



# Report & Accounts 2013/14
















Including Policies





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# Management Structure

## 1. Pension Fund Management Committee

### Chair:

Cllr P Glasman **Wirral**

### Vice Chair:

Cllr A McLachlan **Wirral**

Cllr G Davies **Wirral**  
Cllr P Doughty **Wirral**  
Cllr T Harney **Wirral**  
Cllr M Hornby **Wirral**  
Cllr A Jones **Wirral**  
Cllr C Povall **Wirral**  
Cllr H Smith **Wirral**  
Cllr GCJ Watt **Wirral**  
Cllr N F Keats **Knowsley**  
Cllr P Hurley **Liverpool**  
Cllr P Tweed **Sefton**  
Cllr J Fulham **St Helens**

Mr P McCarthy **Non-district Employer Representative**

### Employee Representatives (Non-voting)

Mr P Goodwin **Unison**  
Mr P Wiggins **Unison**  
Mr D Walsh **Unite**

### Officers of the Fund

Joe Blott **Strategic Director Transformation & Resources**  
Peter Wallach **Head of Pension Fund**  
Yvonne Caddock **Principal Pension Officer**  
Surjit Tour **Head of Legal & Democratic Services**  
Colin Hughes **Group Solicitor**

## 2. Advisers to Investment Monitoring Working Party

Strategic Director Transformation & Resources  
Head of Pension Fund  
Senior Investment Manager  
Aon Hewitt  
Noel Mills  
Rohan Worrall

## 3. Advisers to Governance and Risk Working Party

Strategic Director Transformation & Resources  
Head of Pension Fund  
Principal Pension Officer

## 4. 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 Advisers

Pensions and Investment Research  
Consultants Ltd

### Property Advisers

C B Richard Ellis

### Property Managers

C B Richard Ellis

### Performance Measurement

The WM Company

### Solicitor

Wirral Council

### AVC Providers

Equitable Life Assurance Society  
Standard Life  
Prudential

# Chair's Introduction



Councillor Pat Glasman,  
Chair of Pensions Committee

As Chair of Pensions Committee, I am pleased to present Merseyside Pension Fund's Annual Report for the year ended 31 March 2014. 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.

*Pat Glasman*

**P Glasman**

## 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 reviews the Fund's investments, administration, strategies and policies at regular intervals, with the help of its various professional advisers, to ensure that they remain appropriate.

## Investment performance

Economic data has gradually improved over the year and investor confidence is growing. Anxieties remain over the robustness of growth in the two bellwether economies of the US and China. Financial markets have continued to be supported by accommodative monetary policy from Central Banks.

The outlook for the UK has continued to brighten. Underlying growth is at the top end of the G7 peer group range, unemployment trends are favourable and real incomes should return to positive territory this year.

There have been some bumps along the way. In the second quarter of 2013, investors were unsettled by a number of factors. Whilst the US led a recovery in manufacturing activity in the major industrial economies, China seemed to be leading a cohort of emerging economies in the opposite direction. In terms of total GDP, the emerging world is still growing significantly faster than the mature industrial countries of North America, Europe and Japan but this growth gap is narrowing.

Additionally, the potential ramifications of the US budget sequester on the US economy and by the announcement by the US Federal Reserve of its intention to embark on a gradual winding down of its stimulus programme, dampened sentiment.

Japan's large-scale monetary and fiscal stimulus policies have certainly revitalised the Japanese stockmarket. Corporate profitability has greatly improved thanks largely to the massive devaluation of the Yen.

Economic growth in Europe remains subdued but tension in the financial markets has subsided with spreads on sovereign debt narrowing back towards pre-crisis levels.

The decline in global bonds in 2013 should on any reasonable measure have marked the end of the thirty-year bull market in fixed-interest assets. This is notwithstanding the fact that, even after five years of Quantitative Easing, deflation is still seen as a bigger threat than inflation.

Equities should be able to withstand the impact of rising yields but, given current valuations, returns are likely to be more modest than in 2013.

The Fund appreciated in value to over £6bn returning 6.2 percent compared to its bespoke benchmark return of 4.2 percent. The average local authority fund returned 6.4 percent but with greater risk.

Financial markets continue to be volatile and it is important to remember that local authority pension funds invest over the long-term to pay benefits in forty to fifty years time and it is imperative to maintain this long-term perspective.

Further information on the management of the Fund, distribution of assets and performance is provided later in this report.

## **Actuarial Valuation**

The triennial valuation at 31 March 2013 was finalised by and reported to Pensions Committee in November.

At March 2013, assets stood at £5.8bn with liabilities calculated to be nearly £7.7bn, giving a whole Fund funding position of 76%. Despite a pick up in bond yields, Quantitative Easing by the government has been unhelpful to the valuation of liabilities. Improvements in the Fund's mortality experience and a higher than predicted number of ill-health retirements, also had an effect.

The new contribution rates calculated by the actuary have been implemented from April 2014. The average employer contribution rate in relation to future service accrual has increased from 11.6% to 13.3% of pensionable pay. This is despite an average whole Fund cost saving of 1.8% emerging from the introduction of the new career average Scheme. Contributions for each separate employer are levied as a combination of a percentage of payroll in respect of future accrual of benefits; and pounds amounts in respect of deficit contributions under the recovery plan.

## **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 new Scheme.

With increasing numbers of members affected by early retirement and redundancy programmes, we have offered a variety of courses to members and employers during the year in addition to regular newsletters for employers, employees, pensioners and deferred members. The Fund website continues to be updated regularly and we are seeing increasing use of the Employers' website.

We were very pleased that the Fund collected two further awards; Best Environmentally Sustainable Investment Award, from the LGC; and an award for Innovation from Pensions Age magazine.

The Annual Employers' Conference held at Aintree Racecourse, in November 2013, was again well attended and featured speakers from the Fund's Actuary and officers from the Fund.

## **Past Changes and the Future**

Implementing the new career average Scheme continues to be the principal focus. It is requiring significant changes to systems, policies and procedures. At the time of writing, not all the regulations are in place. In accommodating the changes, we continue to look for efficiencies and improvements wherever possible in the way in which we operate to reduce costs to stakeholders.

The Fund remains an active participant in all aspects of the various consultations that are ongoing:

The Public Service Pensions Act will bring further governance changes for the Scheme which will come into effect in April 2015.

Following the 'Call for Evidence on the Future Structure of the LGPS', a further consultation has been issued on 'Opportunities for collaboration, cost savings and efficiencies'.

Changes to the 2007 Best Value Pensions Direction in the light of the updated Fair Deal guidance issued in October 2013.

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 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 34 of the Local Government Pension Scheme (Administration) Regulations 2008. In preparing and publishing the Pension Fund Annual Report, the Administering Authority must have regard to guidance issued by the Secretary of State.

# Management Report

## Management of the Fund

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

In 2013/14, the Committee comprised of Councillors from the Wirral Labour group (6), Conservatives (3), Liberal Democrats (1), representatives of the four other District Authorities (Liverpool, St. Helens, Knowsley and Sefton), an independent representative from the other employers and employee representatives (3). The Strategic Director Transformation and Resources and other officers of the Fund also attend Committee, which meets around five times a year to review the administrative and investment issues affecting the Fund.

The Committee ensures that 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 Department of Communities and Local Government (DCLG). 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 2009. 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 Statement of Investment Principles (SIP) 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 portfolios is considered by an Investment Monitoring Working Party. The Working Party meets at least six times a year to review investment strategy and to receive reports on investment activity undertaken in the prior period. The Working Party comprises representatives from the Pensions Committee, two independent advisers, Aon Hewitt and officers of the in-house investment team.

Another of its important tasks is to monitor the performance of the Fund's external and internal managers, which is undertaken in conjunction with professional advisers and the Fund's officers. External and internal fund managers have been given specific benchmarks against which performance is measured and monitored quarterly. In addition, internal fund managers report to the Strategic Director Transformation and Resources through regular Fund Operating Group meetings and follow laid down internal compliance procedures.

With regard to its investment management activities, the Fund uses a combination of internal and external management, and active and passive strategies across the various asset classes in which it invests. More comprehensive details of the Fund's managers, mandates and advisers are set out in its SIP. Governance, pensions administration and policies, risk management and related matters are scrutinised by a Governance and Risk Working Party which meets twice yearly.

## 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 advisers and industry best practice in assessing and establishing policies to identify and mitigate those risks.

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

- Governance Policy
- Communications Policy
- Funding Strategy Statement
- Statement of Investment Principles
- Investment Monitoring Policy
- Health & Safety Policy

Copies of these documents are available from the Fund and are published on the Fund website at: **[www.merseysidepensionfund.org.uk/riskdocs](http://www.merseysidepensionfund.org.uk/riskdocs)** 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 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 annually 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'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 allotted 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 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 to be 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 Strategic Director Transformation and Resources 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 members and officers through training and education using a variety of means. These include regular meetings, ad hoc seminars and conferences, bespoke training and a comprehensive website.

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

This year, the actuarial valuation process was identified as an area of development. An additional IMWP was organised and Members received presentations from officers, the Fund's actuary and investment advisers. Training covered areas such as actuarial assumptions, forecasting, discount rates and investment strategy. Another topical subject was Responsible Investment and Fiduciary Responsibility for which an additional IMWP was organised.

Bespoke training includes the LGE Trustee Fundamentals training and other conferences and seminars as detailed below.

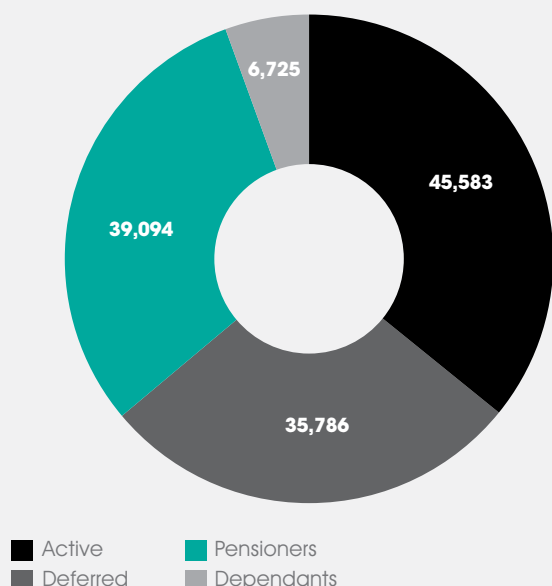
The Fund is a member of the Local Authority Pension Fund Forum and the chair of committee is a member of the executive board, attending regular meetings dealing with all aspects of responsible investment. The following training opportunities have been provided during the year.

Month	Event
April	IMWP
May	NAPF LA Conference
June	IMWP
June	Pensions Committee
June	LGPS Trustees Conference
July	CIPFA Conference
July	G&RWP
September	IMWP
September	Pensions Committee
September	LGC Investment Summit
October	IMWP
October	LGE Fundamentals
October	NAPF Annual Conference
November	IMWP
November	Pensions Committee
November	LGE Fundamentals
November	MPF Annual Employers' Conference
November	Pensions Committee
November	Annual LAPFF
December	UK Infrastructure Conference
December	LGE Fundamentals
January	Pensions Committee
January	G&RWP
February	LGC Investment Conference
February	IMWP
March	IMWP
March	Pensions Committee

As the officer nominated by the Pensions Committee responsible for ensuring that the Fund's training policies and strategies are implemented, the Strategic Director Transformation and Resources 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.

# Membership Statistics

Membership as at 31 March 2014



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				209	1,547	2,850	3,786	4,113	6,288	8,065	8,637
Deferred				16	565	2,387	3,295	3,326	4,984	7,116	7,563
Pensioner						1	2	16	150	358	936
Dependant	3	15	63	147	62	12	13	15	36	97	213

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	6,467	2,909	595	117							45,583
Deferred	5,651	807	63	10	3						35,786
Pensioner	3,148	8,521	9,677	6,394	4,788	2,986	1,490	535	81	11	39,094
Dependant	273	454	753	874	1,079	1,192	884	428	100	12	6,725
Total											127,188

Key Membership Statistics 2010 - 2014

Year	Active	Deferred	Pensioner	Dependant	Total
31 March 2014	45,583	35,786	39,094	6,725	127,188
31 March 2013	44,707	34,481	37,992	6,761	123,941
31 March 2012	45,521	32,912	37,314	6,804	122,551
31 March 2011	48,323	30,946	35,594	6,860	121,723
31 March 2010	50,776	28,848	34,007	6,928	120,559



# Scheme Administration Report

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Merseyside Pension Fund operates the Local Government Pension Scheme, which provides for the occupational pensions of employees, other than teachers, police officers and fire fighters, of the local authorities within the Merseyside area. It also operates the Scheme for support staff employed in Academies and members of other organisations, which have made admission agreements with the Fund.

A list of the participating employers is shown at **Appendix A**. The Scheme is a public service pension scheme regulated by statute through the Department for Communities and Local Government (DCLG). It is a contributory defined benefit scheme, which is contracted-out of the Second State Pension (S2P) and is exempt approved for tax purposes.

## Development of the Scheme

Since 1922 the Local Government Pension Scheme has developed from a scheme which just provided pensions for officers only, to today's Scheme which provides pensions and lump sums for all members, spouses, civil and cohabiting partners and children's pensions, ill health, redundancy and death cover.

Quite clearly it is a comprehensive scheme and yet, through the co-operation of the government, employer and employee representatives, the Scheme is constantly changing and adapting to modern day needs and demands.

