models.	NAV - based pricing set on a forward pricing basis.	Material events occurring between the date of the financial statements provided and MPF's own reporting date, changes to expected cashflows, differences between audited and unaudited accounts.

Sensitivity of assets valued at Level 3

The table below sets out the assets classified as level 3 assets. The Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges (as provided by the Fund's investment consultants), and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020. There are various factors that affect the complexity of valuation and the realisable value of assets and certain asset specific issues may lead to realisable valuations falling outside the stated range.

31 March 2020	Value £'000	Potential Variance %	Value on Increase £'000	Value on Decrease £'000
Property	635,056	10.0	698,562	571,550
Unquoted UK Equity	82,668	15.0	95,068	70,268
Unquoted Overseas Equity	9,330	15.0	10,730	7,931
Hedge Funds	209,528	10.0	230,481	188,575
Infrastructure	565,189	15.0	649,967	480,411
Private Equity	1,031,773	15.0	1,186,539	877,007
Total	2,533,544			

14a. Fair Value Hierarchy

Assets valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in 'Practical Guidance on Investment Disclosures (PRAG/Investment Association 2016)'

Level 1

Assets at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the market quotation of the relevant stock exchange.

Level 2

Assets at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Assets at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such investments would include unquoted equity investments and Hedge Fund of Funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in Private Equity are based on valuations provided by the general partners to the Private Equity funds in which Merseyside Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in Hedge Funds are based on the net asset value provided by the Fund Manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the financial assets of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	4,052,916	1,668,899	2,061,619	7,783,434
Non-Financial Assets at Fair Value through Profit and Loss	-	-	471,925	471,925
Financial Liabilities at Fair Value through Profit and Loss	-	-	-	-
Net Investment Assets	4,052,916	1,668,899	2,533,544	8,255,359

Values at 31 March 2019*	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	4,457,295	1,769,887	1,855,425	8,082,607
Non-Financial Assets at Fair Value through Profit and Loss	-	-	521,750	521,750
Financial Liabilities at Fair Value through Profit and Loss	-	(91)	-	(91)
Net Investment Assets	4,457,295	1,769,796	2,377,175	8,604,266

* The financial assets at fair value through profit and loss values as at 31 March 2019 have been restated, \$74 million related to loans and have been removed from the table.

A reconciliation of fair value measurements in Level 3 is set out below:

	2019/20	2018/19*
	£'000	£'000
Opening Balance	2,377,175	2,191,484
Acquisitions	458,262	329,127
Disposal Proceeds	(274,441)	(217,316)
Transfer into Level 3	-	-
Total Gains/(Losses) Included in the Fund Account:		
On Assets Sold	83,618	(7,717)
On Assets Held at Year End	(111,070)	81,597
Closing Balance	2,533,544	2,377,175

* The information for 2018/19 has been restated.

15. Financial Instruments

15a. Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading.

31 March 2020	Assets at Amortised Cost £'000	Liabilities at Amortised Cost £'000	Fair Value Through Profit and Loss £'000	Total £'000
Financial Assets				
Equities			2,483,568	2,483,568
Bonds			696,229	696,229
Pooled Investment Vehicles			4,432,443	4,432,443
Derivatives			171,194	171,194
Loans	86,076			86,076
Cash Deposits	105,010			105,010
Other Investment Balances	181,507			181,507
Long-Term and Current Assets	47,958			47,958
Total Financial Assets	420,551	-	7,783,434	8,203,985
Financial Liabilities				
Derivatives				
Other Investment Balances		(21,063)		(21,063)
Current Liabilities		(16,095)		(16,095)
Total Financial Liabilities	-	(37,158)	-	(37,158)
Total Net Assets	420,551	(37,158)	7,783,434	8,166,827

31 March 2019 Restated	Assets at Amortised Cost £'000	Liabilities at Amortised Cost £'000	Fair Value Through Profit and Loss £'000	Total £'000
Financial Assets				
Equities			2,795,439	2,795,439
Bonds			665,610	665,610
Pooled Investment Vehicles			4,621,558	4,621,558
Derivatives			-	-
Loans	73,947			73,947
Cash Deposits	86,098			86,098
Other Investment Balances	104,196			104,196
Long-Term and Current Assets	39,559			39,559
Total Financial Assets	303,800	-	8,082,607	8,386,407
Financial Liabilities				
Derivatives			(91)	(91)
Other Investment Balances		(8,354)		(8,354)
Current Liabilities		(16,974)		(16,974)
Total Financial Liabilities	-	(25,328)	(91)	(25,419)
Total Net Assets	303,800	(25,328)	8,082,516	8,360,988

To allow reconciliation to the Net Asset Statement and for ease to the reader, all long-term & current assets and current liabilities have been included in the above note, although not all are classified as financial instruments, the amounts that are not financial instruments are considered immaterial.

15b. Net Gains and Losses on Financial Instruments

	2019/20 £'000	2018/19 £'000
Financial Assets		
Fair Value Through Profit and Loss	(262,534)	286,123
Total Financial Assets	(262,534)	286,123
Financial Liabilities	-	-
Total Financial Liabilities	-	-
Net	(262,534)	286,123

15c. Fair Value of Financial Instruments

There is no material difference between the carrying value and fair value of financial instruments. The majority of financial instruments are held at fair value, and for those which aren't, their amortised cost is considered to be equivalent to an approximation of fair value.

16. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund's objective is to achieve a funding level position of 100% whilst minimising the level and volatility of employer contributions. Investment strategy is decided with clear reference to this objective.

Over the long-term, the Fund's objective is to set policies that will seek to ensure that investment returns achieved, will at least match the assumptions underlying the actuarial valuation, and therefore be appropriate to the liabilities of the Fund.

Having regard to its liability profile, the Fund has determined that adopting a bespoke benchmark should best enable it to implement an effective investment strategy. This strategic benchmark is reviewed every three years, at a minimum, at the time of the actuarial valuation, but will be reviewed as required, particularly if there have been significant changes in the underlying liability profile or the investment environment.

The Fund has carefully considered the expected returns from the various permitted asset classes and has concluded that in the longer-term the return on equities will be greater than from other conventional assets. Consequently, the benchmark is biased towards equities and skewed towards active management, particularly in less developed markets.

The Fund is also cognisant of the risk that the shorter term returns may vary significantly from one period to another and between the benchmark and actual returns. Diversification of assets is seen as key to managing this risk, and the risk/return characteristics of each asset, and their relative correlations are reflected in the make-up of the strategic benchmark.

The Fund believes that, over the long-term, a willingness to take on volatility and illiquidity is likely to be rewarded with outperformance. The Fund considers that its strong employer covenant, maturity profile and cash flows enable it to adopt a long-term investment perspective. A mix of short-term assets such as bonds and cash is maintained to cover short-term liabilities, while equities (both passive and active), private equity and direct property are held to benefit from the potential rewards arising from volatility and illiquidity risks. The Fund recognises that risk is inherent in investment activity and seeks to manage the level of risk that it takes in an appropriate manner.

The Fund manages investment risks through the following measures:

- Broad diversification of types of investment and Investment Managers
- Explicit mandates governing the activity of Investment Managers
- The use of a specific benchmark, related to liabilities of the Fund for investment asset allocation
- The use of equity downside protection strategies
- The appointment of Independent Investment Advisors to the Investment Monitoring Working Party
- Comprehensive monitoring procedures for Investment Managers including internal officers and scrutiny by elected Members.

16a. Market Risk

The Fund is aware that its key risk is market risk i.e. the unpredictability of market performance in the future. The general practice to quantify these risks is to measure the volatility of historical performance. The following tables show the Fund's exposure to asset classes and their reasonable predicted variance (as provided by the Fund's investment consultants) and the resulting potential changes in net assets available to pay pensions. The figures provided are a forward-looking assumption of future volatility based on analysis of previous performance and probability.

31 March 2020	Value £'m	Potential Variance %	Value on Increase £'m	Value on Decrease £'m
UK Equities (all Equities including Pooled Vehicles)	1,240	19.0	1,475	1,004
US Equities	427	21.0	516	337
Canadian Equities	9	24.0	11	7
European Equities	759	22.5	929	588
Japanese Equities	368	20.5	443	292
Emerging Markets Equities including Pacific Rim	691	28.0	884	497
Global Equities (all Equities including Pooled Vehicles)	557	19.5	666	448
UK Fixed Income Pooled Vehicles	837	11.0	929	745
UK Index-Linked Gilts	680	9.0	741	619
Corporate Bonds	17	9.0	18	15
Pooled Property	287	12.5	323	251
Private Equity	628	28.5	806	449
Hedge Funds	275	9.0	299	250
Infrastructure	552	18.5	654	450
Other Alternative Assets	285	9.5	312	258
Loans, Short-Term Deposits and Other Investment Balances	555	0	555	555
Total	8,167			

31 March 2019	Value £'m	Potential Variance %	Value on Increase £'m	Value on Decrease £'m
UK Equities (all Equities including Pooled Vehicles)	1,496	19.0	1,780	1,211
US Equities	569	21.0	689	450
Canadian Equities	9	24.0	11	7
European Equities	841	22.5	1,030	652
Japanese Equities	379	20.5	456	301
Emerging Markets Equities including Pacific Rim	876	28.0	1,121	630
Global Equities (all Equities including Pooled Vehicles)	428	19.5	512	345
UK Fixed Income Pooled Vehicles	735	11.0	816	655
UK Bonds	666	9.0	726	606
Pooled Property*	260	12.5	293	228
Private Equity	566	27.5	721	410
Hedge Funds	264	9.5	289	239
Infrastructure	546	18.5	647	445
Other Alternative Assets*	448	14.1	511	385
Loans, Short-Term Deposits and Other Investment Balances	278	-	278	278
Total	8,361			

* 2018/19 values have been restated to reclassify loans

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent that the fair value on future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Currency Risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency on any cash balances and investment assets not denominated in UK sterling.

16b. Credit Risk

Credit risk represents that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Fund's arrangements for derivatives, securities lending and impaired items are dealt with in other notes to the accounts.

The short-term cash deposits and other investment balances are diversified with investment grade financial institutions. The Fund has a treasury management policy that is compliant with current best practice.

The Fund's cash holding, under its treasury management arrangements as at 31 March 2020, was £105.0 million (31 March 2019 £86.1 million). This was held on instant access accounts with the following institutions:

16c. Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's key priority is to pay pensions in the long-term and in the short-term and the asset allocation is the key strategy in ensuring this. The earlier sections have dealt with the longer-term risks associated with market volatility.

The Fund always ensures it has adequate cash resources to meet its commitments. The Fund has a cash balance at 31 March of £105 million. The Fund has £5,841 million in assets which could be realised in under 7 days' notice, £780 million in assets which could be realised in under 90 days' notice and £1,546 million in assets which could not be realised within a 90-day period.

The Fund has no borrowing or borrowing facilities.

The management of the Fund also prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. Whilst the Fund has a net withdrawal for 2019/20 in its dealing with members of £104 million and management expenses of £48 million, this is offset by investment income of £215 million.

Refinancing Risk

Refinancing risk represents the risk that the Fund will need to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

	Rating S&P	Balances as at 31 March 2020 £'000	Balances as at 31 March 2019 £'000
Lloyds Bank	Long A Short A-1	41,078	22,717
Northern Trust	AAAm	63,932	28,381
Invesco	AAAm	-	15,000
Svenska Handelsbanken	Long AA- Short A-1+	-	20,000
Total		105,010	86,098

16d. Outlook for Real Investment Returns

The expectation of future real investment returns can affect the Fund's liabilities as they may impact on the discount rate used by the actuary to discount the liabilities; the Fund's actuary has calculated that the Fund has sensitivity to this discount rate of 17% per 1% change in real investment returns. The Fund considers both the liabilities and assets together and assesses the funding ratio and the implications for investment strategy on a quarterly basis at the IMWP.

17. Funding Arrangements

In line with The Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation will take place as at 31 March 2022.

The most recent Triennial Valuation by the actuary was as at 31 March 2019, when the funding level was 101% of projected actuarial liabilities (2016 85%). The funding objective is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. The FSS specifies that for the majority of the statutory employers, the recovery period is 16 years, taking account of all the employer specific factors, the implied average period across the Fund is 13 years.

The funding method adopted is the projected unit method, which implicitly allows for new entrants replacing leavers.

The key elements of the funding policy are to:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, designating and admitted bodies, while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of

the profile of the Fund now and in the future due to sector changes

- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

Summary of Key whole Fund assumptions used for calculating funding target

	31 March 2019 % p.a.
Long-Term Yields	
Market Implied RPI Inflation	3.40
Solvency Funding Target Financial Assumptions	
Investment Return (Higher Risk Bucket)	4.15
CPI Price Inflation	2.40
Short-term Salary Increases	Varies by employer
Long-term Salary Increases	3.90
Pension Increases/Indexation of CARE Benefits	2.40
Future Service Accrual Financial Assumptions	
Investment Return/Discount Rate (Higher Risk Bucket)	4.65
CPI Price Inflation	2.40
Short-term Salary Increases	Varies by employer
Long-term Salary Increases	3.90
Pension Increases/Indexation of CARE Benefits	2.40

18. Investment Liabilities

	2019/20 £'000	2018/19 £'000
Derivative Contracts	-	91
Amounts Due to Stockbrokers	21,063	8,354
	21,063	8,445

19. Long-Term Assets

	2019/20 £'000	2018/19 £'000
Assets due in more than one year	6,337	4,146
	6,337	4,146

Assets due in more than one year include future payments of pension strain and accrued loan interest.

20. Current Assets and Liabilities

	2019/20 £'000	2018/19 £'000
Assets		
Contributions Due	17,666	17,270
Amounts Due from External Managers	-	417
Accrued and Outstanding Investment Income	7,431	344
Sundries	15,402	14,192
Provision for Credit Losses	(90)	(157)
Cash at Bank	1,212	3,347
	41,621	35,413
Liabilities		
Amounts Due to External Managers	-	165
Retirement Grants Due	3,222	2,177
Provisions	511	494
Miscellaneous	12,362	14,138
	16,095	16,974
Net Current Assets and Liabilities	25,526	18,439

'Sundries' mainly covers general debtors, property arrears due, agents' balances and recoverable taxation.

'Provision for Credit Losses' relates to general debtors and property rental income and is based on an assessment of all individual debts as at 31 March 2020.

The main components of 'Miscellaneous Liabilities' are the outstanding charges for Investment Management fees, payable quarterly in arrears, Custodian and Actuarial fees, plus income tax due, pre-paid rent and Administering Authority re-imbursement.

21. Contractual Commitments

Commitments for investments amounted to £1,154 million as at 31 March 2020. (2018/19 £1,064 million). These commitments relate to Private Equity £580.80 million, Infrastructure £229.52 million, Opportunistic Credit £87.21 million, Indirect Property £229.76 million and Other Alternatives (£26.93 million). As some of these funds are denominated in foreign currencies, the commitment in sterling is subject to change due to currency fluctuations.

22. Contingent Assets

When determining the appropriate Fund policy for employers, the different participating characteristics as either a contractor or community body or whether a guarantor of sufficient financial standing agrees to support the pension obligations is taken into consideration when setting the fiduciary strategy.

It is the policy to actively seek mechanisms to strengthen employer covenants by engaging 'contingent assets' in the form of bonds/ indemnity insurance, local authority guarantors, parent company guarantors or charge on assets to mitigate the risk of employers exiting the Fund leaving unrecoverable debt.

These financial undertakings are drawn in favour of Wirral Council, as the Administering Authority of Merseyside Pension Fund and payment will only be triggered in the event of employer default.

23. Related Party Transactions

There are three groups of related parties: transactions between Wirral Council (as Administering Authority) and the Fund, between employers within the Fund and the Fund, and between Members and Senior Officers and the Fund.

Management expenses include charges by Wirral Council in providing services in its role as Administering Authority to the Fund, which amount to £4.0 million. (2018/19 £3.7 million). Such charges principally relate to staffing required to maintain the pension service. Central, Finance and IT costs are apportioned to the Fund on the basis of time spent on Fund work by Wirral Council. There was a debtor of £8.9 million

(2018/19 £10.3 million) and a creditor of £337,020 as at 31 March 2020 (2018/19 £341,033).

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme Regulations (LGPS). Contributions for the year are shown in note 7 and in respect of March 2020 payroll are included within the debtor's figure in note 20.

A specific declaration has been received from Pension Committee Members, Pension Board Members and principal officers regarding membership of, and transactions with, such persons or their related parties. A number of Members act as Councillors or Board members of particular Scheme employers, listed below, who maintain a conventional employer relationship with the Fund:

Liverpool City Council, Knowsley Council, Sefton Council and St Helens Borough Council, Wirral Council, Knowsley Youth Mutual, Whiston Town Council, Rainhill Parish Council, One Vision Housing, CDS Housing, Greater Hornby Homes and Wirral Partnership Homes (also known as Magenta Living). The value of the transactions with each of these related parties, namely the routine monthly payments to the Fund of employers' and employees' contributions, is determined by the LGPS Regulations, and as such, no related party transactions have been declared.

Peter Wallach, Director of Pensions acts in an un-remunerated board advisory capacity on five investment bodies in which the Fund has an interest, Eclipse (£11.5 million), Aberdeen Standard Secondary Opportunities Funds (£14.8 million), BMO Asset Management (£22.4 million), GLIL (£119.1 million) and NPEP (£21.0million).

Linda Desforges, Senior Portfolio Manager acts in an un-remunerated board advisory capacity on eleven investment bodies in which the Fund has an interest, Aberdeen Standard Secondary Opportunities Funds (£14.8 million), BBH Capital (£14.5 million), TEO Plc (£16.1 million), GCM Grosvenor Co-Investment Fund (£8.2 million), BMO Asset Management (£22.4 million), Capital Dynamics (£239.9 million), Key Capital Partners (£1.7million), Palatine (£17.2 million), Shard Credit (£8.5 million), Silver Street Capital (£7.5 million) and HarbourVest Co-investment Fund V part of NPEP.

Susannah Friar, Property Manager acts in an un-remunerated board advisory capacity on fourteen investment bodies in which the Fund has an interest, Partners Group Real Estate Asia Pacific 2011 (£4.0 million), Bridges Property Alternatives IV (£1.2 million), Century Bridge China Real Estate Fund II (£8.0 million), Phoenix Asia Secured Debt Fund (£5.3 million), Alma Property Partners (£10.4 million), Barwood Property (£11.7 million), Chenavari Real Estate Fund III (£9.4 million), Newcore Strategic Situations IV (£11.7 million), Hearthstone Residential Fund I (£15.0 million), European Student Housing Fund II (£12.8 million), Locust Point Private Credit Fund (£7.5 million), Barwood Regional Growth IV (£2.0 million), Alma Property Partners II (£3.2 million) and Deautsche Finance International Fund I (£6.9 million).

Adil Manzoor Portfolio Manager, acts in an un-remunerated board advisory capacity on nine investment bodies in which the Fund has an interest, Standard Life Infrastructure Fund I (£11.5 million), Blackrock GRP Fund I (£15.0 million) and AMP GIF II (£11.2 million), Virtus (£29.2 million), Impax New Energy Investors III LP (£3.2 million), AMP GIF I (£39.4 million), P3P Hoddesdon LP (£6.3 million), P3P NI LP (£16.7 million) and MEIF6 (£3.3 million).

Each member of the Pension Fund Committee and Pension Board Members formally considers conflicts of interest at each meeting.

Key Management Personnel

The Fund's senior management during 2019/20 was comprised of six individuals: the Director of Pensions, the Head of Pensions Administration, Senior Portfolio Managers (x3) and Head of Finance & Risk, the remuneration paid to the senior management during 2019/20 was £418,149 (2018/19 £402,649). In addition, employer contributions of £64,481 (2018/19 £58,063) was also met from the Fund and charged to the Fund Account.

24. Additional Voluntary Contribution Investments

	2019/20 £'000	2018/19 £'000
The Aggregate Amount of AVC Investments is as follows:		
Utmost Life*	2,003	1,985
Standard Life	5,061	5,286
Prudential	9,312	8,739
	16,376	16,010
Changes During the Year were as follows:		
Contributions	5,134	3,394
Repayments	4,531	3,685
Change in Market Values	(237)	386

* The Equitable Life Scheme transferred to Utmost Life on 1 January 2020.

Statement of Responsibilities

The Authority's Responsibilities

The Council as Administering Authority of Merseyside Pension Fund is required:

- to make arrangements for the proper administration of the financial affairs of the Fund and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer;
- to manage the affairs of the Fund to secure economic, efficient use of resources and safeguard its assets.

Section 151 Officer Responsibilities

The Section 151 Officer is responsible for the preparation of the Fund's Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in Great Britain (the Code), is required to present fairly the financial position of the Fund at the accounting date and its income and expenditure for the year ended 31 March 2020.

In preparing this statement of accounts, the Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code.

Section 151 Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Section 151 Officer's Certificate

I certify that the Statement of Accounts presents fairly the financial position of the Fund at 31 March 2020, and its income and expenditure for the year then ended.