## Scheme Reform - Transition to LGPS 2014

Since 2001 there has been national concern surrounding the rising costs of public service pension provision and the sustainability of these schemes.

This has been largely due to a combination of people living longer and drawing pensions for much longer than originally anticipated, compounded by the volatility in financial markets.

Consequently, the government embarked upon a stock-take review of the LGPS to deliver an affordable scheme to the taxpayer that focussed on the employment trends and changing pension needs of low paid part-time employees. This review resulted in a number of Scheme revisions; the primary intention was to alleviate cost pressures with the most significant changes taking effect from 2008, addressing the value of benefits and a rebalance of the pension cost between employers and members.

A new accrual rate was introduced which resulted in existing members having mixed benefit structures based on an annual pension of 1/80th of final salary and automatic lump sum prior to April 2008 and thereafter an annual pension of 1/60th of final salary with a lump sum by commutation only.

In addition, the introduction of tiered member contributions saw higher earners pay higher rates of contributions than lower earners for the first time in the history of the Scheme.

From April 2011, the inflation measure used to uprate both pensions in payment and deferred pensions was revised to reflect the Consumer Prices Index, instead of the Retail Prices Index. The change of the index resulted in a substantial reduction in future pension liabilities for schemes and subsequent employer costs.

However, continued improvements in life expectancy and escalating costs of public sector pension provision led to Lord Hutton's "grass roots review" with a view to how future pension provision could be made affordable in the long term and fair to members and all stakeholders.

Lord Hutton's report was published on 10 March 2011 and identified the need to deliver both significant short and long term saving across all public service schemes.

Due to the unique funded nature of the LGPS when compared to the other public service schemes, it was agreed nationally amongst stakeholders that a major overhaul to the design of the Scheme would be implemented from April 2014. The implementation of a reformed LGPS, twelve months in advance of the other public sector schemes, would alleviate the necessity to impose substantial increases on member contribution rates, required elsewhere in the public sector to meet required short-term savings.

This single solution to introduce a new LGPS by 1 April 2014, presented a challenging timeframe for both the primary and secondary regulations to be made and laid by the Secretary of State. It also placed significant pressure on Pension Funds and their IT suppliers to ensure systems and operational procedures were in place to administer the new scheme provisions.

# Scheme Administration Report

## Regulatory Framework for LGPS 2014

### Primary Legislation - Public Service Pension Act 2013

The **Public Service Pension Act** (PSPA) came into force on 25 April 2013. The Act established the new public pension schemes with the key implications for the LGPS as follows:

- provides regulations to establish new public sector pension schemes on a career average design
- creates a new governance framework from April 2015, introducing a consistency in the strategic management of all schemes across the sector and provides for regulatory oversight by the Pensions Regulator
- creates the requirement for each administering authority to establish a Pension Board
- introduces a cost-control mechanism to keep costs within an employer cap set as a percentage of pay and legislates for corrective action in order to rebalance costs

### Secondary Legislation – Scheme Specific Regulations

#### Local Government Pension Scheme Regulations 2013

The above regulations were laid before Parliament on 19 September 2013 and came into force 1 April 2014. They are the first part of the regulatory framework to introduce a new defined benefit pension scheme, based upon:

- a career average benefit structure
- an improved accrual rate based on 1/49 of pensionable pay
- a concept of annual pension accounts
- the reintroduction of a two year vesting period
- the alignment of Normal Pension Age to State Pension Age
- the introduction of flexibility, where members can opt for the 50/50 section, which permits them to pay half the contribution rate and build-up half the pension savings, whilst retaining the full value of other scheme benefits such as a death in service lump sum and ill health cover.

The concept of a career average benefit structure is fairer to the demographic profile of local government employees. It removes the inherent inequality within a final salary scheme, where the pension benefits are weighted towards those on a progressive career path.

## LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014

These regulations were finally laid on 10 March, the latest possible date to allow them to take effect from 1 April 2014. The regulations include the following key provisions:

- preserve member benefits accrued under the former LGPS regulations
- retain the final salary link and normal pension age of 65 in respect of pre-2014 membership
- provide an underpin for people born before 1 April 1957 to ensure that 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 post age 60
- ability for employers to switch on the '85 Year Rule' in regard a members benefits if they voluntary retire between age 55-60, and
- remove Councillor access to the LGPS at the end of their current term of office.

### Impending Statutory Instruments

In order to complete the regulatory framework for the new Scheme design, there are a number of outstanding statutory instruments to deal with the:

- proposed Governance changes to implement the provisions of the **Public Service Pension Act**
- LGPS specific cost management process which will run alongside the HM Treasury's process set out in the **Employer Cost Cap Directions**
- changes to the **2007 Best Value Pensions Direction** in light of the updated Fair Deal guidance issued in October 2013

## Cost of new Scheme to Employers and Employees

The new Scheme is based on a cost ceiling of 19.5% with a notional employer future service contribution rate of 13% of pay and an average employee contribution of 6.5%.

The cost of the revised CARE benefit design and increased accrual rate is equivalent to **the final salary scheme design**. Although the revised definition of pensionable pay includes non-contractual overtime, so there is potential for additional costs if employers pay a substantial level of non-contractual overtime to its employees.

Control of future costs will emerge through the linking of a member's Normal Pension Age to State Pension Age. However, the expected savings for employers are in the region of 1.5% - 2% of pay but could vary significantly for individual employers depending on the membership profile of their workforce.

It is possible that the alignment of Normal Pension Age and State Retirement Age may be insufficient to control the future costs of the Scheme with the requirement to introduce a 'two pronged' cost management process, governed by the Scheme Advisory Board and HM Treasury.

Past service deficits are outside of the cost management process, but a recommendation has been made to set up a national working party to look at potential solutions in regards this issue.

## Earning Bands for Employee Contributions

The earning bands on which employee contributions are calculated have increased from seven to nine for the financial years 2014/2015.

Contribution rates for the majority of members will not increase and part-time employees may pay less, as rates are now determined on actual pay rather than on a notional full time equivalent pay.

In general, people earning more than £43,000 will see an increase to the contribution rate. The profile of Fund membership indicates that 96% will either see a reduction or no increase to their pension contributions.

The Fund has notified employers of the correct employee rates to apply from April 2014 as follows:

Pay Bands	Contribution Rate
Up to £13,500	5.5%
£13,501 - £21,000	5.8%
£21,001 - £34,000	6.5%
£34,001 - £43,000	6.8%
£43,001 - £60,000	8.5%
£60,001 - £85,000	9.9%
£85,001 - £100,000	10.5%
£100,001 - £150,000	11.4%
More than £150,000	12.5%



# Scheme Administration Report

## Consultation Responses

During the year, the Fund has actively participated in all consultations in regard to Scheme reform, seeking clarity with regard to ambiguous technical provisions and those areas that appear inequitable to the Fund's diverse membership base. In acknowledgement of the increasing complexity resulting from the statutory protection of accrued pension rights, the underlying theme taken by the Fund is that simplification should be sought wherever possible.

Simplification will assist both the Fund and employers to administer pensions at a lower cost to the taxpayer; it will also help in communicating the continuing value of Scheme participation to the membership.

## Key Events on the Horizon

### Pension Act 2014

The above Act received Royal Assent in May 2014 and legislates for the provision of a single-tier state pension of £155 per week from April 2016. However, an individual will need to have built up 35 qualifying years of full-rate National Insurance Contributions to be entitled to receive that amount.

The change to a single-tier state pension will systematically result in the abolition of contracting out for the LGPS and both active members and employers will experience an increase of 1.4% and 3.4% respectively to their National Insurance Contributions.

The government has committed to enter into dialogue as to the merits of 'recycling the monies lost by LGPS employers' and how this could be practically achieved. The LGA will enter discussions with the government during the next Parliament on the extent and method that any recycling of monies lost could take place.

### Pension Bill 2014/15

The Pension Bill will implement the tax changes announced as part of the 2014 'Autumn Budget'. These are intended to give people "greater freedom and choice over how to access their defined contribution savings", particularly around the ability to take lump sum drawdown as an alternative to purchasing an annuity.

Whilst these changes may not directly apply to the LGPS, the increased flexibility may potentially flow through at a future date as a mechanism to manage future pension liabilities.

## Administration Arrangements

### The Administration Team

The administration team is accountable to the Pensions Committee, participating employers and Scheme members. The team is fully committed to providing a quality service to meet the needs of the Fund's various stakeholders and to deliver excellent customer care.

The team administer the Merseyside Pension Fund in accordance with legislative requirements with the key aims to:

- set the strategic direction for all aspects of the service
- support the Trustees of the Pension Fund in their decision making
- ensure the proficient administration of pension records, including the preparation and distribution of Annual Benefit Statements to active and deferred members
- undertake the calculation and payment of retirement benefits and transfer values
- provide direction and guidance to Scheme members and Employers
- provide Pensions Administration for the Fire-fighters Pension Scheme

The team structure is currently being reviewed by officers in regards its appropriateness for the efficient administration of the new scheme. This review is being informed by impending national policy developments and significantly, the impact of new scheme provisions on the volume and type of casework

### Merseyside and Cheshire West & Chester Collaborative Project

In September 2013, the administration team entered into a joint working arrangement with Cheshire Pension Fund. Both Funds recognised the opportunity for operational and administration efficiencies by sharing expertise, best practice and where appropriate, resources on the implementation of the new Scheme by 1 April 2014.

A project plan was developed to define the areas of joint working with specific focus on the interpretation and application of the regulatory provisions and resultant impact on service areas, business process and systems.

The greatest saving and benefit to the Funds emerged from the joint design of communication materials and the production of joint training material for practitioners and employers within each Fund.

## Service Planning

The Fund's management team maintain an annual 'Business Plan' which is shared with and monitored by the Governance and Risk Working Party, 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 of the officers and there is a direct link with the performance appraisal process of staff.

## Operational Costs

The Fund's operational cost is reviewed by the Pensions Committee, who approve the annual operational budget. Actual spend is monitored throughout the year by the Fund management team and overall spend is reported in the Annual Accounts.

The Department for Communities and Local Government annually survey funds to collect administration and fund management costs of the LGPS. Submitted under Section 168 of the Local Government Act 1972, the data provides government with a benchmark of scheme costs and are also used in compiling the National Accounts, showing the role of pension funds in the economy. The administration cost for the year 2012-13 was £26.41 per member and for 2013-14 £26.86 per member.

## Equality & Diversity

The Fund aims to deliver accessible, high quality and value for money services to all our customers, without discrimination to any actual or perceived social grouping; for example sex, race, disability, sexual orientation, religion, belief or age.

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

## Communications Policy

Excellent communication is fundamental to ensuring both employers and members are kept fully informed of the benefit package and changes to the scheme.

In all our communications we aim to:

- Provide clear, relevant, accurate, accessible and timely information
- Carefully listen, consider and respond to communications we receive
- Use plain English where possible and avoid unnecessary jargon
- Use the communication method that best suits the audience

The Fund has a published Communications Policy which can be found on our website at **[mpfmembers.org.uk](http://mpfmembers.org.uk)**

## Member Communications

The introduction of a new LGPS by 1 April 2014 provided a number of communication challenges within the year, due to the emergent nature of the legislation and guidance throughout the period.

In 2012, the Fund entered into a collaborative arrangement with the Local Government Association, where the Fund's dedicated website **<http://lgps2014.org>** was adopted as the national website for Scheme reform. Merseyside Pension Fund retained the role of administering and developing the website on behalf of the LGA.

Working in collaboration with the LGA and other volunteer funds, the national scheme reform website was enhanced throughout the year with:

- improved information to members
- an overview video and four short topic-specific videos
- an interactive modeller to explain how a pension account works
- a contributions calculator for members

# Scheme Administration Report

Consequently, the use of the national website provided significant advantages over the usual method of communication to active members, which is to publish a Beeline newsletter for distribution by employers. For those members who could not access the online material, employers were provided with six topic specific leaflets for distribution to employees.

A number of employers provided local facilities for the Fund to deliver presentations on the new Scheme to their employees. The Fund also provided posters and sample text for employer newsletters/intranets in regards the main changes to the Scheme and the existence of the national scheme reform website.

Efforts to increase Scheme participation continues to be a challenge to the Fund, made all the more challenging as employers face difficult decisions in regards the size of their workforce.

## Employer Communications

The Fund produced a series of communication updates via the website <http://mpfemployers.org.uk> Following the publication of the secondary legislation in September 2013, the Fund in collaboration with Cheshire Pension Fund produced a series of five employer newsletters entitled Countdown to LGPS 2014.

The newsletters were electronically distributed to all HR, Payroll and Pension contacts at Fund employers and they provided the means to communicate the latest developments in the regulations and more specifically the work required to be undertaken by employers.

In addition to the newsletters, the Fund circulated comprehensive administration information to employers in the form of a HR Guide and also a Payroll Guide. Based on national guidance, these Fund specific documents provided detailed information on administrative and operational practice.

In April 2014, the Fund delivered a number of seminars to employers at the Cunard Building and these were extremely well attended. The seminars covered the key changes to the administration of the Scheme, referencing information within the Fund's HR and Payroll Guides and a step-by-step walk through of the new versions of key LGPS forms.