Shaer Halewood
Section 151 Officer
November 2020

Audit Report

Independent auditor's report to the members of Wirral Council on the consistency of the pension fund financial statements of Merseyside Pension Fund included in the Pension Fund Annual Report.

Opinion

The pension fund financial statements of Merseyside Pension Fund (the 'pension fund') administered by Wirral Council (the 'Authority') for the year ended 31 March 2020 which comprise the Fund Account, the Net Assets Statement and the Notes to the Merseyside Pension Fund Accounts, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2020 included in the Authority's Statement of Accounts (the 'Statement of Accounts').

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

Pension Fund Annual Report - Pension Fund Financial Statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

The Audited Financial Statements and our Report Thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 18 January 2021.

That report also includes an 'Emphasis of Matter - effects of COVID-19 on the valuation of property investments' section that draws attention to Note 5 in the audited pension fund financial statements, which is replicated in Note 5 of the pension fund financial statements.

Note 5 describes the effects of the COVID-19 pandemic on the valuation of the pension fund's property investments as at 31 March 2020. As disclosed in Note 5, the outbreak of COVID-19 has impacted global financial markets and market activity has been impacted and for 2019/20, also due to COVID-19, the property valuation has been reported on the basis of 'material valuation uncertainty' as per VPS3 and VPGA10 of the RICS Red Book Global and stated consequently, with less certainty, and that a higher degree of caution should be attached to their valuation than normally would be the case. As stated in our report dated 18 January 2021, our opinion is not modified in respect of this matter.

Director of Resources (\$151 Officer) Responsibilities for the Pension Fund Financial Statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Director of Resources (\$151 Officer) of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Use of Our Report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Patterson

Grant Patterson
Key Audit Partner

For and on behalf of Grant Thornton UK LLP,
Local Auditor, Birmingham.

18 January 2021

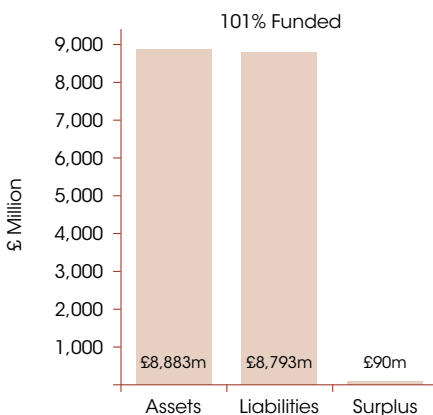
Consulting Actuary's Statement

Accounts for the Year Ended 31 March 2020 Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Merseyside Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £8,883 million represented 101% of the Fund's past service liabilities of £8,793 million (the 'Solvency Funding Target') at the valuation date. The surplus at the valuation was therefore £90 million.



The valuation also showed that a Primary contribution rate of 17.2% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation, a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it is usually appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 13 years, and the total initial recovery payment (the 'Secondary rate' for 2020-2023) is an addition of approximately £0.2m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For Past Service Liabilities (Solvency Funding Target) per annum	For Future Service Liabilities (Primary rate of contribution) per annum
Rate of return on investments (discount rate)	4.15%	4.65%
Rate of pay increases (long-term)*	3.9%	3.9%
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4%	2.4%

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The 'McCloud judgment' refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all public sector schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £65 million and an increase in the Primary Contribution rate of 1.0% of Pensionable Pay per annum. To the extent that employers have opted to pay additional contribution over 2020/23 in relation to the McCloud judgment, these emerge in the Secondary Contribution Rates figures quoted above.

Impact of COVID-19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited but the position should be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2020 (the 31 March 2019 assumptions are included for comparison):

	31 March 2019 per annum	31 March 2020 per annum
Rate of return on investments (discount rate)	2.4%	2.4%
Rate of CPI Inflation / CARE Benefit revaluation	2.2%	2.1%
Rate of pay increases*	3.7%	3.6%
Rate of increases in pensions in payment (in excess of GMP) / Deferred Revaluation	2.3%	2.2%

* This is the long-term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes, with the 31 March 2020 assumptions being updated to reflect the assumptions adopted for the 2019 actuarial valuation. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

Corporate bond yields were similar at the start and end of year resulting in the same discount rate of 2.4% p.a. being used for IAS 26 purposes at the year-end as for last year. The expected long-term rate of CPI inflation decreased during the year, from 2.2% p.a. to 2.1%, which served to decrease the liabilities slightly over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2019 was estimated as £12,265 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£294 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£64 million (this includes any increase in liabilities arising as a result of early retirements/augmentations and the potential impact of GMP Indexation - see comments elsewhere in this statement). There was also a decrease in liabilities of £860 million due to 'actuarial gains' (i.e the effects of the changes in the actuarial assumptions used, referred to above, and the incorporation of the 31 March 2019 actuarial valuation results into the IAS26 figures).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2020 is therefore £11,763 million.

GMP Indexation

At present, the public service schemes are required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards, which would give rise to a further cost to the LGPS and its employers. If the Fund were required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021, then this would increase the Fund liabilities by about £41 million on IAS26 assumptions, and we have included this amount within the final IAS26 liability figure above.



Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
July 2020



Clive Lewis
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
July 2020





Report & Accounts 2019/20

Fund Policies

Communications Policy 2018

Funding Strategy Statement 2018

Governance Policy 2019

Investment Strategy Statement 2020

Pensions Administration Strategy 2018



Merseyside Pension Fund

Communications Policy

Wirral Metropolitan Borough Council

As approved by Pensions Committee on **16 July 2018** following consultation with the Local Pension Board

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Introduction

Merseyside Pension Fund (the Fund) is one of the largest Local Government Pension Schemes in the UK and manages the pension records of over 135,000 members.

The Fund is committed to providing clear, accurate, comprehensive and timely information to all stakeholders, through the most appropriate and cost-effective communication medium. Funds in England and Wales are required to publish a statement of policy under Regulation 61 of the Local Government Pension Scheme Regulations 2013 relating to the communications with members and Scheme employers.

As required by the regulations, this policy will outline the Fund's activities in regard:

- Communications to members, representatives of members, prospective members and Scheme employers;
- The format, frequency and method of distributing such information;
- The promotion of the Scheme to prospective members and their employers;

This policy will be revised and republished following any material change in policy.

General Communications

For general communications, the Fund can be contacted at:

Merseyside Pension Fund
Castle Chambers
43 Castle Street
Liverpool
L2 9SH

Telephone: 0151 242 1390
Fax: 0151 236 3520
Email: mpfadmin@wirral.gov.uk

Telephone

All Fund communications to individual members have a published telephone number. The number may be a general enquiry number, a workgroup or helpline number (such as Pensions Payroll) or, in individual cases, a direct telephone number to the staff member responsible.

For training purposes and as part of its continual improvement programme, the Fund may monitor and record calls.

Internet

The Fund has two main websites:

- <https://mpfmembers.org.uk>
- <https://mpfemployers.org.uk>

These can also be accessed via <http://merseysidepensionfund.org.uk>

Social Media

The Fund has a presence on Facebook and Twitter, where members can be notified of notices and news recently published on our main members' website. Members can also directly message the Fund via both these platforms:

- <https://www.facebook.com/mpfmembers>
- <https://twitter.com/mpfmembers>

Public Enquiry Counter

For those members who prefer 'face to face' communication, the Fund's offices are centrally situated in Liverpool city centre and are easily accessible by public transport from all areas of Merseyside. A public enquiry counter is situated on the 7th floor of Castle Chambers, open from 9.00 to 5.00, Monday to Friday. A private interview room is available for members who wish to discuss confidential matters.

Appointments can be made to discuss specific pension options or problems and, if necessary, appropriate staff can visit a workplace or members at home in cases of special need.

Access to Communications

The Fund is committed to make all necessary and reasonable adjustments to help members who require assistance to access our communications. The Fund can arrange large print, audio or Braille versions of all literature.

All print and electronic communications are designed with full consideration for those with additional needs. This is to ensure that all members can access our services. All communications media is measured against accessibility standards. The Fund is assisted by various partner organisations in fulfilling the objectives of the Equality Act 2010.

Communicating with Scheme Members

Members' Website – mpfmembers.org.uk

The website has individual sections for active, pensioner and deferred members, reflecting the diverse needs of our membership. The site provides explanation, guidance and updates for all categories of member.

An important part of the website is given over to the governance of the Fund, its statutory responsibilities and investment performance. This demonstrates the Fund's commitment to transparency in our dealings with members and all stakeholders.

Scheme members also have the opportunity to securely access their own pension records via the secure **MyPension** online portal and to update home address information.

Annual Benefit Statement

An annual benefit statement is made available online for active and deferred members. These statements with supporting guidance notes are made available through the Fund's secure online portal. Annual benefit statements can be issued in paper form on written request to the Fund. The distribution of statements to active & deferred members is also an opportunity to summarise any changes to the Scheme regulations or other changes in regard pensions.

Scheme Literature

Whilst the website contains detailed information and guidance for members, the Fund also maintains an extensive range of literature for all categories of member. Copies of scheme literature are made available on the members' website.

Newsletters

'Honeypot' is the Fund's in-house newsletter for pensioners. Published annually, the newsletter is produced on paper and posted to the home address of all members in receipt of pension benefits. It proves to be a useful way of providing updates on pension increases, relevant changes in legislation, topical news, competitions, letters and maintaining a dialogue with our pensioner members.

For general communications to active members, the Fund produces news items for use by Scheme employers on intranets, broadcast emails, staff newsletters and manager briefing publications.

The Fund on occasion will utilise newsletters to communicate major Scheme changes to active and deferred members; the format is particularly useful when explaining multiple, complicated changes. Because of their nature, these newsletters are not produced at fixed times, but rather in response to changes in the regulations; with reference to the time restrictions imposed by the Disclosure regulations.

Presentations & Courses

The Fund delivers standard or tailored presentations on a wide range of subjects for members. These presentations are provided on demand in conjunction with employers; although a minimum number of attendees will be required to justify Fund resources.

The Fund pro-actively arranges courses on wider topic areas and invites appropriate third parties to assist Fund staff in presenting relevant information, workshop activities and also to provide relevant support materials to take home. Courses can be delivered at employer sites or in Liverpool city centre.

Presentations & courses can be requested from the Communications team on **0151 242 1392** or **mpfcomms@wirral.gov.uk**

Communicating with Members' Representatives

Materials available to members are also available on request to their representatives or through the Members' website.

Communicating with Prospective Members

Scheme booklet & Website

Upon appointment with their employer, all prospective scheme members will be provided with a link to the Fund's website where they can access scheme booklets and the key forms for membership. The website also provides information to help members make an informed decision about contributing to the LGPS and how to opt out of the scheme should they so wish. The Fund's first contact to a new member, also reinforces the value of pension saving and provides once again the link to the Fund's website where they can access the scheme booklets.

Trade Unions

The Fund works with the relevant trade unions to ensure the scheme is understood by all interested parties. Training days for branch officers can be provided upon request.

Communicating with Scheme Employers

Employers' Website – mpfemployers.org.uk

A website for Scheme employer specific communications and guidance, the employer's website is secured by a username and password.

Referencing the Payroll and HR guides published by the Local Government Association, it details the processes, procedures and forms required to effectively discharge the duties of an employer participating in the Scheme.

Pension Liaison Officer

Each employer has a named member of staff who performs the duty of a Pension Liaison Officer. The primary contact for the Fund, this person is contactable by e-mail, telephone and in-person to assist the Fund in communication and supporting members.

The Pension Liaison Officer on appointment is given a username and password for the Employers' website and is also provided with the facility to request additional access for colleagues in their organisation.

Employer News Alerts

Regular news items, such as changes to legislation, consultations and general administrative updates are communicated regularly to all registered users of the Employers' website.

Annual Report & Accounts

The aim of the report is to highlight the important issues affecting the Fund over the previous twelve months, along with detail on both investment and administration performance.

Annual Employers' Conference

A conference is held annually for all Scheme employers at which detailed investment, financial and administrative reports are presented by Fund officers. Other speakers are invited from government agencies and organisations connected to the pensions industry.

Pension Liaison Officers Group

The Fund aims to hold three meetings each year with larger Scheme employers to discuss the topics of legislation, pension regulation, administration and other issues raised by the employers or the Fund. This dialogue proves useful in developing administrative processes and communications for the benefit of all Scheme employers and members.

Practitioner Training

The Fund provides training for staff at Scheme employers on the basics of LGPS administration. Sessions are structured along the lines of a typical membership of the LGPS, where delegates are shown the correct procedures which should be followed during various stages of an employee's membership.

Merseyside Pension Fund
Castle Chambers
43 Castle Street
Liverpool
L2 9SH

Telephone:

0151 242 1390

Fax:

0151 236 3520

Email:

mpfadmin@wirral.gov.uk

Members' Website

mpfmembers.org.uk

Employers' Website

mpfemployers.org.uk

Opening Times:

Mon. to Fri. 9am - 5pm

Approved by: Pensions Committee 16 July 2018

ADMINISTERING AUTHORITY





Merseyside Pension Fund

Funding Strategy Statement

Wirral Metropolitan Borough Council
As approved by Pension Committee **29 October 2018**

This Funding Strategy Statement has been prepared by Wirral Metropolitan Borough Council (the Administering Authority) to set out the funding strategy for the Merseyside Pension Fund ("the Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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Executive Summary

It is the fiduciary responsibility of the Administering Authority (Wirral Metropolitan Borough Council) to ensure that the Merseyside Pension Fund (the “Fund”) has sufficient assets to meet its pension liabilities in the long term. The Funding Strategy adopted by the Merseyside Pension Fund will therefore be critical in achieving this statutory duty.

The purpose of this **Funding Strategy Statement (“FSS”)** is to set out a clear and transparent funding strategy that will identify how each Fund employer’s pension liabilities are to be met going forward.

The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the Merseyside Pension Fund. It is imperative therefore that each existing or potential employer is aware of the details contained in this statement.

Given this, and in accordance with governing legislation, all interested parties connected with Merseyside Pension Fund have been consulted and given opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.

The Fund’s Objective

The Administering Authority’s long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. This objective will be considered on an employer specific level where appropriate.

The Administering Authority’s long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. This objective will be considered on an employer specific level where appropriate.

The general principle adopted by the Fund is that the overall assumptions used, will be sufficiently prudent for pensions already in payment to continue to be paid, and to reflect the commitments that will arise from members’ accrued pension rights.

The funding strategy set out in this document has been developed alongside the Fund’s investment strategy on an integrated basis, taking into account the overall financial and demographic risks inherent in the Fund. The funding strategy includes appropriate margins to allow for the possibility of events turning out worse than expected. Individual employer results will also have regard to their covenant strength and the investment strategy applied to the asset shares of those employers.

Solvency and Long term cost-efficiency

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time. Equally, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Scheme so far as relating to the Fund.

Deficit Recovery Plan and Contributions

As the solvency level of the Fund is 85% at the valuation date i.e. the assets of the Fund are less than the liabilities, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts (flat or increasing year on year) and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish. Employers may also elect to make prepayments of contributions which could result in a cash saving over the valuation certificate period.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. A key principle will be to maintain the deficit contributions at the expected monetary levels from the preceding valuation (including any indexation in these monetary payments over the recovery period) and where appropriate consider affordability of contributions. Full details are set out in this FSS.

The average recovery period for the Fund as a whole is 19 years at this valuation which is 3 years shorter than the average recovery period from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce at this valuation.

Where there is an increase in contributions required at this valuation the employer may be able to step-up their contributions over a period of 3 years.

Actuarial Assumptions

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the “Primary” contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. the “Secondary” rate) are set out in an Appendix to this FSS.

The discount rate in excess of CPI inflation (the “real discount rate”) has been derived based on the expected return on the Fund’s assets based on the long term strategy set out in its Investment Strategy Statement (ISS). When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns in excess of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year). It is proposed at this valuation the real return over CPI inflation for determining the past service liabilities is 2.0% per annum and for determining the future service (“Primary”) contribution rates is 2.75% per annum.

The Fund has implemented a choice of “investment” buckets to offer to employers with effect from 1 April 2017, which exhibit lower investment risk than the current whole fund strategy. If an employer is deemed to have a weaker covenant than others in the Fund, or it would like to target a lower risk strategy, the Administering Authority has the discretion to move that employer (typically following discussions with the employer) into a different investment strategy to protect the Fund as a whole.

The demographic assumptions are based on the Fund Actuary’s bespoke analysis for the Fund, also taking into account the experience of the wider LGPS where relevant.

Employer Asset Shares

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving each employer’s asset share.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation. The investment return credited will depend on which investment bucket the employers’ assets are in. In addition the asset share maybe restated for changes in data or other policies.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

Fund Policies

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund’s practice and policies in a number of key areas:

1. Covenant assessment and monitoring

An employer's financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed. These risks include underfunding, longevity, investment and market forces.

The strength of **employer covenant** can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers' covenants will be assessed and monitored objectively in a proportionate manner, and an employer's ability to meet their obligations in the short and long term will be considered when determining its funding strategy.

After the valuation, the Fund will continue to monitor employers' covenants in conjunction with their funding positions over the inter-valuation period. This will enable the Fund to anticipate and pre-empt any material issues arising and thus adopt a proactive approach in partnership with the employer. More details are provided in the relevant appendix to this statement.

2. Admitting employers to the Fund

Various types of employers are permitted to join the LGPS under certain circumstances and the basis of participation reflects the nature and funding of the service provision. The approach taken is set out in our separate admissions policy document. This can be found on the Fund's website: <https://mpfmembers.org.uk/pdf/AdmissionsPolicy2015.pdf>

Examples of new employers include:

- Scheme Employers - for example new academies (see later section)
- Designated bodies - those that are permitted to join if they pass a resolution
- Admission bodies - usually arising as a result of an outsourcing or a transfer to an entity that provides some form of public service and their funding primarily derives from local or central government.

Certain employers may be required to provide a guarantee or alternative security before entry will be allowed, in accordance with the Regulations and Fund policies.

3. Termination policy for employers exiting the Fund

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate.

Where there is no guarantor who would subsume the liabilities of the exiting employer, the Fund's policy is that a discount rate linked to a lower risk investment strategy and a more prudent longevity assumption is used for assessing liabilities on termination. Any exit payments due should be paid immediately although instalment plans will be considered by the Administering Authority on a case by case basis. Any exit credits (surplus assets over liabilities) will be paid from the Fund

to the exiting employer within 3 months of cessation by the Actuary. This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it based on the advice of the Actuary.

Where there is a guarantor who would subsume the liabilities, the policy is that any assets, liabilities and deficit or surplus would be subsumed by the guarantor and taken into account at the following valuation. This is subject to agreement from all interested parties who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor.

If all parties do not agree then the surplus will be paid directly to the exiting employer within 3 months of cessation (despite any other agreements that may be in place). In maintaining a consistent approach, the Fund will seek to recover the deficit from the exiting employer in the first instance. However, if this is not possible, the deficit will be subsumed by the guarantor and all remaining assets and liabilities will then be subsumed by the guarantor.

The Fund will inform the guarantor of the exiting employer's request to receive the surplus before making payment of the exit credit. However the Fund will not become embroiled in any disagreement over the refund of any surplus which is contrary to commercial agreements.

Ultimately the Fund will have to comply with the Regulations and therefore pay any exit credit. It is then up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.

If a guarantor unjustifiably deviates from the policy to subsume the residual assets, liabilities and any surplus or deficit, future termination events with regard to the payment of the surplus or deficit will be treated in line with the approach adopted for employers without a guarantor in the Fund (the ongoing valuation basis will still be adopted in this case).

4. Insurance arrangements

The Fund has implemented an internal captive insurance arrangement in order to pool the risks associated with ill health retirement costs. The captive has been designed for employers that could be materially affected by the ill health retirement of one or more of their members. The captive arrangement has been considered when setting the employer contribution rates for the eligible employers. More details are provided in **Appendix E**.

Introduction

The Local Government Pension Scheme Regulations 2013 (as amended) (“the 2013 Regulations”), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the 2014 Transitional Regulations”) and The Local Government Pension Scheme (Amendment) Regulations 2018 (“the 2018 Amendment Regulations”) (collectively; “the Regulations”) provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Merseyside Pension Fund the Administering Authority will prepare and publish their funding strategy;
- In preparing the **FSS**, the Administering Authority must have regard to:
 - the guidance issued by CIPFA for this purpose; and
 - the Investment Strategy Statement (ISS) for the Scheme published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in the relevant regulatory provisions, the funding regime or the ISS.

As such the Funding Strategy Statement (FSS) has been revised following the enactment of the Local Government Pension Scheme (Amendment) Regulations 2018. The Regulations introduced the provision to repay exit credits in circumstances where an employer terminates scheme participation and the actuarial assessment results in a surplus position.

The policy has been revised in order to ensure there is consistency between the various letting authorities’ commercial arrangements, the termination policy and the new Regulations.

Benefits

The benefits provided by the Merseyside Pension Fund are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the Merseyside Pension Fund are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings (“CARE”) benefits earned thereafter. There is also a “50:50 Scheme Option”, where members can elect to accrue 50% of the full scheme benefits in relation to the member only and pay 50% of the normal member contribution.

Employer / Employee Contributions

The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations (which require that an actuarial valuation is completed every three years by the actuary, including the provision of a rates and adjustments certificate specifying the “primary” and “secondary” rate of the employer’s contribution).

Primary Rate

The “Primary rate” for an employer is the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits/insurance premium together with administration costs. It is expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer’s covenant.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers’ Primary rates.

Secondary Rate

The “Secondary rate” is an adjustment to the **Primary rate** to reflect any past service **deficit** or surplus, to arrive at the rate each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the **Primary rate**, and/or a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls.

The Secondary rate is specified in the rates and adjustments certificate.

The contribution payable is the sum of the Primary and Secondary rates.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be calculated as the weighted average based on the whole fund payroll in respect of percentage rates and as a total amount in respect of cash adjustments.

Purpose of FSS in Policy Terms

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, including the disparate investment buckets, it must remain a single strategy for the Administering Authority to implement and maintain.

Aims and Purpose of the Fund

The aims of the Fund are to:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, designating and admitted bodies, while achieving and maintaining fund **solvency** and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of scheme benefits, transfer values, exit credits, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the 2018 Amendment Regulations.

Responsibilities of the key parties

The efficient and effective management of the pension fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority (in particular the Pensions Committee), the individual employers and the Fund Actuary and details of their roles are set out below.

Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

Key parties to the FSS

The **Administering Authority** should:

- operate the pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations
- pay from the pension fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the fund against the consequences of employer default
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain a **FSS** and an ISS, both after proper consultation with interested parties, and
- monitor all aspects of the Fund's performance and funding, amending the **FSS**/ISS as necessary
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a scheme employer, and
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

The **Individual Employer** should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations);
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- Undertake administration duties in accordance with the Pension Administration Strategy;
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, additional pension contracts, early retirement strain,
- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and;

- notify the Administering Authority promptly of any changes to membership which may affect future funding.

The **Fund Actuary** should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund **solvency** and long term cost efficiency after agreeing assumptions with the Administering Authority and having regard to their **FSS** and the Regulations;
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc.
- provide advice and valuations on the termination of admission agreements including exit credit payments;
- provide advice to the Administering Authority on **bonds** and other forms of security against the financial effect on the Fund of employer default;
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations;
- advise on funding strategy, the preparation of the **FSS** and the inter-relationship between the **FSS** and the ISS, and;
- ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.

Solvency Funding Target

Securing the “**solvency**” and “long term cost efficiency” is a regulatory requirement. To meet these requirements the Administering Authority’s long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the “funding target”) assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer’s total contribution rate would ultimately revert to its **Primary Rate** of contribution.

Solvency and Long Term Efficiency

Each employer’s contributions are set at such a level to achieve full **solvency** in a reasonable timeframe. **Solvency** is defined as a level where the Fund’s liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

When formulating the funding strategy the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the **Government Actuary’s Department (GAD)** must, following an **actuarial valuation**, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the “**solvency**” of the pension fund and “long term cost efficiency” of the Scheme so far as relating to the Fund.

Determination of the solvency Funding Target and deficit Recovery Plan

The principal method and assumptions to be used in the calculation of the funding target are set out in **Appendix A**. The Employer Deficit Recovery Plans are set out in **Appendix B**.

Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

In considering this, the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful potentially taking

into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2017 at the latest.

As part of each valuation, separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers and employer groups in the Fund.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2016 **actuarial valuation**:

- The Fund does not believe it appropriate for **deficit** contribution reductions to apply compared to the existing funding plan (allowing for indexation where applicable) where deficits remain unless there is compelling reason to do so.
- LEA schools and certain other employers within the Fund have been grouped with the respective Council.
- Academies are treated as separate employers but, at inception, any past service **deficit** is allocated on an equitable basis consistent with the relevant LEA schools.
- Certain employers will follow a bespoke investment and funding strategy pertaining to their own circumstances determined by their risk and maturity characteristics. This will be documented separately.
- Any stabilisation methods requested by the contractor will need to be agreed with the original Scheme Employer before being implemented.
- Subject to consideration of affordability, as a general rule the deficit recovery period will reduce for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan in Appendix B). These principles have resulted in an average recovery period of 19 years being adopted across all Fund employers.
- For consistency, the recovery period for employers that have a surplus position at the valuation date will initially also be determined in line with the Deficit Recovery Plan set out in **Appendix B**. However, an alternative recovery period may be agreed at the discretion of the Administering Authority.
- Individual employer contributions will be expressed and certified as two separate elements:
 - the **Primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits and ancillary death in service and ill health benefits / insurance premiums

- the Secondary rate: a schedule of lump sum monetary amounts or % of pay amendments over 2017/20 in respect of an employer's surplus or **deficit** (including phasing adjustments)
 - For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from April 2020 based on the results of the 2019 **actuarial valuation**.
 - Where an employer is in a surplus position, the Secondary rate deduction from the **Primary rate** will be subject to a minimum threshold of £1,000, below which no deduction will be made.
- Where increases in employer contributions are required from 1 April 2017, following completion of the 2016 **actuarial valuation**, the increase from the rates of contribution payable in the year 2017/18 may be implemented in steps, over a maximum period of 3 years. Any step up in **Primary rates** will be implemented in steps of at least 0.5% of pensionable pay per annum, although subject to the agreement of the Administering Authority alternative phasing arrangements may be permitted consistent with the assessment of an individual employer's covenant strength and short term financial planning.
 - On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. In such circumstances:

The policy for employers who have a guarantor participating in the Fund:

The residual assets and liabilities and hence any surplus or deficit will transfer back to the guarantor. This is subject to agreement from all interested parties who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor.

If all parties do not agree then the surplus will be paid directly to the exiting employer within 3 months of cessation (despite any other agreements that may be in place). In maintaining a consistent approach, the Fund will seek to recover the deficit from the exiting employer in the first instance. However, if this is not possible, the deficit will be subsumed by the guarantor and all remaining assets and liabilities will then be subsumed by the guarantor.

The Fund will inform the guarantor of the exiting employer's request to receive the surplus before making payment of the exit credit. However the Fund will not become embroiled in any disagreement over the refund of any surplus which is contrary to commercial agreements.

Ultimately the Fund will have to comply with the Regulations and therefore pay any exit credit. It is then up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.

If a guarantor unjustifiably deviates from the policy to subsume the residual assets, liabilities and any surplus or deficit, future termination events with regard to the payment of the surplus or deficit will be treated in line with the approach adopted for employers without a guarantor in the Fund (the ongoing valuation basis will still be adopted in this case).

The policy for employers who do not have a guarantor participating in the Fund:

- In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 3 months of cessation). This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date.
- In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as an immediate lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process.

The Administering Authority also reserves the right to modify this approach on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary. The termination policy is summarised set out in Appendix C.

- For admission bodies participating from 1 April 2017 who do not have a guarantor of sufficient financial standing based on the assessment of the Administering Authority, the basis of assessment for both the contributions and termination and bond requirements will be on a lower risk **investment strategy**. The employer's assets will then be deemed to be invested in these lower risk assets and be credited with the returns derived from such assets based on the advice of the Actuary. Where a guarantor is available the assessment will be on the normal valuation basis if the guarantor agrees to underwrite the obligations of the employer in the long term.
- In all cases the Administering Authority reserves the right to apply a different approach at its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole. Any employer affected will be notified separately.

Employers with no guarantor or bond in place

For those employers (who are not Scheduled bodies) and who have no guarantor or bond arrangements in place, a higher funding target will be adopted. The contribution rate for these employers will be determined to target a funding position of 120% for the liabilities of the current active membership. The funding target for the non-active liabilities will be as defined earlier. The principles around the recovery period will be as noted earlier after the change in funding target has been applied.

Funding for non-ill health retirement costs

Employers are required to meet all costs of early retirement strain by immediate capital payments into the Fund, or in exceptional circumstances by agreement with the Fund, through instalments over a period not exceeding 5 years or if less, the remaining period of the body's membership of the Fund.

Funding for ill health retirement costs

Should a member retire on ill health grounds, this will normally result in a funding strain for that employer (i.e. increased liability). The size of any funding strain will depend on how the cost of that ill health retirement compares with the expected cost built in the actuarial assumptions for that employer.

The actual cost will also depend on the level of any benefit enhancements awarded (which depend on the circumstances of the ill health retirement) and also how early the benefits are brought into payment.

To the extent that a strain does occur, this will serve to increase the deficit at the next actuarial valuation (with the exception of those employers that take part in the captive arrangement who will be immunised against the strain in return for the premiums paid).

However, where an employer exits the Fund in the inter-valuation period the outstanding ill health retirement strain costs will be included when the Actuary completes the termination assessment.

Funding for deaths in service and retirement

The financial impact of the benefits that become payable on the death of a member differ depending on whether the member dies before or after retirement.

The extent of any funding strain/profit which emerges on the death of a pensioner member (typically a profit) will be determined by the age of the pensioner at death and whether or not any dependants' benefits become payable.

The extent of any funding strain/profit which emerges on the death of a pensioner member (typically a profit) will be determined by the age of the pensioner at death and whether or not any dependants' benefits become payable.

In the event of a member dying whilst in active service, it is not certain that a funding profit would emerge. Whilst the Fund would no longer have to pay the accrued benefits at retirement for the deceased member, a lump sum death grant and also dependants' benefits would become payable instead. The dependants' benefits would also be based on the pensionable service that the member could have accrued had they remained in service until retirement.

Typically, the death of a young member with low pensionable service and dependants is likely to result in a large funding strain for the employer. However, the death of an older/long serving member with no dependants could actually result in a funding profit. As for ill health cases, any funding strain or profit will emerge at the next actuarial valuation through increased/reduced deficit, except where the employer exits the scheme and any necessary adjustment will be taken into account when the Actuary determines the termination position.

Link to Investment Policy and the Investment Strategy Statement

The results of the 2016 valuation show the liabilities to be 85% covered by the current assets, with the funding **deficit** of 15% being covered by future **deficit** contributions.

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the **investment strategy** adopted by the Fund, as set out in the ISS.

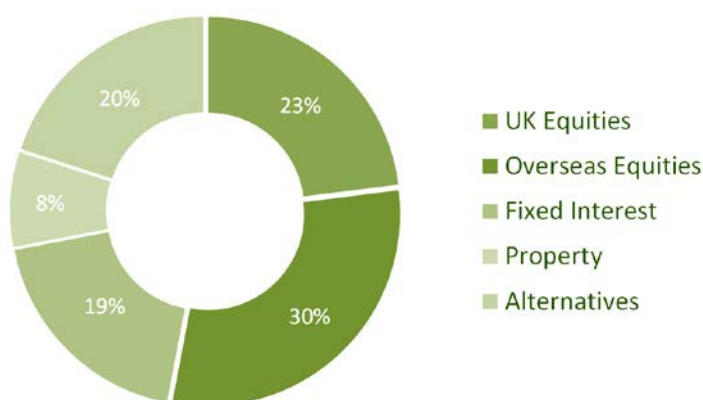
It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which represents the "minimum risk" investment position which would deliver a very high certainty of **real returns** above assumed **CPI** inflation. Such a portfolio would consist of a mixture of long-term index-linked gilts, fixed interest gilts and possible investment derivative contracts known as "swaps".

Investment of the Fund's assets in line with this portfolio would minimise fluctuations in the Fund's funding position between successive **actuarial valuations**.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in **real return** versus **CPI** inflation of nil per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a **funding level** of 59%.

Departure from a minimum risk **investment strategy**, in particular to include growth assets such as **equities**, gives a better prospect that the assets will, over time, deliver returns in excess of **CPI** inflation and reduce the contribution requirements. The target **solvency** position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, **investment strategy** and investment performance.

The current **investment strategy** is:



Based on the **investment strategy** above and the Actuary's assessment of the return expectations for each asset class leads to an overall best estimate average expected return of 3.3% per annum in excess of **CPI** inflation at the valuation date. For the purposes of setting funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations and this is expected under the Regulations and guidance.

Risk management strategy

In the context of managing various aspects of the Fund's financial risks, the Administering Authority is currently implementing a number of risk management techniques. In particular:

- Equity Protection - Subject to fair market pricing, the Fund is currently looking to implement protection against potential falls in the equity markets via the use of derivatives. The aim of the protection is to provide further stability (or even a reduction) in employer deficit contributions (all other things equal) in the event of a significant equity market fall (although it is recognised that it will not protect the Fund in totality).
- Liability Driven Investments (LDI) – the Fund is looking to implement an LDI strategy in order to hedge part of the Fund's assets against changes in liabilities for one or more employers.

The principal aim of this risk management strategy is to effectively look to provide more certainty of real investment returns vs **CPI** inflation and/or protect against volatility in the termination position. It is designed to reduce risk and provide more stability/certainty of outcome for funding and ultimately employer contribution rates.

This will be done on an opportunistic basis to ensure the most efficient and cost effective approach is taken. This could have implications on future **actuarial valuations** and the assumptions adopted, but did not impact on the 2016 valuation approach. Full details of the framework will be included in further updates of the **FSS** and **ISS**.

Investment Buckets

The Fund has implemented a choice of "investment" buckets for employers with effect from 1 April 2017. These will be called:

- Higher risk bucket
- Medium risk bucket
- Lower risk bucket

The current Fund **investment strategy** will apply to the "higher risk bucket". The "medium risk bucket" and "lower risk bucket" will give employers the option to reduce the level of investment risk that they wish to take, particularly for those employers that are considering leaving the Fund. In addition any orphaned liabilities once an employer exits the Fund will generally be moved into the lower risk bucket.

The medium risk bucket's initial **investment strategy** at 1 April 2017 was a 65% allocation to growth assets and a 35% allocation to defensive assets. This will vary over time depending on the returns on the different portfolios and may be rebalanced in the future as part of a review of the

investment buckets. The growth and defensive assets in this bucket are the same as those in the current Fund investment strategy but in the relevant weightings at each point from 1 April 2017.

The lower risk bucket will be made up of an **investment strategy** linked to income generating assets which targets a minimum yield above **CPI** inflation allowing for default, reinvestment risk and any other reasonable margins of prudence deemed appropriate. The strategic allocation is set out in the Investment Strategy Statement.

The choice of bucket will be reflected in the relevant employer's asset share, funding basis and contribution requirements. However, the contribution requirements for employers within the medium risk bucket will not change at this valuation but will be reviewed from 1 April 2020 as part of the 2019 valuation.

If, based on the assessments carried out by the Administering Authority, the employer is deemed to have a weaker covenant than other employers in the Fund or alternatively is expected to exit in the near future, the Administering Authority reserves the right to move the employer (typically following discussions with the employer) into the medium or lower risk **investment strategy** to protect the Fund as a whole.

Identification of risks and counter-measures

The funding of defined benefits is by its nature uncertain. Funding is based on both financial and demographic assumptions. These assumptions are specified in the **actuarial valuation** report. When actual experience is not in line with the assumptions adopted, a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the actuary that the greatest risk to the **funding level** is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term. The Actuary's formal valuation report includes a quantification of the key risks in terms of the effect on the funding position.

Financial

The financial risks are as follows:-

- Investment markets fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle.

Any increase in employer contribution rates (as a result of these risks), may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation (including in each separate **investment bucket**) is kept under regular review and the performance of the investment managers is regularly monitored.

Demographic

The demographic risks are as follows:-

- Future improvements in life expectancy (longevity) cannot be predicted with any certainty
- Potential strains from ill health retirements, over and above what is allowed for in the valuation assumptions for employers not in the captive arrangement
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Ill health retirements can be costly for employers, particularly small employers where one or two costly ill health retirements can take them well above the “average” implied by the valuation assumptions. Increasingly we are seeing employers mitigate the number of ill health retirements by employing HR / occupational health preventative measures. These, in conjunction with ensuring the regulatory procedures in place to ensure that ill-health retirements are administered properly, can help control exposure to this demographic risk.

The Fund’s ***ill health captive*** arrangement will also help to ensure that the eligible employers are not exposed to large deficits due to the ill health retirement of one or more of their members (see further information in **Appendix E**).

Early retirements for reasons of redundancy and efficiency do not immediately affect the ***solvency*** of the Fund because they are the subject of a direct charge. With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the ***investment strategy***.

Insurance of certain benefits

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund. More detail on how the Fund is implementing the captive insurance for ill health costs is set out in **Appendix E**.

Regulatory

The key regulatory risks are as follows:

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to scheme,
- Changes to national pension requirements and/or HMRC Rules

Membership of the Local Government Pension Scheme is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

Governance

The Fund has done as much as it believes it reasonably can to enable employing bodies and scheme members (via their trades unions) to make their views known to the Fund and to participate in the decision-making process. So far as the revised Funding Strategy Statement is concerned, it circulated copies of the first draft to all employing bodies for their comments.

The first draft was reviewed at the Committee's meeting on 15 November 2016 and finalised following the Committee meeting on 21 March 2017 after the Fund received feedback from the employing bodies. A further consultation took place following the publication of the 2018 Amendment Regulations and the introduction of exit credits.

The revisions to the FSS have been incorporated into this draft and the updated draft was finalised following the Committee meeting on 29 October 2018.

Governance risks are as follows:

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond.
- An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements.
- Political risk that the academies guarantee from the Department for Education is removed, especially given the large increase in the number of academies in the Fund.

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored (e.g. with regular data reconciliations with employers), but in most cases the employer, rather than the Fund as a whole, bears the risk.

Pensions Committee

Wirral Metropolitan Borough Council, as the Administering Authority for Merseyside Pension Fund, has delegated responsibility and accountability for overseeing the Fund to the Pensions Committee.

The Pensions Committee is made up of fifteen voting representatives and Wirral Council, as the Administering Authority, nominates ten members, each of the other four local councils nominate a member and a representative of the remaining employers is elected by ballot. There are three non-voting members drawn from trade unions representing all actives, deferred members and

pensioners. Aside from the trade union and non-council representatives, Member changes to Committee are subject to the political leadership of the Councils, although efforts are made to limit rotation where possible.

The Committee meets 4 to 5 times a year and has set up an Investment Monitoring Working Party which meets at least 6 times a year to monitor investment performance and developments. A Governance and Risk Working Party has also been established which meets twice a year to discuss current and emerging risks and measures to mitigate and control risk. The Committee has delegated powers to the Director of Pensions for the day to day running of the Fund.

There is a clear decision making process for the operations of the Fund, major decisions are taken and minuted at monthly Fund Operating Group meetings attended by the Director of Pensions and senior MPF managers.

There is a significant resource dedicated on an annual basis for Member training which is provided both internally and externally.

The Pensions Administration Strategy (PAS) sets out clear standards of service to members by defining employer and Fund responsibilities in administering the Scheme and sets out the requirements for the two way flow of information.

Local Pension Board

The Pension Board was established in April 2015 in accordance with the Public Service Pensions Act 2013, the national statutory governance framework delivered through the LGPS Regulations and guidance as issued by the Scheme Advisory Board.

Membership

The Pension Board is comprised of four voting employer representatives and four voting scheme member representatives selected from the broad range of employers in the Fund and the different categories of the membership base.

The employer representatives are office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity.

Member representatives are scheme members of Merseyside Pension Fund and have the capacity to represent scheme members of the Fund.

The Pension Board is chaired by an independent non-voting member and all representatives have significant relevant experience either as a Pension Fund trustee or in the running of Pension Funds.

The role of the Pension Board is to assist Wirral Council, as Scheme Manager to:

- comply with the scheme regulations and other legislation relating to the governance and administration of the scheme;

- and any requirements imposed by the regulator.

A member of the Pension Board must be conversant with:

- the rules of the scheme and the law relating to pensions, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

The Council considers that the Pension Board is providing oversight of the administration and governance of the Pension Fund and does not have a decision making role in the management of the Fund but makes recommendations to assist in ensuring compliance with its statutory responsibilities.

Full details of the operational procedures are set out in the Pension Board's Terms of Reference which can be accessed online at: **mpfund.uk/pensionboard**

Monitoring and Review

The Administering Authority has taken advice from the actuary in preparing this Statement, and has consulted with the employers participating in the Fund.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Scheme membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund
- there has been a change in Regulations or Guidance which materially impacts on the policies within the funding strategy

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employing authorities will be contacted. In the case of an employer who may exit the Fund, there is statutory provision for rates to be amended between valuations and this will be considered in conjunction with the employer affected and any associated guarantor of the employer's liabilities (if relevant).

Appendix A

Actuarial Method and Assumptions

Method

The actuarial method to be used in the calculation of the ***solvency funding target*** is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service.

This method implicitly allows for new entrants to the scheme on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted, which makes advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

Financial assumptions – Solvency Funding Target

Investment return (discount rate)

The discount rate has been derived based on the expected return on the Fund assets based on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate, consideration has been given to the returns in excess of CPI inflation (as derived below).