## Data Security

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

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)
- Where person identifiable data has to be transferred off-site, the Fund uses secure means; using either the Government Connect network or via secure email/websites

## Data Quality & Employer Performance

The Fund actively engages with employers in regards the quality, accuracy and timeliness of the data provided for scheme administration. The programme of employer engagement is continuing in line with the requirements detailed in the Pensions Administration Strategy (PAS).

The PAS provides the Fund with the means to recover any additional costs arising from the continued poor performance of an employing authority. During 2013-14, there were no cost recoveries initiated by the Fund.



## Use of Information Technology

The Fund has continued to strive for improved efficiency through the appropriate use of Information Technology. However, the primary focus during the year was to actively engage with the key supplier, Aquila/Heywoods, in ensuring that the Pensions Administration & Pensioner Payroll system received the required software and benefit calculation updates to deliver the new Scheme from 1 April 2014.

This proved to be a significant challenge for the supplier due to the timeline of legislation, clarifications and national guidance. In the main, the legislative changes were delivered by the supplier in March 2014. Unfortunately, due to publication of the **LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014** on the 10 March 2014, these legislative changes could not be completely implemented. Consequently, for a period of time post 1 April 2014, the Fund will require staff to manually produce some retirement calculations for members covered by the transitional provisions. An update to the IT system will be provided by the supplier at the earliest opportunity.

The Fund has provided staff at its largest employers with online secure access to the Pensions Administration system. This provides a means for employer staff to review that data held by the Fund on their employees who are active members. Prior to 1 April 2014, the means for these employers to provide their own retirement estimates was revoked whilst the supplier updated the IT system. The reinstatement of this facility will be rolled out during 2014-15 following the appropriate testing by Fund staff.

The Fund provides all members with an online self-service facility called 'My Pension' via the members' website, <http://mpfmembers.org.uk>

This facility will be upgraded by the supplier during 2014-15, to reflect the changes to a Career Average pension arrangement.

## Performance Standards

Results of performance against target are shown below:-

Performance Target	Within target %
7 days	97
1 Payment of retirement benefits	
100 %	100
2 Payment of monthly pensions	
7 days	99
3 Payment of Transfer Values	
10 days	99
4 Provision of inward transfer quotes	
22 days	100
5 Notification of deferred benefits	
10 days	99
6 Provide valuation in divorce cases	
10 days	88
7 Respond to members' enquiries	

(Details given in respect of 12 month period to 31 March 2014)

# Scheme Administration Report

## Internal Dispute Resolution Cases

Under the terms of the Local Government Pension Scheme, appeals from members are dealt with under the Internal Dispute Resolution Procedure (IDRP) which applies to members of the LGPS whose position may be affected by decisions taken by their employer, former employer or the administering authority.

The IDRP is a formal procedure for individuals to appeal against their treatment under the LGPS regulations. The arrangements in place allow for a two stage appeal process. Responsibility for determinations under the first stage of the procedure can rest with the employing authority or administering authority depending on the reason for appeal.

Responsibility for determinations under the second stage of the procedure rests solely with the Administering Authority and the nominated officers to undertake the appeal are approved by the Pensions Committee.

During the year there were 2 new stage one cases dealt with by the panel of Appointed Persons responsible for complaints against decisions made by the Fund. The cases were both upheld as the correct benefits were in payment despite misquoted non guaranteed estimated pension statements.

A total of 4 new cases were dealt with by the panel of Appointed Persons responsible for considering stage two appeals against employer decisions.

As in previous years, the majority of cases have concerned either refusal to grant ill health retirement or to bring preserved benefits into payment early on ill health grounds. Of these appeals against employer decisions, 3 of the cases completed upheld the employer decision with one granted.

## Breakdown of IDRP Cases 2013-2014

Total IDRP Cases (Against Fund and Employer Decisions)	
Refused Ill Health Retirement	1
Refused Deferred Benefit on Ill Health Grounds	2
Refused Flexible Retirement	1
Misquoted Estimates and Impact on Entitlement	2
<b>Total Appeals</b>	<b>6</b>

Appeals Against Employer Decisions		
Employer	Number	Employer Decision
Liverpool/Interserve	2	1 upheld / 1 granted
Wirral	1	1 upheld
Calday Grange Grammar	1	1 upheld
<b>Total Employer Appeals</b>	<b>4</b>	

Appeals Against Fund Decisions		
Reason for Appeal	Number	Fund Decision
Misquoted Estimates and Impact on Entitlement	2	2 upheld
<b>Total Fund Appeals</b>	<b>2</b>	

Ombudsman Decision		
Reason	Number	Decision
Award of IH Retirement	2	1 upheld / 1 granted
<b>Total</b>	<b>2</b>	

## Pensions Ombudsman

The decision upheld by the Ombudsman related to the administrative process as opposed to the actual award of benefits. This decision was considered both by the Fund and nationally as a contrary decision. This was due to ambiguity within the wording of the regulations with regard to the definition of an independent registered medical practitioner. The DCLG has now revised the regulations to explicitly deliver the desired intent. It should be noted that a subsequent Ombudsman decision has overturned this contrary decision.

# Investment Report

Year ended 31 March 2014

## Investment Review

As economic growth in the global economy continued to falter throughout the major developed economies, stock markets saw a significant decoupling from their respective real economies with “risk” assets led by equities increasing in value by 8.4 per cent, significantly outperforming their fixed income counterparts, most notably bonds which posted a decline of 1.6 per cent over the fiscal year.

In the OECD area, European equities posted the most significant gain returning over 15 per cent followed by North America which gained just under 12 per cent, and the United Kingdom whose equity markets gained over 11 per cent over the period.

The Japanese market just managed to stay above water with a marginal gain of 0.5 per cent as the Japanese currency weakened against the US\$ and other developed world currencies.

Emerging markets bucked the trend declining in value by 5.1 per cent over the period largely in response to former chairman of the Federal Reserve Ben Bernanke’s intimation in May 2013 of a “tapering” or slowing in the pace of its quantitative easing programme. The likelihood of an earlier than expected rise in interest rates from their historically low levels prompted a wave of selling across the board as investors factored in a negative impact on the external debt positions of many emerging market countries.

On the fixed income asset side, bond markets fell across the board with the exception of UK corporate bonds which posted a more modest gain of 2 per cent.

Within this financial market environment, Merseyside Pension Fund recorded a gain of 6.2 per cent over the fiscal year against its customised benchmark return of 4.2 per cent, an outperformance of 2 per cent marking its best showing since 2003.

The Fund’s asset allocation, the various asset classes in which it was positioned contributed 0.4 per cent of the outperformance against benchmark and this was significantly outweighed by the 1.6 per cent contribution of stock selection to this overall outperformance.

The longer term performance of the Fund is tabulated below.

	12 Months	3 Years	5 Years	10 Years	20 Years
Fund	6.2	7.3	12.3	7.8	7.5
Benchmark	4.2	6.4	11.5	7.4	7.0
Relative Return	2.0	0.9	0.8	0.4	0.5

Over the longer term, the Fund’s investment returns have been consistently strong, and over the 37 years that the Fund’s performance has been measured, it has outperformed its benchmark by over 0.3 per cent year-on-year.

In comparison to the investment performance of its Local Authority peer group, the Fund ranks in the top quartile over 20 years.

Measured on a “risk adjusted” basis which captures the amount of risk a fund is taking to achieve a given return, Merseyside Pension Fund demonstrates a lower volatility over three years than the average Local Authority fund which means that it can boast a better return profile than three quarters of the Local Authority Scheme Universe.

## Responsible Investment

Over the period, the Fund continued to work with LAPFF (the Local Authority Pension Fund Forum) and other institutional investors to promote and implement responsible investment.

Executive remuneration and severance packages continued to remain a topical issue, and the Fund was active in engaging with companies over this and other governance issues.

The Fund is represented on the IIGCC (Institutional Investment Group on Climate Change), and is a signatory to the UNPRI (United Nations Principles of Responsible Investment).

Further information on responsible investment and governance issues, and details of the Fund’s voting record is available on the website.



# Investment Report

Year ended 31 March 2014

## Comparative Returns for the Fund

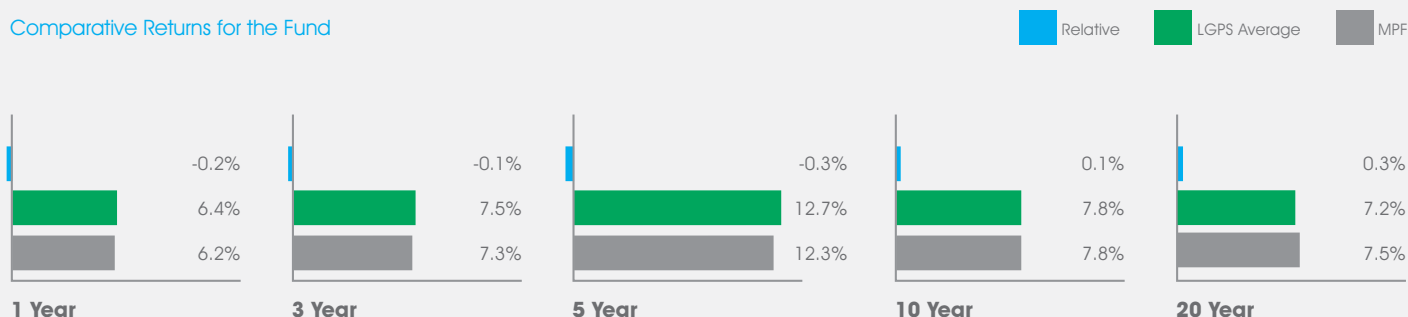


Figure 1.  
Portfolio Distribution (Market Value at 31 March 2014)

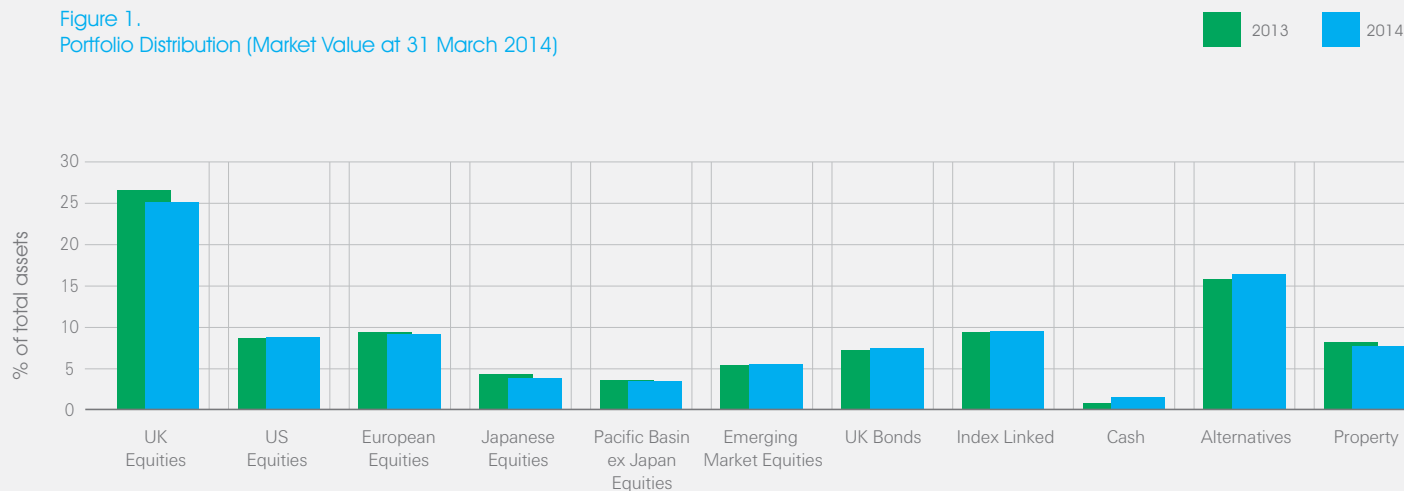
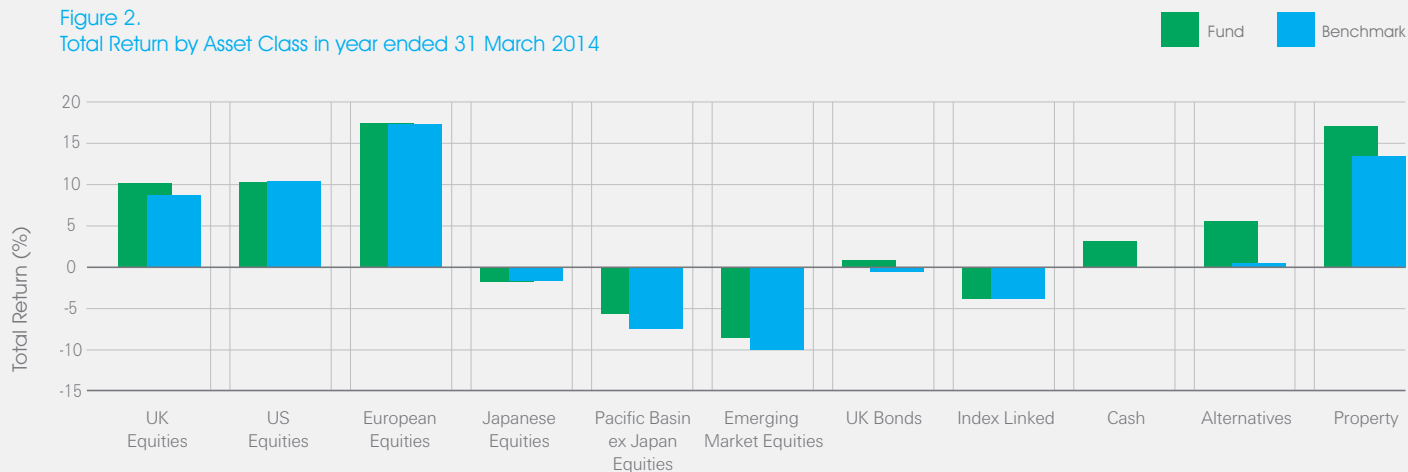