The discount rate at the valuation has been derived based on an assumed return of 2.0% per annum above CPI inflation i.e. a real return of 2.0% per annum i.e. a total discount rate of 4.2% per annum. This real return will be reviewed from time-to-time, based on the investment strategy, market outlook and the Fund's overall risk metrics.

The discount rate will be reviewed as a matter of course at the time of a formal valuation or employer bond review

For those employers who are funding on a lower risk investment strategy, the discount rate used will be linked to low risk generating assets and this will be notified to the employers separately.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Scheme's accrued liabilities, but subject to an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index. The overall reduction to RPI inflation at the valuation date is 1.0% per annum.

Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.5% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. In addition to the long term salary increase assumption allowance has been made for expected short term pay restraint for some employers as budgeted in their financial plan.

Depending on the circumstances of the employer, the variants on short term pay that have been applied are either no allowance or allowances of 1%, 1.5%, 2% or 2.5% per annum for each year from the valuation date up to 2020. The allowance made has been notified to each employer separately on their individual results schedule.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (**CPI**) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the **CPI** (e.g. Guaranteed Minimum Pensions where the LGPS is not required to provide full indexation).

Demographic assumptions

Mortality/Life Expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the scheme.

The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. Current members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 4 years older whereas for existing ill health retirees we assume this is at an age 3 years older.

For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections and a long term improvement trend of 1.75% per annum for males and 1.5% per annum for females.

The mortality before retirement has also been adjusted based on LGPS wide experience.

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements, withdrawal rates and the proportions married/civil partnership assumption have been modified from the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option (an allowance of 10% of current and future members (by payroll) for certain employers was made at the last valuation). Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.5% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation.

Method and assumptions used in calculating the cost of future accrual (or primary rate)

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the **discount rate** is used. A critical aspect here is that the Regulations state the desirability of keeping the **Primary Rate** (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the **Primary Rate** should take account of the market conditions applying at future dates, not just the date of the valuation, thus it is justifiable to use a slightly higher expected return from the **investment strategy**. In addition the future liabilities for which these contributions will be paid have a longer average duration than the **past service liabilities** as they relate to active members only.

At the valuation date, the financial assumptions in relation to future service (i.e. the normal cost) are based on an overall assumed real discount rate of 2.75% per annum above the long term average assumption for consumer price inflation of 2.2% per annum.

Employer Asset Shares

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each **actuarial valuation**. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer **investment strategy** identical to that adopted for the Scheme as a whole (taking account of the respective investment buckets) unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation. The investment return credited will depend on which **investment bucket** the employers' assets are in.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

Summary of key whole Fund assumptions used for calculating funding target and cost of future accrual (the “primary rate”) for the 2016 actuarial valuation

Long-term yields

Market implied RPI inflation	3.20% p.a.
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Solvency Funding Target financial assumptions

Investment return/Discount Rate	4.20% p.a.
---------------------------------	------------

CPI price inflation	2.20% p.a.
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Long Term Salary increases*	3.70% p.a.
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Pension increases/indexation of CARE benefits	2.20% p.a.
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Future service accrual financial assumptions

Investment return/Discount Rate	4.95% p.a.
---------------------------------	------------

CPI price inflation	2.20% p.a.
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Long Term Salary increases*	3.70% p.a.
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Pension increases/indexation of CARE benefits	2.20% p.a.
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*short term salary increases also apply

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation, along with sample life expectancies, are set out below:

Post retirement mortality tables

Current Status	Retirement Type	2013 study	2016 study
Annuitant	Normal Health	106% S1PMA_CMI_2012[1.5%] / 100% S1PFA_CMI_2012[1.5%]	112% S2PMA_CMI_2015[1.75%] / 99% S2PFA_CMI_2015[1.5%]
	Dependant	173% S1PMA_CMI_2012[1.5%] / 120% S1DFA_CMI_2012[1.5%]	126% S2PMA_CMI_2015[1.75%] / 118% S2DFA_CMI_2015[1.5%]
	Ill Health	106% S1PMA_CMI_2012[1.5%] + 3 yrs / 100% S1PFA_CMI_2012[1.5%] + 3 yrs	112% S2PMA_CMI_2015[1.75%] + 3 yrs / 99% S2PFA_CMI_2015[1.5%] + 3 yrs
Active	Normal Health	104% S1PMA_CMI_2012[1.5%] / 94% S1PFA_CMI_2012[1.5%]	107% S2PMA_CMI_2015[1.75%] / 92% S2PFA_CMI_2015[1.5%]
	Ill Health	104% S1PMA_CMI_2012[1.5%] + 4 yrs / 94% S1PFA_CMI_2012[1.5%] + 4 yrs	107% S2PMA_CMI_2015[1.75%] + 4 yrs / 92% S2PFA_CMI_2015[1.5%] + 4 yrs
Deferred	All	130% S1PMA_CMI_2012[1.5%] / 110% S1PFA_CMI_2012[1.5%]	137% S2PMA_CMI_2015[1.75%] / 105% S2PFA_CMI_2015[1.5%]
Future Dependant	Dependant	111% S1PMA_CMI_2012[1.5%] / 106% S1DFA_CMI_2012[1.5%]	115% S2PMA_CMI_2015[1.75%] / 107% S2DFA_CMI_2015[1.5%]

Life expectancies at age 65

Membership Category	Male Life Expectancy at 65	Female Life Expectancy at 65
Pensioners	21.8	24.6
Actives aged 45 now	24.8	27.5
Deferreds aged 45 now	22.7	26.4

Other demographic assumptions are set out in the Actuary's formal report.

Appendix B

Employer Deficit Recovery Plans

As the assets of the Fund are less than the liabilities at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts and it is the Fund's objective that any funding **deficit** is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including the option of prepaying the **deficit** contributions in one lump sum either on an annual basis or a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall £ **deficit** contributions payable.

The determination of recovery periods are summarised in the table below, however there are a small number of employers that have different recovery periods to those set out below and these employers have been notified separately:

Category	Average Deficit Recovery Period	Derivation
Fund Employers	19 years	Determined by reducing the period from the preceding valuation to ensure (as far as possible) deficit contributions do not reduce versus those expected from the existing recovery plan.
Open Admitted Bodies	9 years	Determined by reducing the period from the preceding valuation to ensure deficit contributions (as far as possible) do not reduce versus those expected from the existing recovery plan.
Closed Employers	The deficit recovery period for closed admission bodies is a minimum of 9 years or the lower of the future working lifetime of the membership	Determined by reducing the period from the preceding valuation to ensure deficit contributions (as far as possible) do not reduce versus those expected from the existing recovery plan.
Employers with a limited participation in the Fund	Determined on a case by case basis	Length of expected period of participation in the Fund

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;
- Any contingent security available to the Fund, or offered by the Employer, such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any **deficit** over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the **deficit** contributions at the expected monetary levels from the preceding valuation.

Other factors affecting the Employer Deficit Recovery Plans

As part of the process of agreeing funding plans with individual employers, the Administering Authority will consider the use of contingent assets and other tools such as **bonds** or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things being equal this could result in a longer recovery period being acceptable to the Administering Authority, normally restricted to a maximum period of 19 years, although employers will still be expected to at least cover expected interest costs on the **deficit**.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidenced based affordable level of contributions for the organisation for the three years 2017/2020. Any application of this option is at the ultimate discretion of the Fund officers in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the **solvency** requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the **deficit** does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases.

Appendix C

Termination Policy

Exiting the Fund

Termination Assessment of An Employer's Residual Pension Obligations and Method to Calculate Bond/ Financial Guarantees

On the cessation of an employer's participation in the Fund where an employer becomes an exiting employer, the Actuary will be asked to make a termination assessment. Depending on the circumstances of the termination this assessment may incorporate a more cautious basis of assessment of the final liabilities for the employer. Typically this will be where the employer does not have a guarantor in the Fund who has agreed to subsume the orphaned liabilities from the exiting employer.

Where it may be appropriate to use a more cautious basis, the **discount rate** assumption used will be derived to be consistent with a lower risk **investment strategy** linked to low risk income generating assets which make up the lower risk investment "bucket". This is subject to the financial assumptions used being no less cautious than the equivalent valuation assumptions updated appropriately based on the advice of the actuary. For the avoidance of doubt this includes any variation to assumptions for those employers whose assets are invested in the medium risk asset bucket. The Administering Authority retains the discretion to adopt a different approach for any particular employer related to the size of the risk and the employer will be notified of this accordingly.

In addition to using a more cautious **discount rate**, the Actuary will also use a more prudent mortality assumption when assessing the size of the liabilities for termination purposes. In particular, the Actuary will assume a higher improvement rate for future life expectancy than is used for ongoing funding purposes. Where it is appropriate to apply a more cautious assumption, the Actuary will assume that the accelerated trend in longevity seen in recent years will continue in the longer term. The assumption, therefore, will build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections subject to a long term improvement trend of 2% per annum for males and females.

The appropriate method adopted depends on the characteristics of the exiting body (and in particular whether there is another employer in the Fund who is prepared to act as sponsor for any residual liabilities) and the risk in the context of the potential impact on other employers' contributions. This is because where liabilities are "orphaned" all employers have to cover any deficits (or surpluses) that arise in relation to these liabilities via their contribution rates at each valuation.

In summary, depending on the employer type, participation basis and covenant there are three alternative approaches to value liabilities on termination and to assess bond requirements for certain admitted bodies or designating bodies:

1. Assessing the final termination liabilities using assumptions consistent with the most recent valuation basis adjusted as necessary to reflect the expected return outlook in relation to the **investment strategy** which supports the exiting employer's liabilities.
2. Assessing the final liabilities using a **discount rate** which is linked to a low risk income generating **investment strategy** which make up the lower risk investment "bucket". As part of this assessment the Actuary will use a deduction from the **discount rate** to reflect a reasonable estimate of the potential asset default and reinvestment risk associated with the asset strategy, the associated costs of termination and any other reasonable prudential margins that are appropriate based on the advice of the Actuary. This will be reviewed from time-to-time dependent on market conditions. In addition, the Actuary will apply the more prudent mortality assumption as described above.
3. Assessing the final liabilities using a **discount rate** which is based on a "minimum risk" approach where the **discount rate** will be based on government gilt yields of appropriate duration to the liabilities and a more prudent mortality assumption as above. Typically this will be applied to an employer who would have a material effect on the Fund on exit by leaving significant residual orphan liabilities.

The approach to be adopted would be varied dependent on whether there is a guarantor who participates in the Fund who would be prepared to assume responsibility for the liabilities and the type of admission as follows:

(I) Admission Bodies Participating by Virtue of a Contractual Arrangement

For employers that are guaranteed by a guarantor (usually the original employer or letting authority), the Fund's policy at the point of cessation is for the guarantor to subsume the residual assets, liabilities and any surplus or deficit. This is subject to the agreement of all parties involved; the Fund, the exiting employer and the guarantor) who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor.

If all parties do not agree then the surplus will be paid directly to the exiting employer within 3 months of cessation (despite any other agreements that may be in place). In maintaining a consistent approach, the Fund will seek to recover the deficit from the exiting employer in the first instance. However, if this is not possible, the deficit will be subsumed by the guarantor and all remaining assets and liabilities will then be subsumed by the guarantor.

The Fund will inform the guarantor of the exiting employer's request to receive the surplus before making payment of the exit credit. However the Fund will not become embroiled in any disagreement over the refund of any surplus which is contrary to commercial agreements.

Ultimately the Fund will have to comply with the Regulations and therefore pay any exit credit. It is then up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.

If a guarantor unjustifiably deviates from the policy to subsume the residual assets, liabilities and any surplus or deficit, future termination events with regard to the payment of the surplus or

deficit will be treated in line with the approach adopted for employers without a guarantor in the Fund (the ongoing valuation basis will still be adopted in this case).

As the guarantor will absorb the residual assets and liabilities, it is the view of the Actuary that the ongoing valuation basis described above should be adopted for the termination calculations. For the avoidance of doubt this includes any variation to assumptions for those employers whose assets are invested in the medium or low risk asset bucket. This is the way the initial admission agreement would typically be structured i.e. the admission would be fully funded based on liabilities assessed on the valuation basis.

If the guarantor refuses to take responsibility then the residual deferred pensioner and pensioner liabilities should be assessed on the more cautious basis. In this situation the size of the termination payment would also depend on what happened to the active members and if they all transferred back to the original Scheme Employer (or elsewhere) and aggregated their previous benefits. As the transfer would normally be effected on a "fully funded" valuation basis the termination payment required would vary depending on the circumstances of the case. Where this occurs the exiting employer would then be treated as if it had no guarantor as per the policy below.

(II) Non-contract based admission bodies with a guarantor in the Fund

The approach for these will be the same as (i) above and will depend on whether the guarantor is prepared to accept responsibility for residual liabilities.

(iii) Admission bodies with no guarantor in the Fund

These are cases where the residual liabilities would be "orphaned" within the Fund, although it is possible that a bond would be in place. The termination calculation would be on the more cautious basis as noted in 2. above although the approach in 3. above could apply at the discretion of the Administering Authority.

The **actuarial valuation** and the revision of any Rates and Adjustments Certificate in respect of the outgoing admission body must be produced by the Actuary at the time when the admission agreement ends; the policy will always be subject to change in the light of changing economic circumstances and legislation.

The policy for such employers will be:

- In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 3 months of cessation). This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date.
- In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as an immediate lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process.

The Administering Authority also reserves the right to modify this approach on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary.

The above funding principles will also impact on the **bond requirements** for certain admitted bodies. The purpose of the bond is that it should cover any unfunded liabilities arising on termination that cannot be reclaimed from the outgoing body.

Relevant regulations within The Local Government Pension Scheme Regulations 2013 (as amended by the Local Government Pension Scheme (Amendment) Regulations 2018)

Regulation 64 sets out special circumstances where revised *actuarial valuations* and certificates must be obtained including Regulation 64 (2) where an admission agreement ceases to have effect, the Administering Authority who made it must obtain:

- an *actuarial valuation* as at the date it ceases of the liabilities in respect of current and former employees of the admission body which is a party to that admission agreement ("the outgoing admission body"),
- a revision of any rates and adjustments certificate for any Pension Fund which is affected, showing the exit payment due from the exiting body or exit credit payable to the exiting body. Where it is not possible for any reason to obtain revised contributions from the exiting body, or from an insurer or any person providing an indemnity or bond on behalf of the body, the Administering Authority may obtain a further revision of any rates and adjustment certificate for the Pension Fund, showing –
 - a) in the case where the exiting body falls within paragraph 1(d) of Part 3 of Schedule 2, the revised contributions due from the body which is the related employer in relation to that admission body, and
 - b) in any other case, the revised contributions due from each employing authority who contributes to the fund.

If the Administering Authority becomes aware or is of the opinion of a Scheme employer becoming an exiting employer, Regulation 64 (4) provides that it may obtain from an actuary a certificate specifying, in the case of an admission body, the percentage or amount by which, in the actuary's opinion –

- the contribution at the *primary rate* should be adjusted, or
- any prior secondary rate adjusted should be increased or reduced, with a view to providing that assets equivalent to the exit payment that will fall due from the Scheme employer are provided to the fund by the likely exit date or, where the Scheme employer is unable to meet the liability by that date, over such period of time thereafter as the administering authority considers reasonable.

Appendix D

Covenant Assessment and Monitoring Policy

An employer's covenant underpins its legal obligation and ability to meet its financial responsibilities now and in the future. The strength of covenant depends upon the robustness of the legal agreements in place and the likelihood that the employer can meet them. The covenant effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.

An assessment of **employer covenant** focuses on determining the following:

- Type of body and its origins
- Nature and enforceability of legal agreements
- Whether there is a bond in place and the level of the bond
- Whether a more accelerated **recovery plan** should be enforced
- Whether there is an option to call in contingent assets
- Is there a need for monitoring of ongoing and termination funding ahead of the next **actuarial valuation**?

The strength of **employer covenant** can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital.

Risk Criteria

The assessment criteria upon which an employer should be reviewed could include:

- Nature and prospects of the employer's industry
- Employer's competitive position and relative size
- Management ability and track record
- Financial policy of the employer
- Profitability, cashflow and financial flexibility
- Employer's credit rating
- Position of the economy as a whole

Not all of the above would be applicable to assessing employer risk within the Fund; rather a proportionate approach to the consideration of the above criteria would be made, with further focus given to the following:

- The scale of obligations to the pension scheme relative to the size of the employer's operating cashflow
- The relative priority placed on the pension scheme compared to corporate finances

- An estimate of the amount which might be available to the scheme on insolvency of the employer as well as the likelihood of that eventuality.

Assessing Employer Covenant

The **employer covenant** will be assessed objectively and its ability to meet their obligations will be viewed in the context of the Fund's exposure to risk and volatility based on publically available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the termination basis) enables the Fund to anticipate and pre-empt employer funding issues and thus adopt a proactive approach. In order to objectively monitor the strength of an employer's covenant, adjacent to the risk posed to the Fund, a number of fundamental financial metrics will be reviewed to develop an overview of the employer's stability and a rating score will be applied using a Red/Amber/Greed (RAG) rating structure.

In order to accurately monitor **employer covenant**, it will be necessary for research to be carried out into employers' backgrounds and, in addition, for those employers to be contacted to gather as much information as possible. Focus will be placed on the regular monitoring of employers with a proactive rather than reactive view to mitigating risk.

The covenant assessment will be combined with the funding position to derive an overall risk score. Action will be taken if these metrics meet certain triggers based on **funding level**, covenant rating and the overall risk score.

Frequency of Monitoring

The funding position and contribution rate for each employer participating in the Fund will be reviewed as a matter of course with each triennial **actuarial valuation**. However, it is important that the relative financial strength of employers is reviewed regularly to allow for a thorough assessment of the financial metrics. The funding position will be monitored (including on the termination basis) using an online system provided to officers by the Fund Actuary.

Employers subject to a more detailed review, where a risk criterion is triggered, will be reviewed at least every six months, but more realistically with a quarterly focus.

Covenant Risk Management

The focus of the Fund's risk management is the identification and treatment of the risks and it will be a continuous and evolving process which runs throughout the Fund's strategy. Mechanisms that will be explored with certain employers, as necessary, will include but are not limited to the following:

1. Parental Guarantee and/or Indemnifying Bond
2. Transfer to a more prudent actuarial basis and **investment strategy** (e.g. the termination basis)
3. A higher funding target, shortened recovery periods and increased cash contributions
4. Managed exit strategies

Appendix E – Insurance Arrangements

Overview of arrangement

For certain employers in the Fund, following discussions with the Fund Actuary and after considering potential alternative insurance arrangements, a captive insurance arrangement is to be established by the Administering Authority to cover ill-health retirement costs. This will apply for all ill-health retirements from 1 April 2017.

The captive arrangement operates as follows:

- “Premiums” are paid by the eligible employers into the captive arrangement which is tracked separately by the Fund Actuary in the valuation calculations. The premiums are included in the employer’s primary rate. The premium for 2017/20 is 1% p.a.
- The captive arrangement is then used to meet strain costs (over and above the premium paid) emerging from ill-health retirements in respect of both active and deferred members
 - i.e. so there is no initial impact on the deficit position for employers within the captive.
- The premiums are set with the expectation that they will be sufficient to cover the costs in the 3 years following the valuation date. If any excess premiums over costs are built up in the Captive, these will be used to offset future adverse experience and/or lower premiums at the discretion of the Administering Authority based on the advice of the actuary.
- In the event of poor experience over a valuation period any shortfall in the captive fund is effectively underwritten by the other employers within the Fund. However the future premiums will be adjusted to recover any shortfall over a reasonable period with a view to keeping premiums as stable as possible for employers. Over time the captive arrangement should therefore be self-funding and smooth out fluctuations in the contribution requirements for those employers in the captive arrangement.
- Premiums payable are subject to review from valuation to valuation depending on experience and the expected ill health trends. They will also be adjusted for any changes in the LGPS benefits. They will be included in employer rates at each valuation or on commencement of participation for new employers.

Employers covered by the arrangement

Those employers (both existing and new) that will be included in the captive are Academies, Community related Admitted Bodies, Contract related Admitted Bodies (where the guarantor is also in the captive arrangement) and Designating/Resolution Bodies. These employers will be notified of their participation. New employers entering the Fund who fall into this category will also be included.

For all other employers who do not form part of the captive arrangement, the current treatment of ill-health retirements will still apply i.e. the Fund continues to monitor ill-health retirement strain costs incurred against the allowance certified with recovery of any excess costs from the

employer once the allowance is exceeded either at the next valuation or at an earlier review of the contributions due including on termination of participation.

Appendix F – Glossary

Actuarial Valuation

An investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the **funding level** of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate **Funding Strategy Statement**.

Benchmark

A measure against which fund performance is to be judged.

Best Estimate Assumption

An assumption where the outcome has a 50/50 chance of being achieved.

Bonds

Loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE)

With effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

Corporate Bond Basis

An approach where the **discount rate** used to assess the liabilities is determined based on the market yields of high quality corporate bond investments (usually at least AA rated) based on the appropriate duration of the liabilities being assessed. This is usually adopted when an employer is exiting the Fund.