Figure 2.  
Total Return by Asset Class in year ended 31 March 2014



### Largest UK Property Holdings as at 31 March 2014

Property	Market Value £'000
Supermarket, Heswall	29,500
Fort Retail Park, Birmingham	26,500
Curzon Street, Mayfair	21,000
Tunsgate Shopping Centre, Guildford	20,750
Farnham Retail Park	18,800
Middlemarch Business Park, Coventry	16,900
Brookfield Park, Rotherham	15,200
Holmer Road, Hereford	14,700

### Strategic Asset Structure

Asset Class	Strategic Benchmark %	Detail %
<b>UK Equities</b>	<b>23</b>	
<b>Overseas Equities</b>	<b>30</b>	
US		8
European (ex UK)		8
Japan		4
Asia Pacific		4
Emerging Markets		6
<b>Fixed Interest</b>	<b>19</b>	
UK Gilts		4
UK Index Linked Gilts		11
Corporate Bonds		4
<b>Property</b>	<b>8</b>	
<b>Alternatives</b>	<b>20</b>	
Private Equity		5
Hedge Funds		5
Opportunities		5
Infrastructure		5
<b>Cash</b>	<b>0</b>	
<b>Total</b>	<b>100</b>	

### Largest UK Equity Holdings as at 31 March 2014

Company	Market Value £	of Fund NAV* %
British American Tobacco	£38,312,720	0.63%
HSBC	£27,299,282	0.45%
BG Group	£26,652,129	0.44%
Rio Tinto	£25,015,664	0.41%
BP	£23,375,669	0.38%
Vodafone	£21,796,548	0.36%
Compass Group	£21,711,733	0.35%
GlaxoSmithKline	£21,072,335	0.34%
British Sky Broadcasting Group	£20,636,886	0.34%
Wolseley	£20,346,854	0.33%
<b>Total</b>	<b>£246,219,820</b>	<b>4.02%</b>

\*Net Asset Value

# Financial Performance

The table below describes the Fund's performance for key financial variables against forecasts (forecast January 2013) for the 12 months to 31 March 2014.

	2013/14 or at 31 March 2014	
	Predicted	Actual
<b>Fund Size 2013</b>	<b>£5,818,901m</b>	<b>£5,818,901m</b>
<b>Fund Size 2014</b>	<b>£6,175,003m</b>	<b>£6,124,294m</b>
Pensions Paid	£265,542m	£275,764m
Contributions Received	£236,939m	£246,221m
Net Transfers	level	-£4,813m
Administration Costs	£3,691m	£4,058m
<b>Net Cash Flow from Members</b>	<b>-£32,294m</b>	<b>-£38,414m</b>
Investment Income	£92,059m	£108,807m
Investment Management Costs	£13,108m	£12,638m
Change in valuation of assets	£309,445m	£247,638m
<b>Net Return from Investments</b>	<b>+£388,396m</b>	<b>+£343,807m</b>
<b>Net Change Overall</b>	<b>+£356,102m</b>	<b>+£305,393m</b>

The key variance between the forecast and the actual performance was the return on investments. The contributions received were more than expected due to employers paying additional deficit contributions during the year.

The Fund monitors its costs closely, the table below shows the out-turn against administration and investment costs for the year:

	12 months to 31 March 2014			
	Investments and Accountancy		Administration	
	Budget	Actual	Budget	Actual
Employees	£777,000	£797,000	£1,851,000	£1,746,000
Premises	£47,000	£49,000	£141,000	£163,000
Transport	£22,000	£7,000	£6,000	£2,000
Investment fees	£11,556,000	£11,301,000	£0	£0
Other Supplies and Services	£771,000	£724,000	£575,000	£485,000
Third Party	£178,000	£442,000	£66,000	£318,000
Devolved Administration	£0	£0	£173,000	£176,000
Recharges	£305,000	£246,000	£420,000	£360,000
(Income)	£0	£0	-£88,000	-£86,000
<b>Total</b>	<b>£13,656,000</b>	<b>£13,566,000</b>	<b>£3,144,000</b>	<b>£3,164,000</b>

\* Note: The internal management arrangements of the Fund and responsibilities for cost centres are different to accounting standards for the final accounts. Premises expenditure is agreed as a notional charge based on market rates, as MPF owns the building.



Overall the actual out-turn for 2013/14 was £16.7 million and was in line with the original budget approved by Pensions Committee 24 June 2013 of £16.8 million.

The Fund has a 3 year budget as approved by Pensions Committee. This is detailed in the table below.

	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Employees	£3,104	£3,166	£3,229
Premises	£215	£220	£226
Transport	£30	£30	£31
Investment fees	£13,154	£14,061	£15,031
Other Supplies and Services	£1,292	£1,327	£1,363
Third Party	£470	£482	£495
Recharges	£615	£615	£615
(Income)	-£89	-£91	-£93
<b>Total</b>	<b>£18,791</b>	<b>£19,810</b>	<b>£20,897,000</b>

# Financial Performance

The assumptions that underpin this budget are that over the next 3 years 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. The budget also allows for some growth in staffing and IT costs for the administration of the 2014 scheme.

The predictions for key financial variables over the next 3 years using the same assumptions as for the budget are detailed in the table below:

	2014/15	2015/16	2016/17
	£'000	£'000	£'000
<b>Fund Size Start of Year</b>	<b>£6,124,294</b>	<b>£6,491,728</b>	<b>£6,768,709</b>
<b>Fund Size End of Year</b>	<b>£6,491,728</b>	<b>£6,768,709</b>	<b>£7,062,675</b>
Pensions Paid	£283,209	£290,855	£298,709
Contributions Received	£366,221	£191,145	£195,938
Net Transfers	-£73,238	£0	£0
Administration Costs	£4,301	£4,387	£4,475
<b>Net Inflow from members</b>	<b>£5,473</b>	<b>-£104,097</b>	<b>-£107,246</b>
Investment Income	£115,336	£122,256	£129,591
Investment Management Costs	£13,396	£14,200	£15,052
Change in valuation of assets	£260,021	£273,022	£286,673
<b>Net return from Investments</b>	<b>£361,961</b>	<b>£381,078</b>	<b>£401,212</b>
<b>Net change overall</b>	<b>£367,434</b>	<b>£276,981</b>	<b>£293,966</b>

The material variable in these assumptions is investment returns. If returns over the next few years are different from the predicted long term average (6.9% per annum) 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.

During 2014/15 there are two known bulk transfers of assets and liabilities:

On the 1 April 2014 MPF becomes the appropriate LGPS Fund for all scheme members who have accrued LGPS

benefits as a result of employment with Local Government Association for which a transfer of assets will be received during 2014/15 estimated at £35.7 million, liabilities will also be received with an estimated value of £40.9 million.

As part of the transforming rehabilitation programme MPF will transfer the Probation Trust liabilities on 1 June 2014 with an estimated value of £149.5 million to Greater Manchester Pension Fund and transfer assets estimated at £108.9 million during 2014/15.

The contributions received in 2014/15 are higher due to a number of employers opting to pay their three year deficits calculated by the actuary in year 1 (2014/15), 2015/16 and 2016/17 have been reduced accordingly for these known changes.

# Financial Statements

## Fund Account - for year ended 31 March 2014

	Note	2013	2014
		£'000	£'000
<b>Contributions and Benefits</b>			
Contributions receivable	7	231,160	246,221
Transfers in	8	9,495	10,929
Administration income		243	255
		<b>240,898</b>	<b>257,405</b>
Benefits payable	9	259,065	275,764
Payments to and on account of leavers	10	11,848	15,742
Administration expenses	11	4,244	4,313
		<b>275,157</b>	<b>295,819</b>
<b>Net (withdrawals)/additions from dealings with members</b>		<b>(34,259)</b>	<b>(38,414)</b>
<b>Return on Investments</b>			
Investment income	12	89,185	110,048
Profit and losses on disposal of investments and changes in value of investments	14	578,835	247,638
Taxes on income	12	(3,068)	(1,241)
Investment management expenses	13	(12,175)	(12,638)
<b>Net return on Investments</b>		<b>652,777</b>	<b>343,807</b>
<b>Net increase/(decrease) in the Fund during the year</b>		<b>618,518</b>	<b>305,393</b>
Net assets of the Fund at the start of the year		5,200,383	5,818,901
<b>Net assets of the Fund at the end of year</b>		<b>5,818,901</b>	<b>6,124,294</b>

## Net Assets Statement as at 31 March 2014

	Note	2013	2014
		£'000	£'000
<b>Investment Assets</b>	14		
Equities		1,759,476	1,838,855
Pooled Investment Vehicles		3,614,051	3,822,027
Derivative Contracts		1,823	4,131
Direct Property		283,615	310,650
Short Term Cash Deposits		62,329	31,780
Other Investment Balances		50,734	52,889
		<b>5,772,028</b>	<b>6,060,332</b>
<b>Investment Liabilities</b>	17	(7,156)	(8,666)
		<b>5,764,872</b>	<b>6,051,666</b>
<b>Long Term Assets</b>	18	12,743	12,638
<b>Current Assets</b>	19	55,170	72,405
<b>Current Liabilities</b>	19	(13,884)	(12,415)
<b>Net assets of the Fund as at 31 March</b>		<b>5,818,901</b>	<b>6,124,294</b>

# Notes to the Accounts

## 1. General

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

The following description of the Fund is a summary only. For more detail, reference should be made to Merseyside Pension Fund Annual Report 2013/14 and the underlying statutory powers underpinning the Scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

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.

Membership of the LGPS is voluntary and employees are free to choose whether to join the Scheme, 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.

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.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the government announced that the method of indexation would change from the retail price index to the consumer price index. This change took effect from 1 April 2011.

The introduction of LGPS 2014 has resulted in the most significant change in the structure of the Scheme in its history, as it moved from being a final salary scheme to a Career Average Revalued Earnings scheme.

The Scheme is still a defined benefit Scheme but from 1 April 2014 pension accounts will build up each Scheme year based on pay including non-contractual overtime rather than final salary at leaving. The accrual rate has increased from 1/60th to 1/49th with the vesting period extended from 3 months to 2 years.

Average member contributions to the Scheme remain at 6.5% but the contribution rate is based on actual pay as opposed to full time equivalent pay as previously determined. Whilst there is no change to average member contributions, the lowest paid will pay the same or less and the highest paid will pay higher contributions on a more progressive scale after tax relief.

There is more flexibility when accessing pension benefits with the option to take benefits at any age from 55 to 75. In the new Scheme, Normal Pension Age (NPA) is linked to an individual member's State Pension Age.

There is also more flexibility with the 50/50 option which affords member's the opportunity to pay half the contribution rate (depending on the salary band applicable to the employee) for a limited period and build up half of the normal pension during the time in that option of the Scheme.

Whilst many elements of the Scheme have changed, some provisions remain the same and members who are automatically moved across to the new Scheme retain the final salary link for pre 2014 membership. The 85 year rule protections and normal pension age as defined under the former regulations for protected membership, are retained.

The changes to the Scheme will not affect those people already in receipt of a pension or with pre 2014 deferred pension entitlements.

## 2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2013/14 financial year and its position at year end as at 31 March 2014. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 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, are shown within the statement by the Actuary which is published as an addendum to the accounts.

## 3. 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. 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. Augmentation



and pension strain payments due from employers in future years are accrued for (see note 7 and 18). For 2013/14 benefits payable includes interest on late payment (£143,686), previously shown as administration expenses.

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.

### Administration Expenses

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

### Investment Management Expenses

All investment management 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.

Estimates for post year end outstanding items have been used for external Investment Management fees using the Fund's valuations as at 31 March 2014.

For certain unquoted investments including Private Equity, Hedge Funds, Opportunities and Infrastructure the Fund do 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.

The cost of obtaining investment advice from external consultants is included in investment management expenses.

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

### Investment Income

Income from Equities is accounted for when the related investment is quoted ex dividend. Income from Pooled Investment Vehicles and interest on 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.

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.

### Rental Income

Rental income from properties is taken into account by reference to the periods to which the rents relate and is shown net 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.

### Valuation of Investments

Financial assets are included in the Net Asset Statement on a fair value basis as at the reporting date. 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 should the securities have 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.

# Notes to the Accounts

- 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.
- Direct Property is valued at fair value as defined by the IASB and market rent as set out in VS 3.3 of the Professional Standards, as at the reporting date. Direct Properties have been valued independently by Colliers International in accordance with Royal Institute of Chartered Surveyors Valuation Professional Standards as at 31 March 2014.
- 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.

## 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.

## 4. Critical Judgements In Applying Accounting Policies

The Fund has not applied any critical judgements.

## 5. Estimation

### 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 has in place procedures 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 2014 was £1,261 million (£1,123 million at 31 March 2013).

Private Equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

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.