CPI

Acronym standing for “Consumer Prices Index”. CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differs from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

Deficit

The extent to which the value of the Fund’s **past service liabilities** exceeds the value of the Fund’s assets.

Discount Rate

The rate of interest used to convert a future cash amount e.g. a benefit payment occurring in the future to a **present value**.

Employer Covenant

The degree to which an employer participating in an occupational pension scheme is willing and able to meet the funding requirements of the scheme.

Employer's Future Service Contribution Rate (Primary Rate)

The contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

Equities

Shares in a company which are bought and sold on a stock exchange.

Equity Protection

An insurance contract which provides protection against falls in equity markets. Depending on the pricing structure, this may be financed by giving up some of the upside potential in equity market gains.

Exit Credit

The amount payable from the Fund to an exiting employer in the case where the exiting employer is determined to be in surplus at the point of cessation based on a termination assessment by the Fund Actuary.

Hedging

A strategy that aims to reduce funding volatility using Liability Driven Investment (LDI) or other techniques. This is achieved by investing in assets that capture levels of yields based on agreed trigger levels so the assets mimic the change in liabilities.

Hedge ratio

The level of hedging in place as a percentage of the liabilities and can be 0% to 100%. This can be in relation to interest rates, inflation rates or real rates of return.

Investment Bucket

This describes a bespoke *investment strategy* which applies to one or more employers and is dependent on the liability and risk profile.

Ill Health Captive

This is a notional fund designed to immunise certain employers against excessive ill health costs in return for an agreed insurance premium.

Solvency/Funding Level

The ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement

This is a key governance document that outlines how the Administering Authority will manage employer's contributions to the Fund.

Solvency Funding Target

An assessment of the *present value* of benefits to be paid in the future. The desired funding target is to achieve a *solvency* level of a 100% i.e. assets equal to the *past service liabilities* assessed on the ongoing concern basis.

Government Actuary's Department (GAD)

The GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Investment Strategy

The long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Past Service Liabilities

This is the **present value** of all the benefits accrued by members up to the valuation date. It is assessed based on a set of assumptions agreed between the Administering Authority and the Actuary.

Percentiles

Relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Prepayment

The payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced compared to the certified amount to reflect the early payment.

Present Value

The value of projected benefit payments, discounted back to the valuation date.

Prudent Assumption

An assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation requires the assumptions adopted for an **actuarial valuation** to be prudent.

Real Return or Real Discount Rate

A rate of return or **discount rate** net of **CPI** inflation.

Recovery Plan

A strategy by which an employer will make up a funding **deficit** over a specified period of time ("the recovery period", as set out in the **Funding Strategy Statement**).

Section 13 Valuation

In accordance with Section 13 of the Public Service Pensions Act 2014, the **Government Actuary's Department (GAD)** have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS **actuarial valuations**. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

50/50 Scheme

In the LGPS, active members are given the option of accruing a lower benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

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ADMINISTERING AUTHORITY



A decorative background element consisting of a grid of red squares. The grid is composed of many small squares, some of which are missing, creating a pattern that resembles a stylized 'M' or a series of vertical bars. The squares are arranged in a way that they appear to be receding into the distance, creating a sense of depth.

Merseyside Pension Fund **Governance Policy**

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Introduction

This statement sets out the scheme of delegation, the terms of reference, structure and operational procedures of the delegation.

Relationship of Merseyside Pension Fund and Wirral Council

Wirral Council is the administering authority of the Merseyside Pension Fund under the Local Government Pension Scheme Regulations 2013 and is the Scheme Manager as defined by Section 4 of the Public Service Pension Act 2013. In its capacity as Scheme Manager the council is authorised to manage the Pension Fund's assets and liabilities and carry out any other specified activities associated with the operation of the Scheme. The authority is not authorised to give investment advice.

Due to this status, the Fund is not required to be regulated by the Financial Conduct Authority (FCA) in order to operate its business. It is regulated by the Ministry of Housing, Communities and Local Government (MHCLG).

As an administering authority, Wirral Council is required to act as if the Fund were set up under trust with the authority itself as the sole trustee, although the assets are not trust assets in the legal sense.

Scheme of Delegation of (Non-Executive) Functions to Committees

Under its Constitution, the council delegates, under Section 101 of the Local Government Act 1972 to Pensions Committee all those non-Executive functions vested in it, identified in the terms of reference for the Committee (see page 5).

The scheme delegates powers and duties within broad functional descriptions and includes powers and duties under all legislation present and future within those descriptions and all powers and duties including any statutory re-enactment or moderation of the legislation referred to in this scheme.

Any exercise or responsibility for functions or delegated powers shall comply with:

- any statutory requirements;
- the Council's Constitution;
- the Council's Budget and Policy Framework and approved budget;
- the Members' Code of Conduct;
- the Code of Recommended Practice on local authority publicity;
- the agreed arrangements for recording decisions;

This scheme does not delegate any matters reserved by law to the full Council or assigned to the Executive.

Pensions Committee

Membership

The Committee is comprised of fifteen voting members; ten of whom are members of Wirral Council, four members from the other local authorities and one member representing the other employing organisations in the Fund. Three trade union representatives, with observer status, are invited and represent active, deferred and pensioner members.

Terms of Reference

1. To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as administering authority of Merseyside Pension Fund, and in particular the following:
2. To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance.
3. To appoint and terminate professional advisors to, and external managers of, the Fund and agree the basis for their commission and remuneration.
4. To receive actuarial valuations of the Fund and determine the level of employers' contributions necessary to balance the Fund.
5. To monitor the Local Government Pension Scheme Regulations and overriding pension law, overseeing the governance of the Fund including the day to day administration and policy decisions relating to the management of the Scheme.
6. To consider any views expressed by employing organisations, staff representatives and other stakeholders relating to the Fund.
7. To appoint members of the Investment Monitoring Working Party, which shall have responsibility for reviewing the performance of the Fund's investments, and its asset allocation and regularly reporting their findings to the Pensions Committee.
8. To appoint members of the Governance and Risk Working Party, which shall have responsibility for reviewing governance and risk issues, and regularly reporting their findings to the Pensions Committee.
9. To award contracts for goods and services relating to the Fund in accordance with the Contract Procedure Rules after taking into account the recommendations of officers and external professional advisors (where appropriate).

Local Pension Board

The Local Pension Board was established in April 2015 in accordance with the Public Service Pensions Act 2013, the national statutory governance framework delivered through the LGPS Regulations and guidance as issued by the Scheme Advisory Board.

Membership

The Pension Board is comprised of four voting employer representatives and four voting Scheme member representatives selected from the broad range of employers in the Fund and the different categories of the membership base.

The employer representatives are office holders or senior employees of employers of the Fund or have experience of representing Scheme employers in a similar capacity.

Member representatives are Scheme members of Merseyside Pension Fund and have the capacity to represent Scheme members of the Fund.

The Pension Board is chaired by an independent non-voting member with significant relevant experience either as a Pension Fund trustee or in the running of Pension Funds.

The role of the Pension Board is to assist Wirral Council, as Scheme Manager to:

- comply with the Scheme regulations and other legislation relating to the governance and administration of the Scheme; and
- any requirements imposed by the regulator.

A member of the Pension Board must be conversant with:

- the rules of the Scheme and the law relating to pensions, and
- any document recording policy about the administration of the Scheme which is for the time being adopted in relation to the Scheme.

The Council considers that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision-making body in relation to the management of the Pension Fund but merely makes recommendations to assist in such management.

Full details of the operational procedures are set out in the Pension Board's Terms of Reference which can be accessed at: mpfund.uk/pensionboard

Joint Governance Committee

Membership

The membership of the Joint Governance Committee shall consist of the chair and deputy-chair of each of the Pooling Partners' Pensions Committees or such alternative persons nominated by the Pooling Partners.

In addition, up to three trade union representatives may be appointed after being nominated by the Trades Union Council and subject to the agreement of the Pooling Partners.

Terms of Reference

The primary purposes of the Joint Committee are to:

1. exercise oversight over the investment performance of the Pooling Partners' Funds
2. deliver the Shared Objectives
3. agree on any recommended changes to the Shared Objectives
4. report to the Pool

Scheme of Delegation of Functions to Officers

Director of Pensions

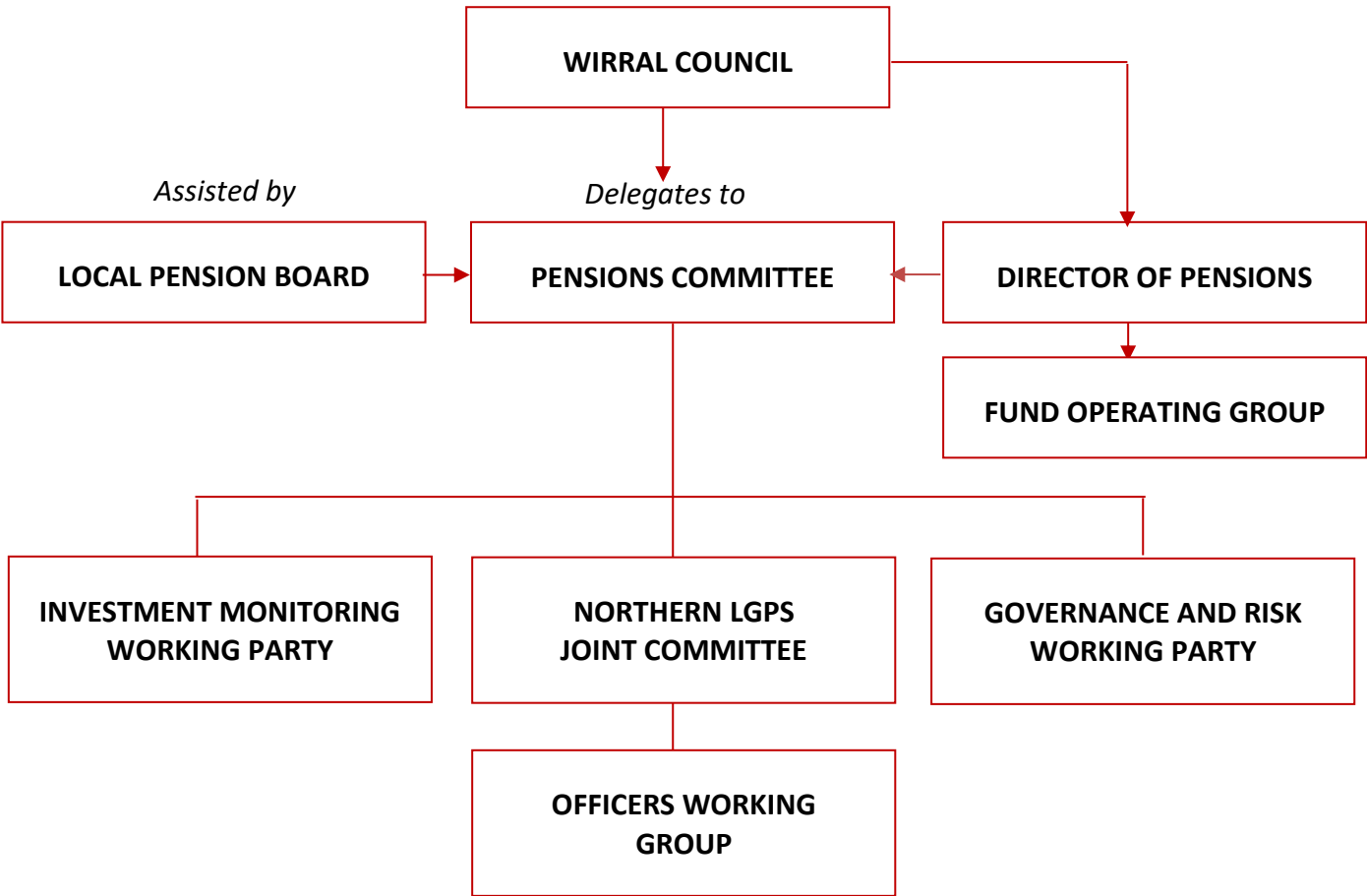
The following functions, particular to the Pension Fund, are delegated to the Director of Pensions pursuant to Section 101 of the Local Government Act 1972 and by the Executive under Section 15 of the Local Government Act 2000.

Undertake all day to day administration of, and investment decisions for, the Merseyside Pension Fund within the policy laid down by the Pensions Committee including the authorisation of admission agreements with contractor admission bodies pursuant to Best Value arrangements, as required by the Local Government Pensions Scheme Regulations.

Terminate a contract of an external investment manager and enter into any consequential arrangements for the transitional management of the Fund's investments pending the decision of the Pensions Committee on the award of a new contract.

The Director of Pensions may authorise officers in his department to exercise on his behalf, functions delegated to him. Any decisions taken under this authority shall remain the responsibility of the Head of Pension Fund and must be taken in his name, and he shall remain accountable and responsible for such decisions.

Governance Structure



Functions

The functions for the various elements are as follows:

Pensions Committee

To exercise on behalf of the Council all of the powers and duties of the Council in relation to its functions as administering authority of the County of Merseyside Pension Fund.

Local Pension Board (LPB)

To assist the Scheme Manager in complying with the Scheme Regulations and other regulations relating to the governance and administration of the Scheme.

Investment Monitoring Working Party (IMWP)

Has responsibility for reviewing the performance of the Fund's investments and its asset allocation and regularly reporting their findings to the Pensions Committee.

Governance and Risk Working Party (GRWP)

Has responsibility for reviewing governance and risk issues and regularly reporting their findings to the Pension Committee.

Fund Operating Group (FOG)

Forum for formal monthly reports to the Director of Pensions on the day-to-day operations of the Fund.

Director of Pensions

Responsible to the Strategic Director of Finance & Investment and has delegated authority to make investments or to delegate to other employees investment decisions in accordance with the Fund's strategic benchmark and delegated dealing limits.

Northern LGPS Joint Committee

The partner funds of the Northern LGPS Investment Pool (Greater Manchester Pension Fund, Merseyside Pension Fund and West Yorkshire Pension Fund) have formed a Joint Committee to oversee the activities of the Pool.

Officer Working Group (OWG)

The OWG consists of the Directors of the Pooling Partners supported by officers of the Pooling Partners as required. This role is to provide a central resource for advice, guidance and support for the Joint Governance Committee.

Accountability and Publication of Information

Details of Pensions Committee and Pension Board meetings are published on the Wirral Council website together with agendas, reports to be considered by the Committee and Board and minutes of proceedings. Details of Northern LGPS Joint Committee meetings are published on the Tameside Council website together with agendas, reports to be considered by the Committee and minutes of proceedings.

Meetings of both the Pensions Committee and Local Pension Board are open to the public.

An Annual Pension Fund Report & Accounts is published and circulated to all employing bodies reporting on the activities and investment performance of the Fund during the year. Details of matters considered during the year and meetings held are reported and a copy of the annual report is available on the Fund website.

Meetings with Stakeholders

An Annual Employer Conference is held to which all Fund employers and members of the Pensions Committee and Pension Board are invited to attend. The annual conference is an opportunity for employers to question and challenge officers and elected members on matters of interest to their authorities and organisations.

The Fund also holds other meetings as required with Employers to discuss important issues such as the Funding Strategy which underpins the actuarial valuation of the Fund and determines both employers' liabilities and contribution schedules.

Compliance Statement

The Fund fully complies with the best practice guidelines on governance issued by the Ministry of Housing, Communities and Local Government (MHCLG) and details can be found at **Annex 2** attached.

Annex 1

Training and Expenses Policy for Members of Pension Committee and Local Pension Board

Introduction

1.1 Myners' first principle recommends that "decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively". Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

1.2 Trustees should ensure that they have sufficient in-house staff to support them in their investment responsibilities and should assess whether they have the right set of skills, both individually and collectively, and the right structures and processes to carry out their role effectively.

Legal Considerations

2.1 Elected members have a fiduciary responsibility to the Fund, Scheme members and local council tax payers in relation to the Local Government Pension Scheme. They can delegate functions to officers but they retain overall responsibility for the management of the Fund and its investment strategy.

2.2 Administering authorities are required to take proper advice to enable them to fulfil their obligations under the above regulations. 'Proper advice' is defined in the regulations as 'the advice of a person who is reasonably believed...to be qualified by his ability in and practical experience of financial matters....'

2.3 The Local Pension Board (LPB) has a statutory duty under the Public Service Pension Act 2013 to be conversant with the rules of the Scheme and to discharge their responsibilities as set out in the Pension Regulator's Code of Practice No 14 and to comply with the Knowledge and Understanding Policy specific to Wirral Pension Board.

Training Policy and Plan

3.1 The Fund has had regard to the legal requirements set out in the Local Government Pension Scheme Regulations, other relevant legislation and best practice guidance published by CIPFA and other professional and regulatory bodies in drawing up this policy to ensure that all those involved in the decision-making and oversight process receive all relevant training required to properly discharge their responsibilities

3.2 The Fund arranges an annual programme of external and internal training events throughout the year designed to meet the requirements of new members of the Committee and the LPB along with the ongoing needs of existing members.

3.3 These events are reported, formally, to Members of Pensions Committee and the LPB on an annual basis. Individual reports, to authorise attendance at these events are put to Committee on an event-by-event basis. Attendance of training events for the LPB is as agreed by the Independent Chair and the Director of Pensions.

Policy for Payment of Expenses

4.1 The Fund will reimburse all reasonable costs and expenses incurred in undertaking approved training for all members of the Pensions Committee and LPB.

4.2 Claims should be submitted to the Fund and supported by an official receipt.

4.3 Members serving on the Committee from other local authorities or organisations may choose to continue to claim any such expenses from these bodies instead if they prefer.

Annex 2

Merseyside Pension Fund Governance Compliance Statement

Part	Governance Requirement	Fully Compliant
II/A Structure		
a.	The management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing council.	Yes
b.	That representatives of participating LGPS employers, admitted bodies and Scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Yes
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Yes
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Yes
II/B Representation		
a.	That all key stakeholders are afforded the opportunity to be represented, within the main or secondary committee structure. These include:-	Yes
	i) employing authorities (including non-Scheme employers, e.g. admitted bodies);	
	ii) Scheme members (including deferred and pensioner Scheme members),	
	iii) independent professional observers, and	
	iv) expert advisors (on an ad-hoc basis).	

- | | | |
|----|---|-----|
| b. | That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights. | Yes |
|----|---|-----|

II/C Selection and role of lay members

- | | | |
|----|---|-----|
| a. | That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. | Yes |
|----|---|-----|

II/D Voting

- | | | |
|----|--|-----|
| a. | The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees. | Yes |
|----|--|-----|

Following consultation undertaken with all stakeholders groups during 2008 the Fund confirmed that it believes its current representation and voting arrangements are appropriate to ensure good governance.

Although they do not have voting rights the three trade union members representing the interests of active, pensioner and deferred members are able to play a full role in all aspects of the Governance of the Fund, including attendance at the Pension Committee and Investment Monitoring Working Party. They receive copies of all reports and are included in all training and briefings.

II/E Training/Facility time/Expenses

- | | | |
|----|--|-----|
| a. | That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. | Yes |
| b. | That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum. | Yes |

II/F Meetings (frequency/quorum)

- | | | |
|----|---|-----|
| a. | That an administering authority's main committee or committees meet at least quarterly. | Yes |
| b. | That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits. | Yes |
| c. | That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented. | Yes |

II/G Access

- | | | |
|----|--|-----|
| a. | That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee. | Yes |
|----|--|-----|

II/H Scope

- | | | |
|----|---|-----|
| a. | That administering authorities have taken steps to bring wider Scheme issues within the scope of their governance arrangements. | Yes |
|----|---|-----|

II/I Publicity

- | | | |
|----|--|-----|
| a. | That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the Scheme is governed, can express an interest in wanting to be part of those arrangements. | Yes |
|----|--|-----|

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Merseyside Pension Fund

Investment Strategy Statement

Wirral Metropolitan Borough Council
As approved by Pensions Committee on **3 February 2020**

Introduction

This Investment Strategy Statement has been prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Investment of money in a wide variety of Investments

The Fund invests in a highly diversified portfolio of assets across multiple asset classes on a global basis. Moreover, the Fund seeks to invest in a broad range of uncorrelated asset classes in order to further reduce overall portfolio risk and limit the potential “downside” effects of financial market volatility.

Investment Strategies

The Fund has implemented a choice of investment strategies (“investment buckets”) for employers. These are:

- Higher risk
- Medium risk
- Lower risk

The main Fund investment strategy applies to the “higher risk bucket”. The “medium risk bucket” and “lower risk bucket” give employers the option to reduce the level of investment risk that they wish to take, particularly for those employers that are considering leaving the Fund. In addition, any orphaned liabilities once an employer exits the Fund will generally be moved into the lower risk bucket.

The medium risk bucket’s initial investment strategy is 65% allocation to growth assets and a 35% allocation to defensive assets. The growth and defensive assets in this bucket are the same as the main Fund investment strategy but in the different proportions.