## 6. Events After the Balance Sheet Date

There have been no events since 31 March 2014, and up to the date when these accounts were authorised, that require any adjustments to these accounts. However, disclosure is required for non-adjusting events:

During 2014/15 there are two bulk transfers of assets and liabilities:

- On 1 April 2014 MPF becomes the appropriate LGPS Fund for all Scheme members who have accrued LGPS benefits as a result of employment with the Local Government Association for which a transfer of assets will be received during 2014/15 estimated at £35 million.
- As part of the transforming rehabilitation programme MPF will transfer the Probation Trust liabilities on 1 June 2014 to Greater Manchester Pension Fund and transfer assets estimated at £108 million during 2014/15.

## 7. Contributions Receivable

	2013	2014
	£'000	£'000
<b>Employers</b>		
Normal	96,738	96,049
Augmentation	311	22
Pension Strain	10,369	15,772
Deficit Funding	70,703	82,232
<b>Employees</b>		
Normal	53,039	52,146
	<b>231,160</b>	<b>246,221</b>
relating to: Administering Authority	32,574	35,925
Statutory Bodies	166,715	169,607
Admission Bodies	31,871	40,689
	<b>231,160</b>	<b>246,221</b>

Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2014. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The contributions above were calculated at the valuation dated 31 March 2010. The 2010 actuarial valuation calculated the average employer contribution at 18%. The last valuation was at 31 March 2013 and calculated the average employer contribution at 22.5%.

"Augmentation" represents payments by employers to the Fund for the costs of additional membership benefits awarded under LGPS regulations. An accrual has been made for agreed future payments to the Fund.

"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.

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2013/14 no such charges were levied.

## 8. Transfers In

	2013	2014
	£'000	£'000
Group Transfers	-	-
Individual Transfers	9,495	10,929
	<b>9,495</b>	<b>10,929</b>

## 9. Benefits Payable

	2013	2014
	£'000	£'000
Pensions	214,886	224,767
Lump Sum Retiring Allowances	39,552	45,745
Lump Sum Death Benefits	4,627	5,252
	<b>259,065</b>	<b>275,764</b>
relating to: Administering Authority	35,083	41,291
Statutory Bodies	187,856	197,079
Admission Bodies	36,126	37,394
	<b>259,065</b>	<b>275,764</b>

## 10. Payments to and on Account of Leavers

	2013	2014
	£'000	£'000
Refunds to Members Leaving Service	6	18
Payment for Members Joining State Scheme	2	4
Income for Members from State Scheme	(4)	(7)
Group Transfers to other Schemes	-	-
Individual Transfers to other Schemes	11,844	15,727
	<b>11,848</b>	<b>15,742</b>

## 11. Administration Expenses

	2013	2014
	£'000	£'000
Administration and Processing	3,907	3,775
Actuarial Fees	255	475
External Audit Fees	38	31
Internal Audit Fees	44	32
	<b>4,244</b>	<b>4,313</b>

# Notes to the Accounts

Actuarial fees above are shown gross of any fees that have been recharged to employers, included within Administration Income for 2013/14 is £163,061 relating to recharged Actuarial fees (2012/13 £149,443).

External Audit fees have been reduced in 2013/14 due to a rebate received of £5,047 from Audit Commission relating to previous years. External Audit fees also include £2,180 relating to additional services in respect of IAS19 assurances for admitted body auditors.

## 12. Investment Income

	2013	2014
	£'000	£'000
Dividends from Equities	56,083	57,219
Income from Pooled Investment Vehicles	15,931	26,254
Net Rents from Properties	14,071	21,646
Interest on Short Term Cash Deposits	539	927
Income from Private Equity	1,528	2,824
Income from Derivatives	188	67
Other	845	1,111
	<b>89,185</b>	<b>110,048</b>
Irrecoverable Withholding Tax	(3,068)	(1,241)
	<b>86,117</b>	<b>108,807</b>

Rents from Properties	
Rental Income	18,541
Direct Operating Expenses	(4,470)
<b>Net Rent from Properties</b>	<b>14,071</b>

Rental income for 2013/14 includes £3.2 million relating to 2012/13.

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £2.5 million (2012/13 £1.1 million).

Included within Interest on Short Term Deposits is £361,300 relating to a repayment from Heritable Bank, with impairments to the principal in previous years accounts it is shown as interest.

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, but is not accruing for future receipt of such income within these accounts. Repayments received in 2013/14 £343,155 (2012/13 £120,932).

## 12a 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 Asset 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:

	2013	2014
	£'000	£'000
<b>Age profile of lease income</b>		
No later than one year	520	519
Between one and five year	2,119	1,705
Later than five years	15,382	15,935
<b>Total</b>	<b>18,021</b>	<b>18,159</b>

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 entered into, such as adjustments following rent reviews.

## 13. Investment Management Expenses

	2013	2014
	£'000	£'000
External Management Fees	11,125	11,301
External Services	678	801
Internal Management Costs	372	536
	<b>12,175</b>	<b>12,638</b>



## 14. Investments

	Market Value 31.3.13 £'000	Purchases at Cost and Derivative Payments £'000	Sale Proceeds and Derivative Receipts £'000	Change in Market Value* £'000	Market Value 31.3.14 £'000
Equities	1,759,476	758,691	(774,123)	94,811	1,838,855
Pooled Investment Vehicles	3,614,051	414,008	(314,912)	108,880	3,822,027
Derivative Contracts	1,823	902,610	(918,034)	17,732	4,131
Direct Property	283,615	25,109	(26,276)	28,202	310,650
	<b>5,658,965</b>	<b>2,100,418</b>	<b>(2,033,345)</b>	<b>249,625</b>	<b>5,975,663</b>
Short Term Cash Deposits	62,329			5	31,780
Other Investment Balances	50,734			(1,992)	52,889
	<b>5,772,028</b>			<b>247,638</b>	<b>6,060,332</b>

	Market Value 31.3.12 £'000	Purchases at Cost and Derivative Payments £'000	Sale Proceeds and Derivative Receipts £'000	Change in Market Value* £'000	Market Value 31.3.13 £'000
Equities	1,514,762	662,469	(657,885)	240,130	1,759,476
Pooled Investment Vehicles	3,216,404	1,595,636	(1,552,783)	354,794	3,614,051
Derivative Contracts	6,669	181,075	(175,836)	(10,085)	1,823
Direct Property	290,965	19,540	(14,132)	(12,758)	283,615
	<b>5,028,800</b>	<b>2,458,720</b>	<b>(2,400,636)</b>	<b>572,081</b>	<b>5,658,965</b>
Short Term Cash Deposits	56,271			71	62,329
Other Investment Balances	75,895			6,683	50,734
	<b>5,160,966</b>			<b>578,835</b>	<b>5,772,028</b>

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

Transaction costs include fees and commissions paid to Agents, Advisers, Brokers and Dealers, levies by regulatory agencies and securities exchanges, transfer taxes and duties. They have been added to purchases and netted against sales proceeds as appropriate. Transaction costs during the year amounted to £3.1 million (2012/13 £1.5 million). In addition to these costs, 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.

# Notes to the Accounts

## 14a. Analysis of Investments

	2013	2014
	£'000	£'000
<b>Equities (segregated holdings)</b>		
UK Quoted	756,993	823,202
Overseas Quoted	1,002,483	1,015,653
	<b>1,759,476</b>	<b>1,838,855</b>

	2013	2014
	£'000	£'000
<b>Pooled Investment Vehicles</b>		
UK Managed Funds:		
Property	25,250	3,000
Equities	206,701	267,606
Private Equity	169,256	189,094
Hedge Funds	58,662	60,085
Corporate Bonds	205,616	208,191
Infrastructure	49,300	51,735
Opportunities	142,318	199,613
Overseas Managed Funds:		
Equities	362,834	328,730
Private Equity	132,413	138,381
Hedge Funds	193,496	210,046
Infrastructure	39,538	74,750
Opportunities	48,362	76,538
UK Unit Trusts:		
Property	84,237	83,032
Overseas Unit Trusts:		
Property	59,996	71,271
Unitised Insurance Policies	1,836,072	1,859,955
	<b>3,614,051</b>	<b>3,822,027</b>

	2013	2014
	£'000	£'000
<b>UK Properties</b>		
Freehold	228,715	276,150
Leasehold	54,900	34,500
	<b>283,615</b>	<b>310,650</b>
Balance at the Start of the Year	290,965	283,615
Additions	19,540	25,109
Disposals	(14,132)	(26,276)
Net Gain/Loss on Fair Value	(3,363)	(12,850)
Transfers In/Out	-	-
Other Changes in Fair Value	(9,395)	41,052
<b>Balance at the End of the Year</b>	<b>283,615</b>	<b>310,650</b>

As at 31 March 2014 there were no amounts of restrictions on the realisability of investment property or of income and proceeds of disposal.

Contractual obligations for development, repairs and maintenance amounted to £201,888 (2012/13 £509,523). There were no obligations to purchase new properties.

	2013	2014
	£'000	£'000
<b>Short Term Cash Deposits</b>		
Sterling	61,304	30,750
Foreign Currency	1,025	1,030
	<b>62,329</b>	<b>31,780</b>

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

The foreign currency deposit is an ISK deposit held in an escrow account following the distribution by the Glitnir Winding Up Board. Under the applicable currency controls operating in Iceland, the permission of the Central Bank of Iceland is required to release Icelandic Krona payments held within the Icelandic banking system. The deposit is earning market interest rates.

	2013	2014
	£'000	£'000
<b>Other Investment Balances</b>		
Amounts Due from Brokers	-	83
Outstanding Trades	3,257	7,397
Outstanding Dividend Entitlements and Recoverable Withholding Tax	12,649	11,768
Cash Deposits	34,828	33,641
	<b>50,734</b>	<b>52,889</b>

## 14b. Icelandic Deposits

At the time Iceland banks collapsed in October 2008, the Fund had two investments £2.5 million with Heritable Bank and £5 million with Glitnir Bank.

During 2013 the Administrators for Heritable Bank paid the fourteenth dividend, bringing the total repayment to 94%. It is assumed no further dividends are to be paid.

In December 2011, the courts determined that local authority deposits with Glitnir Bank qualified for priority status. In March 2012, 81 pence in the £ was recovered and the remaining 19% is held in Icelandic Krona in an escrow account.

The total amount of accrued interest is £nil (2012/13 £192,319).

## 14c. Analysis of Derivatives

### Futures

Type	Expires	Economic Exposure	Market Value 31/03/2013	Economic Exposure	Market Value 31/03/2014
		£'000	£'000	£'000	£'000
<b>Assets</b>					
EURO STOXX 50 Index Futures	Jun-14	(480)	(48)	830	83
Swiss Market Index Futures	Jun-13	(1)	-	-	-
<b>Total Assets</b>			-		<b>83</b>
<b>Liabilities</b>					
			(48)		-
<b>Total Liabilities</b>			(48)		-
<b>Net Futures</b>			(48)		<b>83</b>

A Futures contract is the obligation under a legal agreement to make or take delivery of a specified instrument at a fixed future date, at a price determined at the time of dealing. Merseyside Pension Fund's Index Futures Contracts are externally managed and their objective is to hedge overseas investment positions against adverse index movements. Futures dealing requires the posting of margin. Initial margin which must be posted before

you can trade and variation margin, the mark-to-market value of the futures contracts you hold. Variation margin is exchanged daily and exists to reduce counterparty credit exposure. Collateral is held in EUR and GBP currency and the sterling equivalent is £249,852. DJ Euro STOXX 50 have a contract multiplier of x10 therefore the notional value underlying the futures contracts is £0.83 million.

# Notes to the Accounts

## Forward Currency Contracts

	Settlement Date	Currency bought	Currency sold	Asset	Liability
		'000	'000	£'000	£'000
Forward currency contracts	Up to one month	GBP 127,994	EUR 153,024	1,482	-
Forward currency contracts	Up to three months	GBP 5,717	EUR 6,856	47	-
Forward currency contracts	Up to three months	GBP 1,929	CHF 2,816	15	-
Forward currency contracts	Up to three months	GBP 131,766	JPY 22,185,000	2,504	-
				<b>4,048</b>	<b>-</b>
<b>Net Forward Currency Contracts at 31 March 2014</b>					<b>4,048</b>
Prior Year Comparative					
Open Forward Currency Contracts at 31 March 2013				1824	(1)
Net Forward Currency Contracts at 31 March 2013					1823

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.

**14d. Summary of Managers Portfolio  
Values as at 31 March 2014**

	2013		2014	
	£'m	%	£'m	%
<b>Externally Managed</b>				
JP Morgan (European equities)	172	3.0	191	3.1
Nomura (Japan)	272	4.7	239	4.0
Schroders (fixed Income)	206	3.6	208	3.4
Legal & General (Fixed Income)	241	4.2	239	3.9
Unigestion (European Equities and Pooled Emerging Markets)	224	3.9	233	3.8
M&G (UK Equities)	181	3.1	179	2.9
M&G (Global Emerging Markets)	145	2.5	130	2.1
TT International (UK Equities)	181	3.1	186	3.1
Blackrock (UK Equities)	193	3.3	190	3.1
Blackrock (Pacific Rim)	129	2.2	121	2.0
Blackrock (QIF)	-	-	60	1.0
Newton (UK Equities)	168	2.9	191	3.1
Amundi (Global Emerging Markets)	132	2.3	117	1.9
Maple-Brown Abbot (Pacific Rim Equities)	132	2.3	124	2.0
State Street Global Advisor (Passive Manager)	1,595	27.7	1,620	26.9
	<b>3,971</b>	<b>68.8</b>	<b>4,028</b>	<b>66.3</b>

	2013		2014	
	£'m	%	£'m	%
<b>Internally Managed</b>				
UK Equities	272	4.7	318	5.3
European Equities	148	2.6	176	2.9
Property (Direct)	284	4.9	311	5.1
Property (Indirect)	172	3.0	161	2.7
Private Equity	302	5.2	327	5.5
Hedge Funds	252	4.4	270	4.5
Infrastructure	89	1.5	126	2.1
Opportunities	198	3.4	292	4.8
Short Term Deposits & Other Investments	84	1.5	51	0.8
	<b>1,801</b>	<b>31.2</b>	<b>2,032</b>	<b>33.7</b>
	<b>5,772</b>	<b>100.0</b>	<b>6,060</b>	<b>100.0</b>

**The following holdings each represent more than 5% of the net assets of the Fund:**

	2013		2014	
	£000	%	£000	%
SSGA Pooled UK Index Linked Gilts	635,975	11.1	581,169	9.7
SSGA USA Equity Tracker	478,693	8.3	527,598	8.8
SSGA Pooled UK Equities	480,059	8.3	511,270	8.4

**14e. Stock Lending**

As at 31 March 2014, £160.2 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totalling £173.3 million, giving a margin of 8.2%. Collateral is marked to market, and adjusted daily. Income from Stock Lending amounted to £717,718 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.

The risks associated with Stock Lending are set out in the Fund's "Statement of Investment Principles".



# Notes to the Accounts

## 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 2013			
	Loans and Receivables	Financial Liabilities at Amortised Cost	Fair Value Through Profit and Loss
	Restated		Restated
	£000	£000	£000
<b>Financial Assets</b>	-	-	-
Equities	-	-	1,759,476
Pooled Investment Vehicles	-	-	3,614,051
Derivatives	-	-	1,823
Cash Deposits	62,329	-	-
Other Investment Balances	50,734	-	-
Long Term & Current Assets	67,913	-	-
<b>Total Financial Assets</b>	<b>180,976</b>	<b>-</b>	<b>5,375,350</b>
<b>Financial Liabilities</b>			
Other Investment Balances	-	(7,156)	-
Current Liabilities	-	(13,884)	-
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(21,040)</b>	<b>-</b>
<b>Net</b>	<b>180,976</b>	<b>(21,040)</b>	<b>5,375,350</b>

31 March 2014			
	Loans and Receivables	Financial Liabilities at Amortised Cost	Fair Value Through Profit and Loss
	£000	£000	£000
<b>Financial Assets</b>	-	-	-
Equities	-	-	1,838,855
Pooled Investment Vehicles	-	-	3,822,027
Derivatives	-	-	4,131
Cash Deposits	31,780	-	-
Other Investment Balances	52,889	-	-
Long Term & Current Assets	85,043	-	-
<b>Total Financial Assets</b>	<b>169,712</b>	<b>-</b>	<b>5,665,013</b>
<b>Financial Liabilities</b>			
Other Investment Balances	-	(8,666)	-
Current Liabilities	-	(12,415)	-
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(21,081)</b>	<b>-</b>
<b>Net</b>	<b>169,712</b>	<b>(21,081)</b>	<b>5,665,013</b>

Following a management review Other Investment Balances are shown under Financial Liabilities at Amortised Cost rather than Fair Value through Profit and Loss and values as at 31 March 2013 have been restated. 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

	2013	2014
	£'000	£'000
<b>Financial Assets</b>	Restated	
Fair Value Through Profit and Loss	584,839	221,423
Loans and Receivables	6,754	5
<b>Financial Liabilities</b>		
Financial Liabilities at Amortised Cost	-	(1,992)
Loans and Receivables	-	-
<b>Net</b>	<b>591,593</b>	<b>219,436</b>

### 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.

### 15d. Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classed into three levels, according to the quality and reliability of information used to determine fair values.

#### Level 1

Financial instruments 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

Financial instruments 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

Financial instruments 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 instruments 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.

# Notes to the Accounts

	31 March 2013				31 March 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets</b>	Restated			Restated				
Financial Assets at Fair Value Through Profit and Loss	4,535,966	47,358	792,026	5,375,350	4,714,290	47,900	902,823	5,665,013
<b>Total Financial Assets</b>	<b>4,535,966</b>	<b>47,358</b>	<b>792,026</b>	<b>5,375,350</b>	<b>4,714,290</b>	<b>47,900</b>	<b>902,823</b>	<b>5,665,013</b>

Following a management review of levels 1, 2 and 3 the values at 31 March 2013 have been restated to only show financial assets and liabilities held at fair value through profit and loss.

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

	2013	2014
	£'000	£'000
Opening Balance	699,061	792,026
Acquisitions	127,275	182,783
Disposal Proceeds	(85,709)	(102,043)
Transfer into Level 3	-	-
Total Gains/(Losses) included in the Fund Account:		
on Assets Sold	669	(3,112)
on Assets Held at Year End	50,730	33,169
<b>Closing Balance</b>	<b>792,026</b>	<b>902,823</b>

## 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 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 tables below 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.

# Notes to the Accounts

	Value March 2014	Potential Variance	Value on increase	Value on decrease
	£'m	%	£'m	£'m
UK Equities (all Equities including Pooled Vehicles)	1,603	20.0	1,924	1,282
US Equities	530	19.0	631	429
European Equities	552	20.0	662	442
Japan Equities	236	20.0	283	189
Emerging Markets Equities inc Pac Rim	554	28.5	712	396
UK Fixed Income Pooled Vehicles	448	11.0	497	399
UK Index Linked Pooled Vehicles	581	9.0	633	529
Pooled Property	157	14.5	180	134
Private Equity	327	26.0	412	242
Hedge Funds	270	8.0	292	248
Infrastructure	126	20.0	151	101
Other Alternative Assets	276	20.0	331	221
Short Term Deposits & Other Investment Balances	153	0.0	153	153
<b>Total</b>	<b>5,813</b>			

	Value March 2013	Potential Variance	Value on increase	Value on decrease
	£'m	%	£'m	£'m
UK Equities (all Equities including Pooled Vehicles)	1,444	22.4	1,767	1,121
US Equities	479	24.2	595	363
European Equities	499	25.7	627	371
Japan Equities	267	22.5	327	207
Emerging Markets Equities inc Pac Rim	599	31.8	789	409
UK Fixed Income Pooled Vehicles	447	7.0	478	416
UK Index Linked Pooled Vehicles	636	9.9	699	573
Pooled Property	169	14.3	193	145
Private Equity	302	31.6	397	207
Hedge Funds	252	14.5	289	215
Infrastructure	89	22.0	109	69
Other Alternative Assets	191	22.4	234	148
Short Term Deposits & Other Investment Balances	161	1.1	163	159
<b>Total</b>	<b>5,535</b>			



## 16b Credit Risk

The Fund does not hold any Fixed Interest Securities directly and the Managers of the Pooled Fixed Income Vehicles are responsible for managing credit risk, section 15a of this note covers the market risks of these holdings.

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 2014 was £31.8 million (31 March 2013 £62.3 million). This was held in instant access accounts with the following institutions:

	Rating (S&P)	Balances as at 31 March 2013	Balances as at 31 March 2014
		£'000	£'000
Royal Bank of Scotland	Long A- Short A-2	19,472	183
Lloyds Bank	Long A Short A-1	41,763	29,222
Northern Trust	Long AA Short A-1 +	-	1,345
Heritable (Iceland)		69	-
Iceland escrow account		1,025	1,030
<b>Total</b>		<b>62,329</b>	<b>31,780</b>

## 16c. Liquidity Risk

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 has a cash balance at 31 March of £31.8 million. The Fund also has £4,643 million in assets which could be realised in under 7 days notice, £564 million in assets which could be realised in under 90 days notice and £458 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 2013/14 in its dealing with members of £38 million, this is offset by investment income of £110 million.

# Notes to the Accounts

## 16d. Interest Rate Risk

Interest rates primarily affect the Fund's liabilities through the transmission mechanism from interest rates to government bond yields and ultimately 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 20%. 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. Investments Liabilities

	2013	2014
	£'000	£'000
Derivative Contracts	48	-
Amounts Due to Stockbrokers	7,108	8,666
	<b>7,156</b>	<b>8,666</b>

## 18. Long Term Assets

	2013	2014
	£'000	£'000
Assets Due in More than One Year	12,743	12,638
	<b>12,743</b>	<b>12,638</b>
relating to:		
Central Government Bodies	4,834	4,105
Other Local Authorities	6,928	6,949
NHS	-	-
Public Corporations and Trading Funds	173	493
Bodies External to General Government	808	1,091
	<b>12,743</b>	<b>12,638</b>

Payments are being received in respect of pensioner and deferred members of the Magistrates Courts, which was previously an active employer in the Fund. Year 1 is shown as a current asset, but years 2 - 5 have been discounted at a rate of 4% and are included above. Also discounted are future payments of pension strain to be paid by employers in 2015/16 onwards.

## 19. Current Assets and Liabilities

	2013	2014
	£'000	£'000
<b>Assets</b>		
Contributions Due	23,656	24,460
Amounts Due from External Managers	10,138	35,270
Accrued and Outstanding Investment Income	1,184	82
Sundries	14,244	12,646
Provision for Bad Debts	(1,265)	(1,022)
Cash at Bank	7,213	969
	<b>55,170</b>	<b>72,405</b>
relating to:		
Central Government Bodies	1,327	1,990
Other Local Authorities	19,000	18,497
NHS	2	2
Public Corporations and Trading Funds	606	207
Bodies External to General Government	34,235	51,709
	<b>55,170</b>	<b>72,405</b>

	2013	2014
	£'000	£'000
<b>Liabilities</b>		
Amounts Due to External Managers	1,491	-
Retirement Grants Due	2,044	2,612
Provisions	379	385
Miscellaneous	9,970	9,418
	<b>13,884</b>	<b>12,415</b>
relating to:		
Central Government Bodies	2,106	2,532
Other Local Authorities	2,075	2,015
NHS	-	-
Public Corporations and Trading Funds	4	26
Bodies External to General Government	9,699	7,842
	<b>13,884</b>	<b>12,415</b>
<b>Total Current Assets and Liabilities</b>	<b>41,286</b>	<b>59,990</b>

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

"Provision for Bad Debt" relates to property rental income, and is based on an assessment of all individual property debts as at 31 March 2014.

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.

# Notes to the Accounts

## 20. Contractual Commitments

Commitments for investments amounted to £457.80 million as at 31 March 2014. (2012/13 £288.40 million). These commitments relate to Private Equity £223.79 million, Infrastructure £94.08 million, Opportunities £59.49 million, Indirect Property £80.44 million. As some of these funds are denominated in foreign currencies, the commitment in sterling is subject to change due to currency fluctuations.

## 21. 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 favor of Wirral Council, as the Administering Authority of Merseyside Pension Fund and payment will only be triggered in the event of employer default.

## 22. 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.

Administration and Investment Management Costs include charges by Wirral Council in providing services in its role as Administering Authority to the Fund, which amount to £3.5 million. (2013 £3.5 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 £14.4 million and a creditor of £118,149 as at 31 March 2014.

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 2014 payroll are included within the debtors figure in note 19.

A specific declaration has been received from Pension Committee 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, all of whose Councillors may become scheme members, Wirral Council, CDS Housing, Greater Hornby Homes and 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.

During 2013/14 Liverpool City Council, an employer within the Fund purchased a property owned by MPF under normal market conditions for a value of £9.9 million.

A previous employee of MPF Patrick Dowdall, Investment Manager - Alternatives, during his employment acted in an un-remunerated advisory capacity on 8 investment bodies in which the Fund has an interest, Standard Life (£2.0 million), F&C (£9.2 million) and Palatine previously called Zeus (£4.0 million), by whom travel expenses and accommodation were paid, plus Key Capital (£7.1 million) Enterprise (£4.3 million), Capital Dynamics (£113.7 million), A&M Capital Partners (£1.5 million) and Blackrock Renewable Energy (£5.6 million).

Peter Wallach, Head of Pension Fund acts in an un-remunerated board advisory capacity on 3 investment bodies in which the Fund has an interest, Eclipse (£17.2 million), Standard Life (£2.0 million) and F&C (£9.2 million) by whom travel expenses and accommodation were paid.

Susannah Friar, Property Manager acts in an un-remunerated board advisory capacity on one investment body in which the Fund has an interest, Partners Group Real Estate Asia Pacific 2011 (£2.8 million), by whom travel expenses and accommodation were paid.

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

## Key Management Personnel

The remuneration paid to the Fund's senior employees is as follows:

Financial Year 2013/14	Employment Period	Salary £	Allowances £	Pension Contributions £	Total including Pension Contributions £
Head of Pension Fund	01/04/13 - 31/03/14	73,352	-	8,802	82,154
Senior Investment Manager	01/04/13 - 31/03/14	55,739	-	6,688	62,427

Financial Year 2012/13	Employment Period	Salary £	Allowances £	Pension Contributions £	Total including Pension Contributions £
Head of Pension Fund	01/04/12 - 31/03/13	73,352	-	8,802	82,154
Acting Senior Investment Manager	01/04/12 - 31/03/13	52,361	-	6,283	58,644

## 23. Additional Voluntary Contribution Investment

The Committee holds assets invested separately from the main Fund. In accordance with regulation 4 (2) (b) of the Pensions Schemes (Management and Investment of Funds) Regulations 2009, these assets are excluded from the Pension Fund accounts.