The lower risk bucket is made up of an investment strategy linked to income generating assets which targets a minimum yield above CPI inflation allowing for default, re-investment risk and any other reasonable margins of prudence deemed appropriate.

The maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investments is set out in the Fund’s strategic asset allocation in the table below.

Strategic Asset Structure

Asset Class	Strategic Benchmark %	Detail %	Control Range
Equities			48.0-58.0
UK Equities	15.2		38.0-53.0
Overseas Equities	27.8		
US		4.3	
European (ex UK)		6.5	
Japan		3.2	
Asia Pacific		3.2	
Emerging Markets Global	5.7	4.9	12.0-22.0
Fixed Income	17		13.0-23.0
UK Gilts		4	
UK Indexed Linked Gilts		9	
Corporate Bonds		4	8.0-14.0
Property	11		5.0-11.0
Alternatives		28	23.0-33.0
Private Equity		6	
Hedge Funds		4	
Opportunistic Credit		7	
Infrastructure		11	
Cash		1	0.0-6.0
Total	100		

The Fund's portfolio asset diversification policy is reviewed triennially with its Actuarial advisor and on a quarterly basis with its Investment Consultant and Independent Advisors under the auspices of its Medium-Term Asset Allocation Strategy (MTAA).

The Fund's strategic asset allocation is reviewed and authorised at least every three years by the Administering Authority's Pensions Committee.

The Fund's investment strategy is underpinned by certain core philosophies pertaining to individual asset classes *inter alia*:

- The existence of an equity or volatility *risk premium*, namely that investors are rewarded over the longer term for making investments in equities or other assets that have a return profile that is more volatile than liability matching assets
- There is a liquidity risk premium i.e. investors are rewarded over the longer term for making illiquid investments
- Active management of asset allocation can enhance returns by taking active positions against the strategic benchmark within tolerance parameters to control risk
- Active management within asset classes is possible by internal and external managers in order to outperform specific benchmark indices. There are persistent anomalies within asset pricing that can be exploited.
- Active management requires the taking of calibrated risk i.e. volatility from the specific benchmark index returns in the short and medium term.

The Fund has written investment philosophies for each of the internally managed portfolios which derive from the core philosophies above.

Under the triennial review the Fund's Scheme Actuary provides a dynamic analysis of assets and liabilities within the context of the overall objectives of the Fund *inter alia* to:

- Achieve a 100% solvency level in a reasonable timeframe;
- To maintain sufficient assets to pay all benefits as they arise;
- To implement a sufficiently prudent funding plan to protect against any potential "downside" outcomes reflecting the demographic characteristics of the Fund;
- To provide a linkage to the Fund's investment strategy and economic outlook based on its actuarial assumptions.

The Fund's Investment Consultant provides professional advice on the global strategic asset allocation of portfolio investments with the greatest probability of meeting its overall objectives.

In addition to providing a review of the Fund's investment strategy, the Investment Consultant also provides ongoing monitoring and reporting of both the Fund's assets and liabilities and the resulting progression of the Fund's funding level over time.

Within the shorter-term strategic time horizon, the Investment Consultant also advises on medium term tactical asset allocation adjustments in order to exploit opportunities arising from a dynamic financial market environment within the tolerance bands set within the triennial strategic asset allocation.

This is undertaken within the Fund's Medium-Term Tactical Asset Allocation framework in which the Investment Consultant advises and makes recommendations on the magnitude of medium-term tactical positions to be taken around the strategic benchmark in conjunction with officers of the Fund and its Independent Investment Advisors.

The suitability of particular investments and types of investments

The suitability of particular investments and types of investments to reside within the Fund's investment portfolio are analysed within the context of the overall strategic asset allocation. The Fund may also make use of derivatives, either directly or in pooled investments, for the purposes of efficient portfolio management or to hedge specific risks, in order to protect the value of the Fund's assets.

Explicit investment mandates have been established for external and internal investment managers across all asset classes with clear instructions as to how these mandates are to be managed within a range of defined investment parameters and performance targets.

All investment mandates are reviewed regularly by the Fund's Investment Management Working Party (IMWP) and its Independent Advisors to ensure that returns, risk and volatility are all appropriately managed and remain consistent with the overall strategy of the Fund and the individual portfolio strategies of the Fund's investment managers.

In order to determine that the Fund's policy on asset allocation is compatible with achieving its locally determined solvency target the Investment Consultant undertakes ongoing monitoring of both the Fund's assets and liabilities in order to ascertain the Fund's direction of travel towards meeting its funding and solvency targets.

A report is produced by the Investment Consultant and presented to the IMWP on a quarterly basis for discussion.

The approach to risk, including the ways in which risks are to be measured and managed

The Fund has a clearly determined approach to its risk tolerance subject to the principal objective of maximising the returns from its global investment activities within reasonable risk parameters.

Accordingly, the Fund's Actuary has identified the following key risks:

- Investment markets fail to perform in line with expectations
- Market yields move at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation is significantly higher than anticipated
- Longevity continues to increase at a greater rate than anticipated
- Regulatory changes
- Changes to national pension requirements and/or HM Revenue & Customs (HMRC) rules

With regard to its global investment portfolio activities, the principal risks undertaken by the Fund are related to strategic asset allocation, tactical asset allocation and the active management of investment portfolios.

In order to mitigate these risks, the Fund works closely with its appointed Investment Consultant to establish a highly diversified portfolio of investments across different asset classes and geographies with the greatest probability of meeting its funding and solvency targets.

In addition to its core investments in global equities and bonds, the Fund invests in other alternative assets such as property, private equity, private credit, venture capital and infrastructure where it is possible to identify assets with lower correlations to the mainstream.

This is designed to provide the fund with a proxy insurance policy against major financial market dislocations.

Through its Medium Term Asset Allocation framework, the fund seeks to actively control risk by reducing unintended variances from benchmark by correcting positions created by market movements on a quarterly basis in accordance with the strategic advice of its Investment Consultant and discussions with its Independent Advisors.

The Fund's approach to pooling investments including the use of collective investment vehicles and shared services

The Council has signed a memorandum of understanding with the administering authorities of the Greater Manchester Pension Fund and the West Yorkshire Pension Fund to create the Northern LGPS ('the Pool') in order to meet the criteria for pooling investments released by Government on 25 November 2015.

The three funds submitted their pooling proposal to Government in July 2016 and the Department for Communities and Local Government (now MHCLG) provided confirmation in January 2017 that it is content for the funds to proceed with the formation of the Pool as set out in the July 2016 proposal. The proposal is available on MPF's website.

Based on 31 March 2015 asset values, the total value of assets, across the three participating funds, to be invested in the Pool is £35.4bn, which is in excess of the £25bn criterion set by Government. All assets other than day-to-day cash used for scheme administration purposes will be invested via the Pool once transition is complete.

The principal benefits of pooling for the funds in the Northern LGPS are in respect of alternative assets where there is greatest scope to generate further economies of scale and to combine resources to make increasingly direct investments. Following detailed discussions and consideration of professional advice, it was agreed in March 2017 by each of the participating funds that in order to meet the Reduced Costs and Excellent Value for Money criterion set by Government most effectively, the Northern LGPS should focus on collective investment in private market assets such as private equity and direct infrastructure. Subject to value for money requirements being fulfilled, private equity and direct infrastructure investments would be made via joint ventures and partnerships to enable material cost savings from an early stage. Such structures would in all cases be compliant with relevant financial services law. Legacy private market assets (i.e. those entered into prior to the formation of the Pool) will be run-off on a segregated basis.

The Scale and Strong Governance and Decision-Making criteria are met by:

- i) a Joint Committee providing monitoring and oversight of the operations of the Northern LGPS with the Joint Committee constituted so as to separate elected members from any manager selection decisions and;
- ii) appointing an FCA regulated common custodian for the Pool, which has custody of all the pool's actively managed listed assets (i.e. internally and externally managed equities and bonds) and acts as master record-keeper for all pool assets.

Strategic asset allocation will continue to be set by each fund's pension committee with the selection of individual investments and investment managers for external mandates carried out on a pooled basis by appropriately qualified and experienced officers, operating under the legal framework of specialist investment vehicles where appropriate.

All public-market assets and new commitments to private equity and direct infrastructure will be monitored and overseen by the Northern LGPS Joint Committee with all assets other than day-to-day cash used for scheme administration purposes being held under the common custody agreement. Day-to-day cash is assumed to be 1% of total assets for each fund.

It is intended that the Pool will procure the following services, as required, on behalf of the participating funds

- External fund management for public-market mandates
- Common custodian for Pool
- Investment management systems
- Performance analytics
- Responsible Investment advisory services
- Other professional advice

The Northern LGPS Joint Committee is created via the approval of an inter-authority agreement between the administering authorities to the participating funds. The role of the Joint Committee is to:

- i) provide monitoring and oversight of the Northern LGPS to ensure that the pool is effectively implementing the participating authorities' strategic asset allocation decisions;
- ii) oversee reporting to the participating authorities' pension committees.
- iii) act as a forum for the participating authorities to express the views of their pension committees;
- iv) ensure segregation of duties in investment decision-making between elected members and officers;
- v) monitor performance of portfolios;
- vi) monitor the appointment of investment managers

Reporting processes of the Northern LGPS include regular written reports on the performance of Northern LGPS investments to the Joint Committee, which are discussed at formal meetings. The Joint Committee will not be undertaking any regulated activities.

The Northern LGPS' governing documentation grants the Joint Committee and each administering authority certain powers regarding the operation of the Northern LGPS, which can be used to ensure the effective performance of Northern LGPS. MPF's approach to pooling, set out above, will be reviewed periodically to ensure this continues to demonstrate value for money, particularly following any changes to funds' strategic asset allocations, pool management arrangements or taxation policy in the UK or internationally. The reviews will take place no less than every 3 years.

A report on the progress of asset transfers will be made to the Scheme Advisory Board on at least an annual basis.

How social environmental or corporate governance considerations are taken into account in the selection non-selection retention and realisation of investments

Merseyside Pension Fund pursues a policy of Responsible Investment (RI), arising from the belief that environmental, social and corporate governance (ESG) factors will materially affect investment performance over the long term. MPF considers that a holistic approach to investing must consider ESG factors from the outset and at all stages of the decision-making process: from investment beliefs and strategy, across all asset classes and in the strategies selected.

Such an approach is consistent with MPF's view of its fiduciary duty to seek optimal investment outcomes that are in the best interests of all of its scheme participants, having regard to a prevailing public service ethos and to the long-term stability of the wider financial system.

MPF believes that it can select optimal investment strategies across asset classes that integrate ESG information into quantitative and qualitative analysis, which drives the construction and adjustment of investment portfolios. This allows for the flexibility to consider diverse investment approaches and methodologies as appropriate to the objectives and set parameters of particular mandates.

The Fund evaluates and monitors the RI capability of all of its investment managers, often with reference to industry standards of best practice. MPF is a signatory of the **Principles for Responsible Investment** and is committed to reporting on its implementation of these Principles and promoting them across the investment industry.

MPF does not exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the UK Government.

However, MPF considers that this does not necessarily preclude the use of ESG integration techniques, including screening, within particular mandates where the investment objective includes the optimisation of ESG-related risk and opportunity.

The values and expectations that determine this policy are imparted through MPF's governance arrangements, which incorporate representation of all Scheme members and employers alongside the Administering Authority. Responsible Investment matters are considered through-out the governance processes that set and monitor the Fund's investment strategy and are regularly reviewed by the Fund's Investment Monitoring Working Party.

MPF regards social impact investing as entirely compatible with investing responsibly and considers such opportunities on a prudent basis (or as a **'finance-first' investor**). Social impact or thematic investing may provide access to diverse opportunities, uncorrelated to other assets, and can deliver acceptable risk-adjusted returns. It is recognized that the positive impacts targeted will, in many cases, closely align to the wider objectives (including financial) of many of MPF's participating employers.

The exercise of rights (including voting rights) attaching to investments

MPF considers that practising responsible ownership of its assets is fundamental to investing responsibly over the long-term; and that, in the case of equity investments, the exercise of voting rights is an intrinsic part of the value of share ownership.

The practice of stewardship is closely aligned to MPF's duty to act in the best interests of all of its stakeholders. The Fund is a signatory to the UK Stewardship Code for Institutional Investors and has published a Statement of Compliance with its seven principles.

MPF's policy with regard to the voting rights attached to its equity investments is to retain control and to exercise those rights to the fullest reasonable extent. Voting activity is not delegated to investment managers, except in circumstances where the structure of a particular investment vehicle necessitates this (but where MPF is able to determine that the manager has sufficient stewardship capability and that this activity can be monitored by the Fund).

In accessing any co-mingled investment vehicle with the objective of matching the performance of a stock market index, the Fund will expect the manager to implement its voting instructions over the underlying securities on a pro rata basis.

The Fund implements its voting policy in partnership with a specialist advisor (currently **PIRC Ltd**) who provides appropriate research and vote execution services that cover the major markets in which shares with voting rights are held.

MPF votes in line with the recommendations of its advisor, having judged that the advisor's voting guidelines promote high standards of corporate governance and responsibility and enable MPF to exert a positive influence as shareholders concerned with value and values.

A quarterly report on voting activity is made to the Investment Monitoring Working Party. A summary of voting activity forms part of the Fund's Annual Report. Detailed voting activity information, including where the voting decision has been contrary to a company's recommendation, is made publicly available through the **Fund's website**.

Alongside its voting policy, MPF considers engagement on ESG matters to be integral to stewardship. The focus of its engagement activity (principally, but not exclusively) is the companies in which it invests across its public equity portfolio.

As such, MPF carries out engagement on a collaborative basis with suitably aligned investors through several organisations (chief among them, the **Local Authority Pension Fund Forum**, of which MPF is a founder member), to ensure that its engagement benefits from scale and clarity of voice.

MPF strongly encourages its investment managers to carry out appropriate stewardship as part of the professional practice of asset management across asset classes and to report on that activity.

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ADMINISTERING AUTHORITY

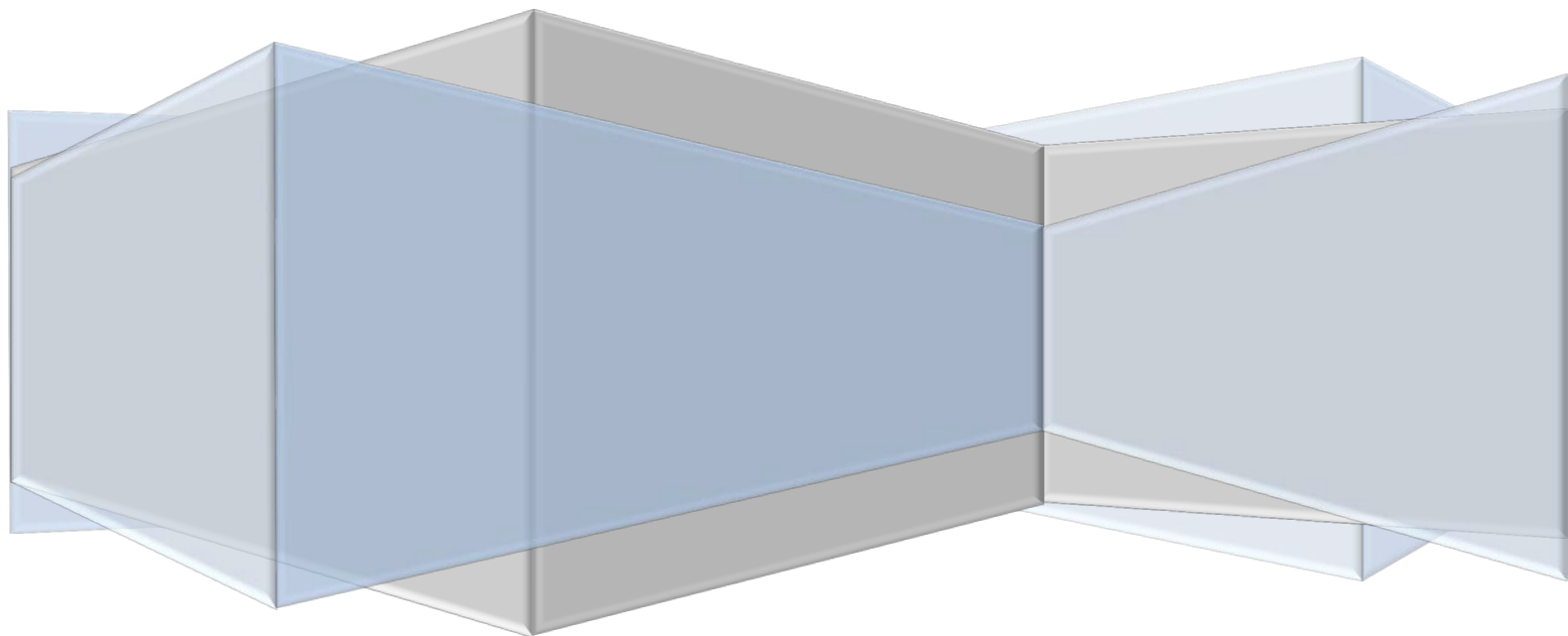




Pensions Administration Strategy

April 2018

Yvonne Caddock



This document has been presented, considered and approved by Pensions Committee on 13 November 2017, following consultation with all employers and the Local Pension Board.

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1. Introduction

This is the Pensions Administration Strategy of Merseyside Pension Fund (the Fund) in relation to the Local Government Pension Scheme (LGPS), which is administered by Wirral Borough Council (the administering authority)

The LGPS Regulations 2013 allow Administering Authorities to prepare a Pensions Administration Strategy (“the Strategy”) for the purpose of improving administrative processes in compliance with regulatory provisions and the Code of Practice No.14 as issued by the Pension Regulator (tPR).

The legislative framework outlines the statutory pension benefit information and services which the Fund must provide free of charge and allows funds to recover costs incurred as a result of unsatisfactory employer performance. It is also permissible to levy an administration charge for the provision of additional information not covered by the general maintenance allowance factored into the employer contribution rate.

The Fund has revised the Strategy to ensure adoption of best practice and compliance with standards set by the Pensions Regulator in regard to data quality, completeness and timeliness. Changes since 2013 in regard to the benefit structure, statutory time limits and the requirement for public service pension schemes to deliver efficiencies, necessitates the introduction of a schedule of charges for non-statutory administrative services and to recover costs incurred by the Fund as a consequence of an employer’s unsatisfactory performance .

This document has been developed in consultation with employers and the Local Pension Board with the purpose of setting out a framework outlining the policies and performance standards to be achieved to enable provision of a cost-effective and high quality pension administration service.

A copy of this strategy is issued to each of the relevant employers as well as to the Secretary of State.

2. Review

The Fund will review this policy document as required to reflect changes in regulations and Fund working practices. Employers will be consulted and informed of the changes and a revised statement will be supplied to the Secretary of State.

3. Aims

The aim of this Strategy is to continue progress towards an automated pension service, employing appropriate technology to improve the quality of information, the speed of operational processing for employers and a more efficient service to members. The Strategy recognises that significant work will need to be undertaken in achieving the Pension Regulator’s compliance requirements and both the Fund and its Employers will need to work in partnership to meet this challenge.

4. Legislative Framework

LGPS Regulations 2013

The Fund and its Employers must have regard to this Strategy when carrying out their Scheme functions and Regulation 59 sets out a number of requirements to facilitate best practice and efficient customer service in respect of the following;

- The establishment of levels of performance which the administering authority and its Employers are expected to achieve in carrying out their Scheme functions
- Ensuring the Fund and its Employers comply with statutory requirements in respect of those functions
- Improving the communication between the administering authority and its employers of information relating to those functions

The Strategy also sets out a schedule of additional administration charges by virtue of Regulation 4(5) of the **LGPS (Management and Investment of Funds) Regulations 2016** which provides scope for Funds to levy charges in circumstances where disproportionate costs are being incurred for additional administration tasks relating to individual members or specific employers.

In addition, the circumstances are outlined where financial penalties will be incurred with written notice provided to employers in accordance with Regulation 70 for recovery of fund costs as a result of unsatisfactory performance in carrying out its function as a scheme employer.

Levels of performance achieved will be reported as part of the Pension Administration Monitoring Report at each Local Pension Board meeting and documented in the Fund's Annual Report & Accounts.

5. Key Objectives

The key objectives of this Strategy are to ensure that:

- the fund and employers are aware of and understand their respective roles and responsibilities under the LGPS Regulations and in the delivery of administrative functions;
- the fund operates in accordance with LGPS regulations and the Pension Regulator Code of Practice in demonstrating compliance and scheme governance;
- communication processes are in place to enable both the Fund and Employers to proactively and responsively engage with each other and partners;

- accurate records are maintained for the purpose of calculating pension entitlements and employer liabilities; ensuring all information and data is communicated accurately, on a timely basis and is secure and compliant;
- the fund and employers have appropriate skills and that training is in place to deliver a high quality service;
- standards are set and monitored for the delivery of specified activities in accordance with the relevant regulations;
- administrative services are developed and delivered digitally in order to streamline processes and minimise service costs.

6. Achieving the Objectives

The localism agenda to devolve power from central government control to boroughs has resulted in an increase to the Fund's employer base as local authorities transform service delivery together with the increase of maintained schools converting to Academy status

The differing characteristics, size and required support of individual employers presents a significant logistical challenge to the management of information, processes and services within the Fund. It is clear that because of these differences a "one size fits all approach" would be unlikely to deliver a workable solution; however standard ways of operating applicable to different employer groups would realise benefits and cost efficiencies.

As the number of disparate employers continues to grow there is the need for more accurate and timely information to improve liability management at both the local and national level. In addition the Pensions Regulator has introduced higher levels of compliance and the Fund will be required to demonstrate heightened governance and administrative efficiency.

There are four key elements necessary to achieving the Fund's administrative objectives:

a) Communications Policy

- ensures members have accessible and timely information on all aspects of their pension benefits and informs decisions in respect of entitlements
- enables employers to make effective decisions in the management of risks and liabilities as well as encouraging engagement in the wider pension debate

b) A training plan that will offer support to employers and continue to enhance staff knowledge and skills to ensure efficient administration compliant with the Pension Regulator requirements

c) An ICT development programme which will deliver high quality, efficient and integrated digital services to employers and members in an increasingly regulated and financially complex environment

d) A performance framework which will support the effective working of the Fund and enable both the Fund and Employers to deliver continuous improvement and move towards a higher standard of service

7. Use of ICT

As part of its ICT development programme, the Fund has procured a comprehensive benefit and electronic document management system; this investment will enable the Fund to achieve a fully integrated self-service application for both employers and members. The new system creates the foundation to further digitalise the administration activities in the coming years.

At the time of writing, approximately 80% of active scheme membership is covered by electronic data submissions from employers. The Fund plans to achieve a digital step change in service delivery of full electronic data submissions from all employers over the next four year period. This will be delivered by a number of key work streams alongside the system supplier.

Online access to Fund IT systems

The Fund can provide secure online access for suitably large employers, in order for employing authority staff to produce retirement estimates and enquire on their employee's record of membership. The system is available during normal office hours with the exception of any necessary scheduled maintenance of the system.

As there are system and resource costs associated with granting online access, the Fund reserves the right to only agree where there is a mutual benefit in managing data quality and overall administration costs.

The Fund reserves the right to revoke access based on licence cost and employer performance.

'MyPension' Member Self Service

All active, deferred and pensioner members of the Fund are able to view their membership records online via a self-service website called 'MyPension' <http://mpfund.uk/mypension>

Annual Benefit Statements and Pensioner Payslips are viewable online and the Fund has made significant savings in paper and postage costs. As part of the ICT development programme, the Fund will be working with its supplier to extend the self-service system to cover more administrative tasks, improving service efficiency and reducing administration costs.

Employers are asked to support the Fund in encouraging member registration with the 'MyPension' self-service system, by providing information on intranets and within appropriate communications to the workforce.

8. Performance Standards

A key purpose of the Administration Strategy is to set performance standards and publish both the targets and achievements against those targets to evaluate continuous improvement of the administration function. The performance measures which will be monitored are outlined below, with the outcomes subject to scrutiny by the Pensions Regulator, the Local Pension Board and Pensions Committee; with summary information published in the Fund's Annual Report & Accounts.

Performance Standards - Scheme Employer

Duties and Responsibilities

Function/Task	Performance Target
Governance	
Designate a named individual to act as a Pensions Liaison Officer who is the main contact with regard to any aspect of administering the LGPS via submission of Fund documents "Your LGPS Contacts" and Authorised Signatories	Within 30 days of becoming a scheme employer or within one month of the change in officer role
Confirm designated contact information for officers authorised to perform key policy decisions and administrative roles within the organisation	Within 30 days of becoming a scheme employer or within one month of the change in officer role
Appoint person for stage 1 of the pension dispute process (IDRP) and provide full up to date contact details to the Fund	Within 30 days of becoming a scheme employer or following the resignation of the current adjudicator
Notify the Fund of the receipt of a complaint under the IDRP process	Within 7 working days of receiving the complaint
Notify the Fund that the stage 1 decision has been issued	Within 7 working days of making the determination
Appoint an independent registered medical practitioner qualified in occupational health medicine or arrange contract with third party, in order to consider all ill health retirements applications and agree appointment with Administering Authority	Within 30 days of commencing participation in the scheme or date of resignation of existing medical officer
Formulate, publish and keep under review policies in relation to all areas where the employer may exercise discretion within the LGPS	A copy of the policy document is to be submitted to the Fund within one month of a change in policy
Distribute any information provided by the Fund to scheme members/potential scheme members (e.g financial information or generic news alerts)	In a timely manner as required

Function/Task	Performance Target
Financial Administration	
Ensure correct employee contribution rate is to be determined each scheme year in line with the appropriate contribution banding table	Immediately upon commencing scheme membership, reviewed as per policy on adjusting employee contribution rates
Remit employer and employee contributions and Remittance Advice Slip (LGP41) to the Fund	By 22nd of the month following deduction of payroll if made electronically or 19th if paid by cheque Under the Pensions Act 2004 and the Public Service Pensions(Record Keeping and Miscellaneous Amendments) Regulations 2014, the Pensions Regulator may be notified if the above measurement is not met
Implement changes to employer contribution rates as instructed by the Fund at the date specified by the Fund Actuary	In line with the Rates Adjustment Certificate as per the valuation
Ensure and arrange for the correct deduction of employee contributions from a member's pensionable pay including any period of child related leave, trade dispute or other forms of leave of absence from duty	As required by payroll cycle, monthly or weekly
Manage the deduction of all additional contributions or amend such deductions, as appropriate	As required
Arrange for the deduction of AVCs and payment over of contributions to the AVC provider(s) and inform the Fund as required	As required by payroll cycle, typically monthly
Refund any employee contributions when employees opt out of the pension scheme within 3 months and submit LGP9A	Within 42 days of the opt-out date
Remit additional fund payments in relation to early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent and a funding strain cost arises	Within 30 days of receipt of invoice from the Fund

Function/Task	Performance Target
Financial Administration continued...	
Remit Recharge payments in respect of pension members – e.g Compensatory Added Years	To be paid within 30 days of the invoice from the Fund
Payments in respect of FRS102 and IAS19 work carried out on behalf of Employers by the Fund Actuary and Accounts Team	To be paid within 30 days of the invoice from the Fund
Payments in respect of all other work carried out on behalf of the Employer by the Fund's Actuary and connected data quality assurance undertaken by the Fund's Administration Team	To be paid within 30 days of the invoice from the Fund

Function/Task	Performance Target
Alternative Service Delivery Models / TUPE Transfer - New Employers	
Notify the Fund of contracting out services which will involve a TUPE transfer of staff to another organisation so that information can be provided to assist in the decision	At the point of deciding to tender
Notify Fund of lead decision making and operational officers in circumstances where a prospective new employer or admitted body may request to join the Fund as a result of re-organisation or TUPE transfer	At commencement of business review project
Work with Fund Officers to arrange for an admission agreement to be established	A minimum of 90 days in advance of the date of contract
Notify the Fund if the employer ceases to admit new scheme members or is considering terminating membership of the Fund	As soon as decision is agreed

Function/Task	Performance Target
Member Information/Data Quality and general administration	
Provide the Financial Statement (LGP40) as specified by the Fund including granular breakdown per employee of contribution, CARE/FTE pay and service related data (annual year-end return) to feed into valuation/GAD cost sharing exercise and annual benefit/annual allowance statements for members	Completed and validated return to be submitted no later than the end of business on the second Friday within the month of May
To ensure optimum accuracy of year-end information, in line with specified extract	Less than 5% of entries to be queried following digital alignment of members and memberships
To resolve digital alignment and financial discrepancies (sanity queries) resulting from the annual return process	<p>To fully answer all queries from the Fund within 15 working days of receipt of the query</p> <p>In circumstances where an employer submits a late annual return and the Fund can only query within the month of July, the timescales may be shorter than 15 days, as advised by the Fund</p>
To action requests for data reconciliations of member records	To fully answer data reconciliations/member queries from the Fund within three weeks of receipt of data
Notify the Fund of new joiners/additional employment electronically in agreed format and secure data transfer or manual LGP1 form	Within 42 days of member's contractual auto-enrolment or re-enrolment date
Provide new joiner with Membership Form LGP2 -To assist Fund to establish previous pension entitlements	Within 30 days of the member's first day of entry to the scheme
Direct all eligible new employees to the member guide to the pension scheme on the Fund website	At date of employee appointment
Change in employees' circumstances which may impact on pension benefits, (movement in and out 50/50 scheme, marital or civil partnership status, maternity, paternity, absence, name etc) electronically in agreed format and secure data transfer or manual LGP4 Form	Within 42 days of the event or receipt of information

Function/Task	Performance Target
Member Information/Data Quality and general administration continued...	
Notify the Fund of early leaver/opt over three months for member's entitled to a refund or deferred benefit and submit both LGP9 / Termination Form LGP1A in electronic or manual format	Within 42 days of date of leaving/opt out date
On leaving employment, an LGP1C is required for the opted out former member	No later than 30 days of termination of employment
Notify the Fund when a member leaves with immediate entitlement to benefits submit Termination Form LGP1A and issue Retirement Option Form LGP1B in electronic or manual format to the employee	No later than 30 days of retirement
Notify the Fund of the death of an employee and provide next of kin details and submit Termination Form LGP1A. In addition raise awareness of Fund's Welfare Officer when a member is suffering from a terminal illness	Within 3 working days of knowledge of the death of the employee
To determine based on medical opinion and advice whether an ill health award is to be made and determine where relevant which tier 1,2 or 3 Arrange for the completion of the appropriate LGP12 form and submit along with LGP1A/LGP1B to the Fund	No later than 30 days of date of retirement
To submit request form LGP88 for estimate of benefits	No later than four months, before retirement but the Service Area Manager can modify the target in exceptional circumstances
To Notify the Fund of final salary and pensionable pay figures for divorce valuations	Within 10 working days of request
To Notify the Fund of a workforce planning exercise and the intent to request a bulk estimate retirement calculation to seek both member pension details and employer strain costs	As soon as practicable to allow the Fund to consider resource planning

Performance Standards - Administering Authority

Duties and Responsibilities

Function/Task	Performance Target
Governance	
Regularly review the Fund's pension administration strategy and consult with all scheme employers	To review at least triennially and revise following any material change in policies that relate to the PAS
Review the Fund's Funding Strategy Statement at each triennial valuation, following consultation with scheme employers and the Fund's actuary	Publish by 31 March following the valuation date or as required
Review the Fund's Communication policy statement	Annual review and publish within 30 days of any revision to the policy being agreed by Pension Committee
Review the Fund's Governance and compliance statement	Annual review and publish within 30 days of any revision being agreed by Pension Committee
Formulate and publish policies in relation to all areas where the administering authority may exercise a discretion within the scheme	Annual review and publish within 30 days of any revision being agreed by Pension Committee
Publish the Fund's Annual report and Financial Statement	By 30 September following the year-end or following the issue of the auditors opinion
Notify scheme employer of issues relating to scheme employer's unsatisfactory performance	Within 10 working days of discernible performance issue

Function/Task	Performance Target
Financial Administration	
Consult with employers on the outcomes of the triennial valuation	At least 90 days in advance of the signing of the final Rates and Adjustment Certificate
Notify employers of contribution requirements for 3 years effective from April following the actuarial valuation date	At least 30 days before signing off the Rates and Adjustment Certificate
Notify new scheme employers of their contribution requirements	Within 60 days of receipt of the data profile for onward submission to the Fund Actuary
Carry out termination valuations on admitted bodies or scheme employers ceasing participation in the Fund	Within 60 days of receipt of termination forms from exiting employer
Notify scheme employer of decision to recover additional costs associated with the scheme employer's unsatisfactory performance	Within 10 working days of scheme employer failure to improve performance as agreed

Function/Task	Performance Target
Alternative Service Delivery Models / TUPE Transfer - New Employers	
Arrange for the setting up of separate admission agreement/new scheme employers including the allocation of assets and notification to the Secretary of State	Within 90 days of all necessary information
Arrange for all new prospective admitted bodies/new scheme employers to undertake, to the satisfaction of the Fund, a risk assessment of the level of bond or guarantee required in order to protect other scheme employers participating in the Fund	To be completed prior to the body being admitted timings predicated on timely submission of staff profile for submission to the Fund Actuary
Undertake a review of the level of bond/guarantee to protect other constituent employers	Annual review or upon material change in an employer's structure

Function/Task	Performance Target
Member Information/Data Quality and general administration	
Provide support for employers through a dedicated employer website, technical notes, forums, employer bulletins/alerts and day to day contact	Forums and ongoing support as required
Organise and provide coaching sessions on an employer's roles and responsibilities	Upon request of scheme employers or as Fund Officers deem necessary
Notify scheme employers and scheme members of changes to the scheme rules	Within 60 days of regulatory change
Produce annual benefit statements to active and deferred members as at 31 March each year	By 31 August following the year-end
Produce and issue pension saving statements each year to members who have exceeded their annual allowance	By 6 October following the end of tax year (subject to receipt of all relevant information from the scheme employer)
Publish and keep up to date all forms required for completion by scheme members or employer	30 days from any revision
Issue and keep up to date web based employer guides	Within 30 days from date of change/amendment
Issue and keep up to date scheme guide and all other literature for issue to scheme members	Within 30 days from date of change/amendment
Set up new joiner and provide statutory notification to member	Within 30 days of receipt of correct notification from a scheme employer
Process changes in employees' circumstances which may impact on pension benefits	Within 30 days of receipt of correct notification from a scheme employer
Process transfer in quotations	Within 10 working days of receipt of all required information
Transfer notification of credited membership/accrued pension account to be notified to the scheme member	Within 10 working days of receipt of payment

Function/Task	Performance Target
Member Information/Data Quality and general administration continued...	
Transfer out quotations processed	Within 10 working days of receipt of all necessary information
Transfer out payments processed	Within 7 working days of receipt of all necessary information*
Determine necessary category in relation Aggregation/Interfund cases and issue notification to member of service credit and accrued pension account	Within 10 working days of receipt of all necessary information
Process Divorce Valuation	Within 10 working days of receipt of all necessary information
Notify the scheme employer of any scheme member's election to pay additional pension contributions ,including all required information to enable deductions to commence	Within 10 working days of receipt of election from a scheme member
Process scheme member requests to pay/amend/cease additional voluntary contributions	Within 7 working days of receipt of request from scheme member
Deferred benefits calculated	Within 20 working days of receipt of all necessary information
Deferred benefits processed for payment	Within 7 working days of receipt of election and all necessary information*
Refund payments	Within 10 working days of receipt of all necessary information*
Provision of estimate of Pension Benefits	Within 10 working days of receipt of all necessary information*
Provision of retirement options to members	Within 10 working days of receipt of all necessary information
New retirement benefits processed for payment following receipt of options	Lump sum payment plus first payment of pension within 7 working days of receipt of all necessary documentation* Thereafter pension payment on monthly payroll run

Function/Task	Performance Target
Member Information/Data Quality and general administration continued...	
Acknowledgement of a death	Within 5 days of receiving the notification
Payment of death lump sum	Within 7 working days of receipt of all necessary information*
Notification of benefits payable to dependents	Within 7 working days of receiving the required information*
Provide an answer or acknowledgement to scheme members/scheme employers/personal representatives/dependents and other authorised persons	Within 10 days from receipt of enquiry
Undertake data reconciliation exercises against Fund and employer payroll system	Periodically throughout year
To produce year end year digital alignment queries and financial discrepancies for employers	Within 30 days of receipt of complete and correct return with less than 5% of entries to be queried after digital alignment of members and memberships
Provision of bulk estimate data including both member pension details and employer strain costs	Within the timescales agreed between the Fund and employer to inform the workforce planning exercise

***All performance targets relating to payments exclude BACS processing period**

9. Monitoring Performance

It is the responsibility of the Fund and scheme employers to ensure compliance with the LGPS regulations and this associated Pensions Administration Strategy; with all parties required to undertake functions and tasks to the agreed quality standards.

The Fund will measure and report the Funds and scheme employer's compliance with the agreed service standards on a regular basis.

The Fund monitors its own performance against internal key performance indicators on a monthly basis; performance against the PAS by both the Fund and employers is reported to the Pension Board three times a year. The Fund will also report back to employers about their individual performance identifying any areas for improvement including outstanding data items

Audit

The Fund is subject to an annual audit of its processes and internal controls and the administering authority's auditors may request member data or may ask to attend at employer offices to carry out audits regarding the calculation of final salary pays, career average pays and assumed pays. Employers are requested to co-operate with these activities.

Escalation policy on charging employers for unsatisfactory performance

The Fund's preferred route to resolution in regard of data gaps is to support and work closely with employers via the Pension Liaison Officer; who will receive opportunity to correct the issue before invoking the Escalation Policy.

However, where persistent failure (which is defined as an ongoing failure to positively engage with the Fund) occurs in relation to administration requirements and no improvement is demonstrated by an employer or willingness to resolve the matter the following actions will be taken:

- Write to the scheme employer, setting out area(s) of non – compliance with performance standards offering support and where appropriate request attendance at a training session
- When no improvement has been demonstrated or where there has been a failure to take agreed action by the scheme employer they will be requested to attend a meeting with representatives of the Fund to agree an action plan.
- If no improvement is evident within one month or the employer is unwilling to attend a meeting to resolve the issue a formal notice will be issued setting out;
 - the area(s) of non-compliance with performance standards that have been identified
 - the steps taken to resolve those area(s) and;

- issue notice that the additional costs will now be reclaimed providing the basis on how the additional cost was calculated .

An invoice will then be issued to the employer clearly setting out the calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of unsatisfactory performance in accordance with the charging schedule outlined overleaf.

A report will be presented to the Local Pension Board detailing charges levied against scheme employers and outstanding payments.

If unsatisfactory performance impacts the Fund's ability to perform statutory functions and measures are not being taken by the employer to address this the Fund will consider reporting the employer to the Pension Regulator.

Schedule of charges for additional administration tasks

Charges		
Implementation of Pension Sharing Order	Member	£500 + VAT
An additional CETV request made within 12 months of an earlier CETV being provided including circumstances for divorce valuations	Member	£150 + VAT
A replacement guaranteed CETV where the transfer option forms are not returned within three months of the guarantee date	Member	£150 + VAT
<p>An employer request for multiple benefit estimates for a member within a 12 month period e.g. for a variety of reasons for leaving or potential retirement dates</p> <p>This excludes estimates provided via a bulk exercise</p> <p>The Fund will provide an estimate for a single date and reason for leaving free of charge</p>	Employer	£100 + VAT for each individual item requested
Request for copies of correspondence, documents or duplicate statement	Member / Employer	£10 + VAT
Correspondence provided to third parties in relation to member pension entitlements and benefit structure	Member / Employer	£100 + VAT *
Individual Protection 2016 (IP2016) Valuation to calculate an Individual's protected LTA	Member	£150 + VAT
Production of non-statutory Pension Saving Statements and forecasts of annual allowance usage	Member	£150 + VAT *
<p>Administration of information in relation to Accounting Standards Exercises **</p> <p>(Recharge of actuary fee in accordance with contractual arrangement)</p>	Employer	£100 + VAT *

Charges continued		
Bespoke Pension Administration Work	Employer	At the appropriate hourly officer rate on a cost recovery basis
Data quality and en-masse calculation/operational processing in connection with on-boarding of new employers including academies (Recharge of actuary fee in accordance with contractual arrangement)	Employer	£2,000 + VAT *
Data quality and en-masse calculation/operational processing in connection with employer de-participation (Recharge of actuary fee in accordance with contractual arrangement)	Employer	£2,000 + VAT *
Provision of an indicative funding/termination valuation based on membership and cashflow data assessed to determine the previous triennial results	Employer	£500 + VAT per Valuation
Setup de-risking framework to monitor an employer funding position to lock down pension liabilities and switch to an alternative investment strategy to reduce volatility of pension costs Annual monitoring of the funding level and engagement with employer on proposed funding trigger	Employer	Actuarial recharge of £3,500 + VAT £3,000 + VAT, per annum

* These are standard charges which may be subject to adjustment based on resource required

** MPF would be willing to bring forward the schedule deadline for issue of accounting disclosure; however it may result in more estimates being needed, in particular the calculation of the investment return, and share of the plan assets achieved over the year. The actuary will need to estimate these using market indices for a longer period than is currently the case. Employers will need to agree that the 'estimation' is acceptable with their auditor and alert the Fund of an earlier response deadline.