The Scheme providers are Equitable Life, 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.

	2013 £'000	2014 £'000
<b>The Aggregate Amount of AVC Investments is as Follows:</b>		
Equitable Life	2,543	2,380
Standard Life	6,105	6,030
Prudential	5,088	5,231
	<b>13,736</b>	<b>13,641</b>
<b>Changes During the Year were as Follows:</b>		
Contributions	2,051	1,835
Repayments	1,854	2,574
Change in Market Values	783	644

# Notes to the Accounts

## 24. Background Information

Merseyside Pension Fund operates the Local Government Pension Scheme (LGPS) which provides for the occupational pensions of employees (other than teachers, police officers and fire fighters) of the local authorities within the Merseyside Area. The current contributing employers are shown below. As at 31 March 2014, there were 45,583 active members (March 2013 44,707), 45,819 pensioners and dependants (March 2013 44,753), and 35,786 deferred beneficiaries (March 2013 34,481).

The overall responsibility for the management of the Fund rests with the Pensions Committee, which for 2013/14 included 11 councillors from Wirral Council, the Administering Authority, plus one councillor from each of the 4 other Borough Councils, and one member representing the other employers in the Scheme. 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. In 2010/11 a Governance and Risk Working Party was established.

The Pensions Committee reviews its Statement of Investment Principles. The principles ensure that the Fund's investments would continue to be determined by all relevant considerations including the Council's fiduciary duty to employing bodies and the Council taxpayer, rate of return, risk, environmental, social and governance considerations rather than a blanket policy of disinvestment from any specific industry or sector. The latest review was in November 2013, and is available on the Fund's website: [mpfmembers.org.uk](http://mpfmembers.org.uk).

Under the LGPS Regulations, employer contributions are calculated by the Fund's actuary, having regards to the assumptions and methodology set out in the Fund's Funding Strategy Statement (FSS). The most recent Triennial Valuation by the actuary was as at 31 March 2013, when the funding level was 76% of projected actuarial liabilities (**2010 78%**). 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 a maximum period for achieving full funding of 22 years.

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

The table below sets out the summary of the market (gilts) yields at the valuation date, together with the yields at the date of the previous valuation:

	31 March 2010	31 March 2013
Long-dated gilt yield	4.50%	3.20%
Long-dated index-linked gilt yield	0.07%	-0.40%
Market expectation for inflation (long term)	3.80%	3.60%

The actuarial assumptions to which the valuation results are particularly sensitive are:

	2013 Funding Target
Investment Return pre-retirement	4.6%
Investment Return post-retirement	4.6%
Salary increases	4.1%
Pension increases in payment	2.6%
Non-retired members mortality	SAPS tables + cmi 2012 (1.5%)
Retired members mortality	CMI SAPS tables with scheme and member category specific adjustments

**The next Triennial Valuation is on 31 March 2016.**



# 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 2014.

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

The 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 2014, and its income and expenditure for the year then ended.

A handwritten signature in black ink, appearing to read 'Nur J.', written over a light blue horizontal line.

**Section 151 Officer**  
**17 September 2014**

# Audit Report

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## INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF WIRRAL COUNCIL ON THE MERSEYSIDE PENSION FUND FINANCIAL STATEMENTS

We have examined the Merseyside Pension Fund financial statements for the year ended 31 March 2014, which comprise the Fund Account, the Net Assets Statement and the related notes.

This report is made solely to the members of Wirral Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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.

### **Respective responsibilities of the Director of Resources and the auditor**

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Director of Resources is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Merseyside Pension Fund financial statements within the Merseyside Pension Fund annual report with the Merseyside Pension Fund financial statements in the statement of accounts of Wirral Council and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We also read the other information contained in the Merseyside Pension Fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Merseyside Pension Fund financial statements. The other information consists of only the Chair's Introduction, Management report, Membership Statistics, Investment report, Financial performance and the Consulting Actuary's Statement.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's full annual statement of accounts describes the basis of our opinions on those financial statements.

### **Opinion**

In our opinion, the Merseyside Pension Fund financial statements are consistent with the full annual statement of accounts of Wirral Council for the year ended 31 March 2014 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

### **Grant Thornton UK LLP**

Royal Liver Building  
Liverpool  
L3 1PS

25 September 2014

# Consulting Actuary's Statement

## Accounts for the year ended 31 March 2014 - 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 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £5,819 million represented 76% of the Fund's past service liabilities of £7,688 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £1,869 million.



The valuation also showed that a common rate of contribution of 13.3% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allows for the new LGPS benefit structure effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 80% with a resulting deficit of £1,456 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £76m per annum increasing at 4.1% per annum (equivalent to approximately 9.1% of projected Pensionable Pay at the valuation date) for 22 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

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 Funding Target and the common contribution rate were as follows:

	For past Service Liabilities (Funding Target) per annum	For Future Service Liabilities (Common Contribution Rate) per annum
Rate of Return on Investments (Discount Rate):	4.6%	5.6%
Rate of Pay Increases*	4.1%	4.1%
Rate of Increases in Pensions in Payment (in Excess of Guaranteed Minimum Pension):	2.6%	2.6%

\* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value. The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

#### **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 2014 (the 31 March 2013 assumptions are included for comparison):

	<b>31 March 2013 per annum</b>	<b>31 March 2014 per annum</b>
Rate of Return on Investments (Discount Rate):	<b>4.2%</b>	4.5%
Rate of Pay Increases	<b>3.9%</b>	3.9%*
Rate of Increases in Pensions in Payment (in Excess of Guaranteed Minimum Pension):	<b>2.4%</b>	2.4%

\* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.5% p.a. versus 4.2% p.a.). The pay increase assumption at the year end has also changed to allow for a short-term public sector pay restraint as detailed in the actuarial valuation.

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2013 was estimated as £8,498 million. The effect of the changes in actuarial assumptions between 31 March 2013 and 31 March 2014 as described above, is to decrease the liabilities by c£516 million. Adding interest over the year increases the liabilities by c£356 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by £31 million. Finally, allowing for actual vs expected membership experience, which emerged at the 2013 valuation, gives a reduction in liabilities of c£315 million.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2014 is therefore £7,992 million.



**Paul Middleman**  
Fellow of the Institute and Faculty of Actuaries  
Mercer Limited  
June 2014

# **Merseyside Pension Fund**

## **Report & Accounts 2013/14**

### **Fund Policies**

<b>Communications Policy</b>	<b>2012</b>
<b>Funding Strategy Statement</b>	<b>2013</b>
<b>Governance Policy</b>	<b>2011</b>
<b>Statement of Investment Principles</b>	<b>2013</b>





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# COMMUNICATIONS POLICY 2012



(Approved by Pensions Committee - 17 January 2012)



## **Improving Communications**

### **Improving Services**

The principal aim of the Fund is to provide secure pensions, effectively and efficiently administered at the lowest cost to the contributing employers.

The Fund is committed to providing comprehensive information to all stakeholders, through the most appropriate communication medium. Effective communication cannot be left to chance and this document outlines the methods the Fund uses to meet this objective.

This statement will outline 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 'Five Pillars'**

The Fund has five key principles that support all of its communications. That all communication:

- Is factual and presented in plain language
- Is looked upon as involving a dialogue with others
- Is designed in a manner appropriate to its audience
- Is planned, co-ordinated and evaluated
- Exploits the developments and improvements of new technology.

### **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's Welfare Officer can arrange large print, audio or Braille versions of all printed 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.



## Printed Literature

The Fund produces all paper based communications in a corporate style, be that brochures, guides or individual letters. A consistent approach is taken with colour coding to help differentiate literature for specific audiences. All key communications are produced in a printed format and distributed to members as appropriate.

## 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, 43 Castle Street, open from 9 to 5, Monday to Friday. Private interview rooms are 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.

## Internet

The Fund has two websites that can be accessed via the portal:

[www.merseysidepensionfund.org.uk](http://www.merseysidepensionfund.org.uk)

Both websites have proven to be popular, valuable and immediate sources of information for members and other stakeholders.

Information about the Scheme is updated by Fund staff in a consistent, professional and accessible format. Electronic copies of Fund literature, policies and reports are available to download, for example, the 2012 Communications Policy.

The Fund provides online forms and secure areas on both websites for members and employers to conduct some business electronically, rather than using more traditional methods of communication.

## Members' Website – [mpfmembers.org.uk](http://mpfmembers.org.uk)

The website is specifically designed into individual sections for active, pensioner, deferred and dependant 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 records, calculate benefit projections and to update home address information.

## **Employers' Website – [mpfemployers.org.uk](http://mpfemployers.org.uk)**

A website for employer specific communications, the website is secured by a username and password available on request by an Employers Pension Liaison Officer.

It details the processes, procedures and forms required to effectively discharge the duties of an employer participating in the Scheme. Regular news items, such as changes to legislation, consultations and general administrative updates are communicated regularly to all registered users of the website.

## **Scheme Reform Website – [lgps2014.org](http://lgps2014.org)**

The Government is committed to the wide-ranging reform of the LGPS, following the publication of Lord Hutton's Final Report on 10 March 2011. The Fund has created a specific website for co-ordinating information, updates, surveys and consultations with its stakeholders. This site will be removed on completion of the establishment of a new scheme, expected in April 2014.

## **Social Media**

The Fund websites will make considered and appropriate use of social media tools to engage with our members. Extending the use of our e-mail alert service, together with establishing a Fund presence on Facebook and Twitter, demonstrates the Fund's on-going commitment to keeping up to date with the latest and fastest growing channels of communication.

## **Telephone**

All Fund communications 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.

## **Fax, Mail and E-Mail**

For general communications, the Fund has a central FAX number, email account and postal address.

## **Presentations & Courses**

The Fund delivers standard or tailored presentations on a wide range of subjects for both Employers and their staff. These presentations are provided at the request of Employers at geographically convenient locations by Fund staff and other specialists.

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 at the Fund premises in Liverpool city centre.

A list of presentations and courses is available from the Fund website and by request from the Communications team on **0151 242 1392**.

## **Roadshows**

The Fund can attend 'Roadshow' events arranged by employers where experts are present to give information to members and prospective members about the Scheme. These Roadshows can be run on a surgery basis with half-hour time slots for members and prospective members. This is particularly useful for employers with small numbers of staff.

## **Newsletters**

'Beeline' is the Fund's in-house newsletter published on average twice a year. With an audience of Scheme members and eligible non-members the newsletter aims to provide topical news, engaging articles, competitions and the latest information about the Scheme and pensions in general.

'Honeypot' is the Fund's in-house newsletter for pensioners. Published annually, the newsletter proves to be a useful way of providing updates on relevant changes in legislation, topical news, competitions, letters and in general maintaining a dialogue with our pensioner members.

Deferred members receive a newsletter called 'The Hive' with their Annual Benefit Statement, again providing updates on relevant changes in legislation, topical news and reminding the member to keep the Fund notified of any future changes in address.

## **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.

The Report & Accounts are distributed at the annual employers' conference in November and posted to all Employers unable to attend. Additional copies are available on request and an electronic version is available for download from the website. A summary of key messages and facts are published in the newsletters at the earliest opportunity.

## **Member's Home Addresses**

The Fund maintains the current home addresses of all members; this is used for distribution of all key communications with the exception of the beeline newsletter which is circulated by Employers. The Fund uses every opportunity to remind members on the importance of keeping the Fund informed of any change of address.

## Stakeholders of the Fund

### What the Fund provides for Scheme Members

#### Starter Pack

Each member joining the Fund receives a Starter Pack, containing copies of the Employees Guide, forms for changing membership details and other useful, relevant information.

#### Certificate of Membership

Within thirteen weeks of joining the Fund, each Member receives a Certificate detailing their demographic and service information as provided by their Employer.

#### Benefit Statement

An Annual Benefit Statement is sent direct to the home address of all active members of the Scheme. A Benefit Statement is sent direct to the home of deferred members where a current address is known.

#### Welfare Officer

The Fund's Welfare Officer provides direct help and support to members, including those with a serious illness, and will also assist and advise employers. Pensioners achieving their 100th birthday are visited by the Welfare Officer and a Senior Officer of the Fund where a presentation of a card, gift and photograph album is made.

#### Retirement Pack

All active members on reaching 58 years of age receive a comprehensive retirement pack providing information on the Scheme, the State Scheme and other important retirement issues for consideration.

#### Pay Advice/P60

The Fund issues a pay advice in April and a P60 tax advice in May to all Scheme pensioners. Scheme pensioners can access an electronic history of pay advice and P60 from the Fund website. Protected by a secure personal identity number (PIN) and password, an application form for Internet access is available on the website.

#### Pensioners Living Abroad

The Fund undertakes an annual correspondence exercise in order to establish the continued existence of pensioners living abroad.

### What the Fund provides for Prospective Members

#### Scheme Booklet

The Fund produces an information booklet on the Local Government Pension Scheme. This should be provided by Scheme Employers to all new employees as part of their offer of employment, terms and conditions.

## **Promotional Campaigns**

Periodically the Fund produces dedicated marketing literature that is sent to those who choose not to join or opt to leave the Scheme. This literature promotes the benefits of having an occupational pension and gives the person an option to join the Scheme.

## **Pay Advice**

Periodically, the Fund in collaboration with Scheme Employers identifies prospective members and utilises the payroll process to distribute targeted communications.