Schedule of Financial Penalties for Employers

Financial Penalties	
Failure to remit payment of monthly employee and employer contributions in full by the 22nd of the following month	Interest at base rate plus 1% as per the 2013 regulations
<p>Failure to submit monthly contributions LGP41 forms with or before remittance of payment, except where payment is made early and LGP41 is received on/before the payment method submission date.</p> <p>Note: In order to streamline accountancy procedures the recommended best practice is to submit the LGP41 prior to or with payment of contributions.</p>	£100 per occasion
<p>Failure to comply with one or both of the following requirements:</p> <ul style="list-style-type: none"> • Submission of completed and validated year-end return in accordance with the prescribed specification by the end of business on the second Friday within the month of May • Submission of the certified year end LGP40 Financial Statement 	<p>A fixed penalty of £250</p> <p>plus a further fixed penalty of £100 for every further week late following that deadline</p>
Quality of the year-end information provided is below the acceptable tolerance level set at 5% of entries to be queried after digital alignment of members and memberships	<p>The Fund will recover costs for the work involved to resolve these errors</p> <p>Typically costs will be based on officer hourly rates but will be determined on the resource required to address errors above the tolerance</p>

Please note:

- If an employer annual return is received by the end of business on the second Friday within the month of May and the return is accepted, no charge will apply
- If a completed and validated annual return is received by the end of business on the second Friday within the month of May and the return is rejected following initial conformity checks, but subsequently re-submitted and accepted within 2 weeks of being notified of the rejection, no charge will apply.

- In regard the 5% error rate in resolving annual return data, charges will not be applied during the 2018/19 scheme year (1 April 2018 - 31 March 2019). This will provide opportunity for both the fund and employers to reconcile data and clarify specific requirements for future provision of data.

These charges are reviewed annually by the Fund and in exceptional circumstances can be waived at the discretion of the Service Area Manager.

Payment method

Payments in respect of administration activity directly requested by the member or third party representatives must be agreed with a Fund officer and paid in advance via online banking before the requested information can be provided.

The bank account details for electronic payment are as follows:

Account Name	Merseyside Pension Fund
Bank sort code	30-95-11
Bank account number	01140818

The payment reference is to include the members name and National Insurance number.

Charges in respect of administration work commissioned by an employer must also be agreed and paid in advance electronically before provision of the information or depending on the organisations financial arrangement upon receipt of a purchase order. Payments must include a reference as provided by the Fund for the purposes of reconciliation by the accounts team with our bank account.

In circumstances where financial penalties are incurred the Fund will issue an invoice for payment.

Feedback from employers

Employers who wish to provide feedback on the performance of the Fund against the standards in this administration strategy should complete the online form available on the secure employers' website:

<http://mpfemployers.org.uk>

10. Employer Guides for Administration

The Fund provides comprehensive guides in regards employer administration under the LGPS regulations from 1 April 2014.

HR Guide for Employers

This guide sets out the requirements for HR sections in respect of the Local Government Pension Scheme regulations, effective from 1st April 2014.

Payroll Guide for Employers

This guide sets out the requirements for payrolls in respect of the Local Government Pension Scheme regulations, effective from 1st April 2014. It is intended to inform payroll providers and employers of the minimum information needed to effectively manage the 2014 Scheme (and its interaction with the 2008 Scheme) and contains illustrative examples.

These employer guides are available on the dedicated employer website.

<http://mpfemployers.org.uk/content/hr-payroll-guides>

Automatic Enrolment Guide for LGPS Employers

The Local Government Pension Committee (LGPC) produced two guides which explain how employers' responsibilities under the Local Government Pension Scheme regulations interact with those automatic enrolment responsibilities under the provisions of the Pensions Act 2008.

These are available on the dedicated employer website.

<http://mpfemployers.org.uk/content/automatic-enrolment-guide-lgps-employers>

11. Associated Policy Statements & Discretions

Records & Data Improvement Policy

The Fund collects and holds large amounts of digital and paper based data and is heavily reliant on the timely receipt of quality data from employers, in order to effectively administer the Local Government Pension Scheme (LGPS). This document is supplemental to the Pension Administration Strategy.

The Fund website has the latest copy of this policy which can be found at:

<http://mpfemployers.org.uk/content/records-data-improvement-policy>

Communications Policy

This statement outlines the Fund's policy on:

- Information to members, representatives and employers;
- The format, frequency and method of distributing such information;
- The promotion of the Scheme to prospective members and their employing authorities.

The Fund website has the latest copy of this policy which can be found at:

<http://mpfmembers.org.uk/content/riskdocs>

Governance Policy

Wirral Metropolitan Borough Council is the Administering Authority for Merseyside Pension Fund. The Council has delegated to the Pensions Committee various powers and duties in respect of its administration of the Fund.

This statement sets out the scheme of delegation and the terms of reference, structure and operational procedures of the delegation and can be found on the Fund website at:

<http://mpfmembers.org.uk/content/riskdocs>

Employer Discretions

Since 1997, the LGPS Regulations have required every employing authority to:

- issue a written policy statement on how it will exercise the various discretions provided by the Scheme;
- keep it under review;
- revise it as necessary.

A list of employer discretions can be found on the Employers website at:

<http://mpfemployers.org.uk/content/employer-discretions-april-2014>

Approved by: Pensions Committee

13 November 2017

Merseyside Pension Fund
Castle Chambers, 43 Castle Street
Liverpool, L2 9SH

Telephone: 0151 242 1390
Fax: 0151 236 3520

Web: mpfmembers.org.uk
mpfemployers.org.uk

Email: mpfadmin@wirral.gov.uk

Appendix A

Scheme employers with active members as at 31 March 2020

Scheduled Bodies (34)

Contributions Received

	Employers £'000	Deficit/(Surplus) £'000	Employees £'000
Billinge Chapel End Parish Council	4	0	1
Carmel College	262	190	110
Chief Constable (CC)	7,979	4,044	3,924
Cronton Parish Council	3	0	1
Eccleston Parish Council	4	0	1
Edsential SLE	224	44	70
Halewood Town Council	29	11	9
Hugh Baird College	636	365	276
Knowsley M.B.C.	11,291	0	5,013
Knowsley Town Council	29	(6)	9
LCRCA - Liverpool City Region Combined Authority	780	0	402
Liverpool City Council	31,558	0	13,485
Liverpool John Moores University	5,814	5,110	2,917
Liverpool Streetscene Services Ltd	1,064	0	309
Maghull Town Council	49	0	15
Merseyside Fire & Rescue Authority	1,416	0	621
Merseyside Passenger Transport Executive (MPTE)	3,374	0	1,569
Merseyside Waste Disposal Authority	144	147	73
Office of the Police and Crime Commissioner (OPCCM)	87	37	52
Prescot Town Council	11	3	8
Rainford Parish Council	11	3	3
Rainhill Parish Council	3	0	1
School Improvement Liverpool Ltd	812	0	388
Sefton M.B.C.	16,577	0	6,591
Shared Education Services Ltd	361	37	122
Southport College	397	240	151
St. Helens College	831	714	333
St. Helens M.B.C.	12,083	0	5,064
The ACC Liverpool Group Ltd	615	0	437
The City of Liverpool College	540	748	233
Whiston Town Council	30	10	11
Wirral Council	18,015	0	7,505
Wirral Evolutions Ltd	487	0	148
Wirral Metropolitan College	658	389	251

Scheduled Bodies (Academies) (102)**Contributions Received**

	Employers £'000	Deficit/(Surplus) £'000	Employees £'000
Academy of St Francis of Assisi	130	11	57
Bellerive FCJ Catholic College	93	44	34
Birkdale High School	75	58	28
Birkenhead 6th Form College (Academy)	229	98	101
Birkenhead High School Academy	159	18	59
Bishop Martin CE Primary	31	20	10
Blacklow Brow School (Academy)	37	20	14
Blue Coat School (Academy)	119	72	51
Calday Grange Grammar School	191	40	69
Chesterfield High School	127	81	44
Childwall Sports & Science Academy	77	102	35
Christ Church Moreton Primary (Academy)	51	25	19
Church Drive Primary	88	37	29
Churchtown Primary (Academy)	155	96	50
Co-op Academy Bebington	134	84	55
Co-op Academy Portland	27	18	10
Co-op Academy Woodslee	40	18	15
Cronton CE Primary (Academy)	45	20	14
Croxteth Community Primary School (Academy)	60	22	22
De La Salle Academy	59	40	25
Deyes High School	170	99	69
Egremont Primary School (Academy)	69	31	24
Everton Free School	22	0	20
Finch Woods Academy	62	17	16
Formby High School	116	78	43
Garston CE Primary School (Academy)	46	14	15
Great Meols Primary School (Academy)	60	25	20
Greenbank High School	139	65	53
Halewood Academy Centre for Learning	135	159	55
Halewood CE Primary (Academy)	46	24	16
Halsnead Primary School (Academy)	58	30	21
Harmonize Academy	38	0	15
Hawthornes Free School	72	19	24
Heygreen Community Primary (Academy)	44	21	22
Hillbre High School (Academy)	180	107	70
Hillside High School (Academy)	106	144	40
Holy Trinity CE Primary (Academy)	43	27	14
Hope Academy	148	99	60
Huyton with Roby CE Primary (Academy)	69	27	21

Contributions Received

	Employers £'000	Deficit/(Surplus) £'000	Employees £'000
Kew Woods	71	34	24
Kings Leadership Academy (Liverpool)	83	23	35
Kirkby High School	131	142	58
Knowsley Lane Primary School (Academy)	32	29	14
LDST - Liverpool Diocesan Schools Trust (Academy)	29	0	22
Litherland High School (Academy)	99	97	45
Litherland Moss Primary (Academy)	42	20	15
Liverpool College (Academy)	119	0	39
Liverpool Life Science UTC	64	1	29
Lord Derby Academy	160	93	57
Maghull High School	86	90	34
New Park Primary (Academy)	142	74	62
North Liverpool Academy	211	45	125
Nutgrove Methodist Aided Primary	30	14	12
Oldershaw Academy	152	70	61
Our Lady of Pity (Academy)	79	31	23
Parish CE Primary (Academy)	39	18	16
Park View Academy	54	42	19
Poultton Lancelyn Primary School (Academy)	55	24	18
Prenton High School for Girls	121	0	49
Rainford High School (Academy)	140	58	62
Rainhill High School	144	81	66
Rainhill St Anns CE Primary School (Academy)	70	29	23
Range High School	158	100	59
Roscoe Primary (Academy)	61	28	21
Shoreside Primary School	38	18	12
St Andrews CE Primary (Academy)	46	24	14
St Anselm's College	93	22	34
St Edward's College	106	68	44
St Francis Xavier's College (Academy)	147	82	55
St Gabriel's CE Primary	19	9	8
St James' Primary School (Academy)	33	9	12
St John Plessington Catholic College	193	79	66
St Joseph's Primary (Academy)	57	26	21
St Margaret's Church of England Academy	119	61	44
St Mary & St Thomas CE Primary School (Academy)	73	30	26
St Mary's Catholic College	194	123	64
St Michael's CE High School (Academy)	112	90	50
St Silas CE Primary School (Academy)	87	30	30

Contributions Received

	Employers £'000	Deficit/(Surplus) £'000	Employees £'000
St Thomas CE Primary (Academy)	23	19	6
Stanley High School (Academy)	90	64	31
Stanton Road Primary School (Academy)	58	20	18
Studio @ Deyes Academy	17	0	5
Sylvester Primary Academy	38	11	11
The Academy of St Nicholas	126	160	51
The Beacon CE Primary School (Academy)	50	20	21
The Belvedere Academy	112	21	49
The Birkenhead Park School	80	125	36
The Prescot School (Academy)	111	77	39
The Studio (Academy)	15	0	8
The Sutton Academy	135	110	66
Town Lane Infant School (Academy)	60	25	19
Townfield Primary	106	36	47
Upton Hall School	113	41	39
Weatherhead High School	180	93	80
West Derby School (Academy)	155	43	55
West Kirby Grammar School	80	50	33
Whiston Willis Primary (Academy)	53	24	15
Willow Tree Primary	27	15	11
Wirral Grammar Boys (Academy)	77	49	31
Wirral Grammar School for Girls	91	42	29
Woodchurch High School	334	147	125
Yew Tree Primary Academy	52	38	19

Admission Bodies (Community) (26)**Contributions Received**

	Employers £'000	Deficit/(Surplus) £'000	Employees £'000
Age Concern - Liverpool	17	(17)	7
Arriva North West	695	3,092	176
Association of Police and Crime Commissioners	137	16	81
Berrybridge Housing Ltd	30	50	14
Birkenhead School (2002)	35	(10)	8
Care Quality Commission	22	90	8
Catholic Children's Society	35	26	5
CDS Housing	572	147	184
Citizens Advice Liverpool	18	0	3
Cobalt Housing Ltd	87	0	29
Commutual	37	0	13
Glenvale Transport Ltd/Stagecoach	102	(22)	29
Greater Hornby Homes	11	11	4
Greater Merseyside Connexions (Career Connect)	716	(640)	199
Lee Valley Housing Association Ltd	30	36	10
Liverpool Hope University	51	100	8
Local Government Association	1,013	1,198	718
Merseyside Lieutenancy	13	0	4
North Huyton Communities Future	16	0	9
Partners Credit Union	94	0	25
Port Sunlight Village Trust	23	0	8
South Liverpool Housing Ltd	91	192	29
Torus 62 Ltd	2,168	120	806
Welsh Local Government Association	330	0	182
Wirral Autistic Society (Autism Together)	612	(308)	127
Wirral Partnership Homes Ltd (Magenta Living)	1,763	(268)	768

Admission Bodies (Transfer) (45)**Contributions Received**

	Employers £'000	Deficit/(Surplus) £'000	Employees £'000
Absolutely Catering (Longmoor)	5	0	1
Absolutely Catering (St Oswald's)	3	0	1
Addaction (Sefton)	12	0	4
Agilisys Limited	11	3	4
Agilisys Ltd (Sefton)	287	0	93
Balfour Beatty PFI SEN School	14	0	3
Balfour Beatty Workplace Ltd	71	(7)	21
Bouygues E&S FM Uk Ltd	19	0	5
Castlerock Recruitment Group Ltd (CRG)	8	0	3
Caterlink Ltd	18	7	4
Change Grow Live	13	0	3
City Health Care (St Helens)	98	18	35
Compass (Scolarest) Liverpool Schools	3	1	1
Compass (Scolarest) Wirral Schools	31	(2)	8
Compass Contract Services (UK) Ltd	15	12	3
CWP (NHS)	622	0	209
Dolce Ltd	2	0	1
Friends of Birkenhead Council Kennels	8	0	3
Fun 4 Kidz	4	0	1
Graysons Education Limited	13	0	3
Hochtief Liverpool Schools	19	1	4
Hochtief Wirral Schools	38	(5)	9
Interserve (Facilities Management) Ltd	9	5	2
Kingswood Colomendy Ltd	8	13	2
Knowsley Youth Mutual Ltd	80	0	31
L&T FM (Chroda)	15	0	4
Mellors Catering - Birkdale	14	(1)	4
Mellors Catering - St Anns	6	3	2
Mellors Catering - St Mary & St Thomas	2	1	1
Mellors Catering - St Paul & St Timothy	4	0	1
Orian Solutions	18	0	4
Sanctuary Home Care Ltd	27	0	8
Sefton New Directions Ltd	540	(277)	167
Siemens Mobility Ltd	18	9	5
SSE Contracting Ltd	61	0	19
Tarmac Trading Ltd	33	0	11
Taylor Shaw - Great Meols	5	0	1
Taylor Shaw - Hugh Baird	5	0	1
Taylor Shaw - Raeburn	6	0	1
Taylor Shaw - Range	10	0	1

Contributions Received			
	Employers £'000	Deficit/(Surplus) £'000	Employees £'000
Taylor Shaw - St Andrews	2	0	1
Veolia ES Merseyside & Halton	98	(98)	29
Volair Ltd	326	0	113
WCFT (NHS)	927	0	325
WIRED Ltd	20	0	7
Scheme Employers where contributions have been received during 2019/20 but they had no Active Scheme Members as at 31 March 2020			
Emslie Morgan	14	9	7
Geraud Markets	1	2	
Mersey Waste		264	
One Vision Housing	6	20,691	1
Shap Ltd	3		1
Totals	137,903	41,501	58,396

Appendix B

Pensions Committee Items

16 July 2019

Audit Findings Report
 Statement of Accounts /
 Letter of Representation
 Draft Annual Report
 and Accounts
 Budget Outturn 18/19,
 Final Budget
 Wirral Council Motion
 LGPS Update
 Scheme Pays Policy
 Systematic Investment
 Authorised Signatories
 Treasury Management
 Annual Report
 Pool Operating Agreement
 Training & Development
 Opportunities
 Working Party Minutes
 Pension Board Minutes
 13/06/18
 Pooling Update

4 November 2019

LGPS Update
 Catalyst Fund Update
 Governance Statement
 The Pension Regulator
 Engagement Report
 Pension Board Terms of
 Reference
 Training & Development
 Opportunities
 Pension Board Minutes
 17/07/2019
 Compliance Manual
 Pooling Update
 Working Party Minutes

3 February 2020

Pension Board Review
 LGPS Update
 Actuarial Valuation
 Funding Strategy Statement
 Revised Investment Strategy
 Treasury Management Strategy
 Pension Fund Budget
 Member Development
 Programme
 Good Governance Project
 Pension Board Minutes
 Working Party Minutes
 Property Arrears

30 March 2020

Meeting Cancelled

Attendance Record 2019 - 2020

	PENSIONS COMMITTEE				GRWP		IMWP			
	16 JUL	4 NOV	3 FEB	30 MAR	14 NOV	25 FEB	6 JUN	18 SEP	14 NOV	25 FEB
Cllr Pat Cleary (Chair)	•	•	•	*	•	•	•	•	•	•
Cllr Geoffrey Watt (Spokesperson)	•	•	•	*	•	•	•	•	•	•
Cllr George Davies (Spokesperson)	•	•	•	*		•	•	•	•	•
Cllr Chris Carubia			•	*		•	•			•
Cllr Andrew Gardner	•	•		*			•		•	
Cllr Tony Jones	•	#	•	*	•	•	•		•	•
Cllr Brian Kenny	•	•	•	*				•		
Cllr Cherry Povall, JP	#	•	•	*		•	•	•		•
Cllr Stuart Wittingham			•	*			•	•		
Cllr Ian Byrne (Liverpool City Council Co-Optee)				*			•	•		
Cllr John Fulham (St. Helens MBC Co-Optee)	•			*		•				•
Cllr Jayne Aston (Knowsley MBC Co-Optee)	•			*						
Cllr Paulette Lappin (Sefton MBC Co-Optee)	•	•	•	*			•			
Roger Bannister (UNISON Co-Optee)	•	•	•	*		•	•	•	•	•

Deputy Attended
* Meeting Cancelled

Conferences

	LGC Celtic Manor	PLSA	MPF Annual Conference	LAPFF Annual Conference	LGPS Governance Conference	LGC Investment Seminar	PLSA Gloucestershire	Fundamentals Training
	5 - 6 SEP	16 - 18 OCT	29 NOV	4 - 6 DEC	23 - 24 JAN	27 - 28 FEB	18 - 20 MAY	17 OCT - 6 NOV
Cllr Pat Cleary (Chair)	•							•
Cllr Geoffrey Watt (Spokesperson)	•					•		
Cllr Chris Carubia	•	•			•	•		
Cllr Andrew Gardner						•		
Cllr Brian Kenny		•				•	•	
Cllr Cherry Povall, JP	•	•				•		
Roger Bannister (UNISON Co-Optee)		•		•			•	

Appendix C

Information Contacts

Position	Name	Telephone number
Director of Pensions	Peter Wallach	0151 242 1390
Head of Pensions Administration	Yvonne Murphy	0151 242 1390
Area	Name	Telephone number
Accounts (Compliance, Financial Control and Management)	Donna Smith	0151 242 1390
Investments (Fund Assets' Management)	Linda Desforges	0151 242 1390
Employer Compliance and Membership (Transfers, Divorce, Admissions, Data quality assurance)	Sue Roberts/Paula Heaton	0151 242 1390
Benefits/Payroll (Retirement Calculations and Payments)	Barbara King/Keith Higgins	0151 242 1390
Operations (IT/Communications) (Systems Support, MyPension, Website, Events)	Guy Hayton	0151 242 1390
Resolution of Disputes		
Employer Decisions	Head of Pensions Administration	0151 242 1390
Fund Decisions	Section 151 Officer	0151 666 3407
Scheme Employers' Contacts		
Arriva North West	Alison Ashcroft	07855 104975
Knowsley MBC	Jaci Dick	0151 443 5161
Liverpool City Council	Richard Arnold	0151 233 0375
Liverpool John Moores University	Jayne Brown	0151 231 8756
Merseyside Fire & Rescue Service	Mike Rea	0151 296 4245
Merseytravel (MPTE)	Sue Highton	0151 330 1199
Merseyside Waste Disposal Authority	Jane Nolan	0151 255 2537
Office of the Police and Crime Commissioner for Merseyside (OPCCM)	Karen Blake	0151 777 8189
Sefton MBC	Lynn Abbott	0151 934 4126
St. Helens MBC	Sarah Myers	0174 467 6627
Wirral Council	Matthew Slater	0151 691 8529



Report & Accounts 2019/20

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Administering Authority Wirral Council