## **Training & Induction**

The Fund works with Scheme Employers and Trade Unions to ensure that all interested parties are kept up-to-date on the latest Scheme regulations and the advantages of being a member of an occupational pension scheme.

This training also covers the key points that should be covered as part of the induction of new employees and members to the Scheme.

## **Other Employer Communications**

The increasing role of communication within all organizations, mean that more Employers have staff newsletters, intranets and other broadcast communications. The Fund actively works with Employers to provide their employees with the best information and opportunities in regard to the Scheme.

## What the Fund provides for Employing Authorities

### Annual Conference

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

### 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.

### Pensions Administration Strategy

Published on and supported by the Employers' website, the strategy outlines the service and performance standards of the Fund and Employers in providing a cost-effective, inclusive and high quality pensions administration service.

### Serious Illness Training

The Fund provides specialist training for employers, working with Occupational Health on how to communicate and advise members with a serious illness.

### Newsflash E-mails & Posters

The Fund on occasion issues 'Newsflash' communications to alert both members and employers of changes in pension administration or legislation. Electronic versions are always available on the website, and large printed posters are distributed to employers for display on notice boards in staff areas.

### 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. Smaller Scheme employers have an elected representative on the Pensions Committee to act on their behalf.

### Pensions Committee

The Committee is comprised of fifteen members, representing the principal employing authorities and non-Scheme employers in the Fund. Trade Union representatives of Scheme members are invited as observers and the meetings are open to the public.

Meeting at least five times a year, details of meetings and all minutes are available from the Wirral Council website ([www.wirral.gov.uk/minute/](http://www.wirral.gov.uk/minute/))



The Fund has an ongoing training programme for Members and Officers to ensure that decision making is on an informed basis. Training seminars are delivered by senior members of the internal team and external experts including senior officials from the Department of Communities and Local Government. Trade Union observers are invited to attend the sessions. Elected members are also encouraged to attend national training courses arranged by the LGPC and other national bodies

### **Access to Computerised Pensions Administration System**

Each large employer is provided with a dedicated computer and printer to access the pension records of their current employees, providing the facility to provide estimates direct to employees.

## **Fund Staff**

### **Administering Authority**

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. All Fund Staff are employed by Wirral Council.

### **Fund Operating Group**

The Fund is managed by the Pension Administration and Investments sections whose senior officers report to the Assistant Director of Finance – Pensions.

The Fund Operating Group comprises the Director of Finance, Deputy Director of Finance Assistant Director of Finance – Pensions, Divisional Managers and other senior staff. It meets on a monthly basis and discusses items of a strategic nature.

### **Training & Support**

The Fund seeks to continually improve the capacity of staff to communicate effectively and to understand the importance of good communications. Both general and pensions-specific training is provided to all staff as part of the Fund's commitment to continual improvement.

### **Intranet & E-mail**

Each member of staff has access to e-mail and the Fund's 'intranet' which contains electronic copies of all key documentation, procedure manuals, minutes of meetings and circulars.

### **Section Head Meetings**

Senior staff meet regularly to share information, work programmes and developments in legislation, regulations and administration. This ensures a shared understanding of any issues and ensures each section's involvement in their solution.

### **Key Issues Exchange**

A key issues exchange will annually review an individual's contribution to key priorities, corporate objectives and the departmental service plans over the previous 12 months and agree their contribution over the coming year through individual performance targets.

## **Liaison with Other Authorities & Bodies**

### **Trade Unions**

Trade Unions are valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pension Scheme's availability are brought to their members' attention and assist in negotiations under TUPE (change of Employer) transfers in order to ensure, whenever possible, continued access to the Local Government Pension Scheme.

### **Press & the Media**

The Fund actively engages with the press and other media organisations in order to ensure clarity, facts and fair representation. Enquiries from these bodies are dealt with by the Press & PR Officer on **0151 691 8088**.

### **National Information Forum (NIF)**

Representatives of the Fund attend the regular meetings of the National Information Forum, which it was instrumental in establishing to promote best practice in communications with members.

### **Shrewsbury Regional Pension Officers Group**

Representatives of the Fund meet on a quarterly basis with other local authority funds in the West Pennines region to discuss technical queries and legislation matters of common interest.

## Fund Publications & Information

Communication material	Paper based	Electronic Form (pdf)	Website	Frequency	When reviewed
Promotional Leaflet	✓	✓	✓	Constantly Available	Annually
Employees' Guide	✓	✓	✓	Constantly Available	Annually
Increasing your Benefits	✓	✓	✓	Constantly Available	Annually
Leavers Leaflet	✓	✓	✓	Constantly Available	Annually
Planning your Retirement	✓	✓	✓	Constantly Available	Annually
Benefit Statements	✓	With no personal details	✓	Annually	Annually
Pay Advice/P60	✓	With no personal details	✓	Twice a year	As required
Information Sheets (various)	✓	✓	✓	Constantly Available	As required
Beeline Newsletter	✓	✓	✓	Twice a year	Twice a year
The Honeypot Newsletter	✓	✓	✓	Annually	Annually
The Hive Newsletter	✓	✓	✓	Annually	Annually
Pension Committee Minutes	✓	✓	✓	Five times a year	Five times a year
Annual Report	✓	✓	✓	Annually	Annually
Valuation Report	✓	✓	✓	3 years	3 years
Fund Policies	✓	✓	✓	3 years	3 years
Press Articles	✓	✓	✓	As required	After each publication

## **Fund Information**

### **Confidentiality**

The Fund is registered under the Data Protection Act 1998 as part of Wirral Council. Information on members and organisations is treated with respect by all staff.

### **Disclosure**

The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund, for example, the Fund's AVC provider.

The Fund is under a duty to protect the public funds it administers and to this end may use information for the prevention and detection of fraud. In fulfilling this role, information may be exchanged with other agencies, but solely for these purposes.

### **Freedom of Information**

This Communication Policy Statement identifies the classes of information that the Fund publishes or intends to publish in compliance with the Freedom of Information Act. Anyone has a right under the Freedom of Information Act, to request any information held by the Fund which is not already made available. Requests should be made in writing to the Principal Pensions Officer at the address on page 20.

A fee may be charged and the Fund reserves the right to refuse a request if the cost of providing the information is disproportionately high; if following prompting the request is unclear; and when the requests are vexatious or repeated.

### **Further Information**

The authority administering the Local Government Pension Fund within Merseyside is Wirral Council.

# **FUNDING STRATEGY STATEMENT 2013**



## Introduction

The Local Government Pension Scheme (Administration) Regulations 2008 replaced the Local Government Pension Scheme Regulations 1997 providing 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 Fund the Administering Authority will prepare and publish its funding strategy;
- In preparing the FSS, the Administering Authority must have regard to the guidance issued by CIPFA for this purpose; and the revised Statement of Investment Principles (SIP) for the Fund dated November 2012 published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the SIP.

Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure. 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 provides defined benefits with its benefit structure having been reviewed recently by the Government. Members will have final salary benefits for service accrued prior to 1 April 2014 with Career Average Revalued Earnings ("CARE") benefits accruing on and after this date.

The benefits are specified in the governing legislation -

- The LGPS (Benefits, Contributions & Membership) Regulations 2007 (as amended), "the BMC Regulations"

New legislation The Local Government Pension Scheme Regulations 2013 governs the Scheme from 1 April 2014.

The required levels of employee contributions are also specified in the Regulations.

Employer contributions are determined in accordance with the Regulations (currently principally Administration Regulation 36) which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate. Contributions to the Fund should be set so as to "secure its solvency", whilst the actuary must also have regard to the desirability of maintaining as nearly constant a rate of contribution as possible. The actuary must have regard to the FSS in carrying out the valuation.



## **Purpose of the 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 purpose of this Funding Strategy Statement is:

- To establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- To support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and
- To take a prudent longer-term view of funding those liabilities.

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, it must remain a single strategy for the Administering Authority to implement and maintain.

## **Aims and Purposes of the Fund**

The aims of the Fund are to:

- Enable employer contribution rates to be kept as nearly constant as possible and at a reasonable and affordable cost to the taxpayers, scheduled, resolution and admitted bodies
- Manage employers' liabilities effectively
- Ensure that sufficient resources are available to meet all liabilities as they fall due, and
- Maximise the returns from investments within reasonable risk parameters.

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 Fund benefits, transfer values, costs, charges and expenses, as defined in the various Local Government Pension Scheme Regulations:

- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended)
- The Local Government Pension Scheme (Administration) Regulations 2008 (as amended), and
- The Local Government Pension Scheme (Benefits, Contributions & Membership) Regulations 2007 (as amended)
- The Local Government Pension Scheme Regulations 2013 from 1 April 2014

## **Responsibilities of the Key Parties**

These are as set out in the relevant regulations as amended from time to time:

- The LGPS (Administration) Regulations,
- The LGPS (Benefits, Contributions & Membership) Regulations and
- The LGPS (Transitional Provisions) Regulations 2007, “the Regulations”.
- The Local Government Pension Scheme Regulations 2013 from 1 April 2014

### **The Administering Authority should:**

- Collect employer and employee contributions
- Invest surplus monies in accordance with the underlying legislation
- Ensure that cash is available to meet liabilities as and when they fall due
- Manage the valuation process in consultation with the actuary
- Prepare and maintain an FSS and a SIP, both after due consultation with interested parties, and
- Monitor all aspects of the Fund’s performance and funding and amend FSS/SIP.

### **The Individual Employer should:**

- Deduct contributions from employees’ pay correctly
- Pay all contributions, including their own as determined by the actuary, promptly by the due date
- Exercise discretions within the regulatory framework
- Make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of Fund benefits, early retirement strain, and
- Notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding.

### **The Fund Actuary should:**

- Prepare valuations including the setting of employers’ contribution rates after agreeing assumptions with the Administering Authority and having regard to the FSS
- Prepare advice and calculations in connection with bulk transfers and individual benefit-related matters, and

Advise on funding strategy, the preparation of the FSS, and the inter-relationship between the FSS and the SIP.

## **Solvency issues and target funding levels**

### **The funding objective:**

To meet the requirements of the Administration Regulations 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 basis including allowance for projected final pay.

### **Determination of the funding target and recovery period:**

The principal method and assumptions to be used in the calculation of the funding target are set out in the Appendix. Underlying these assumptions are the following two tenets:

- That the Scheme 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 us to take a longer term view when assessing the contribution requirements for certain employers. As part of this valuation when looking to potentially stabilise contribution requirements we will consider whether we can build into the funding plan the following:-

- some allowance for interest rates and bond yields to revert to higher levels over the medium to long term; and
- whether some allowance for increased investment return (in excess of AOA) can be built into the funding plan over the agreed recovery period.

In considering this the Actuary, following discussions with the Administering Authority, will consider if this results in a reasonable likelihood that the funding plan will be successful.

As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer (or employer grouping), following a principle of no cross-subsidy between the various employers in the Scheme. In attributing the overall investment performance obtained on the assets of the Scheme 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 unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates:

- LEA Schools and certain other employers within the Fund have been grouped with the respective Council.
- Academies are treated as separate employers but consistently with the relevant LEA schools
- Certain employers will follow a bespoke investment and funding strategy pertaining to their own circumstances related to their risk and maturity characteristics. This will be documented separately.

A maximum deficit recovery period of 22 years will apply for scheme employers and a 12 year maximum period will apply to admitted bodies. For employers who do not admit new members, the recovery period will be limited to the future working lifetime of the membership or 12 years if shorter. Shorter periods will also be applied for employers who have a limited participation in the Fund. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A shorter period may also be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan on page 7).

- Employer contributions are expressed and certified as two separate elements:
  - a percentage of pensionable payroll in respect of future accrual of benefits
  - a schedule of £s amounts over 2014/17, building in an allowance for increases annually in line with the valuation funding assumption for long term pay growth, in respect of the past service deficit or surplus subject to review from April 2017 based on the results of the 2016 actuarial valuation.

Where an employer is in a surplus position the fixed amount deduction from the future service rate (subject to a minimum of zero) will be subject to a threshold of £1,000 below which no deduction will be made.

- Unless agreed otherwise by the relevant Scheme Employer any admission bodies participating on a contractual basis will be treated in the same way as the original Scheme Employer.
- Where the employer contributions required from 1 April 2014 increase significantly in terms of the employer's pay following completion of the 2013 actuarial valuation, the increase from the rates of contribution payable in the year 2013/14 may be phased in over a maximum period of 3 years.
- On the cessation of an employer's participation in the Scheme, the actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer will be due to the Scheme as a termination contribution, unless it is agreed by the Administering Authority and the other

parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer.

Depending on the circumstances of the termination event this assessment and in particular whether another Fund employer is prepared to act as guarantor to the residual liabilities will incorporate a more cautious basis of assessment of the final liabilities for the employer. Where it may be appropriate to use a more cautious basis the financial assumptions used will be derived to be consistent with the equivalent assumptions adopted for the FRS17 accounting standard for current employers in the Fund. 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. Full details of the approach to be adopted for such an assessment on termination are set out in Appendix 2 of the document

- For admission bodies participating from 1 April 2011, 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, termination and bond requirements will be on a gilts or “least risk” basis. The employer’s assets will then be deemed to be invested in government bonds of the appropriate duration to the liabilities 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.
- All admitted bodies that were in existence at 1 April 2011 will have the option of adopting a funding basis based on corporate bond yields. The employer’s assets will then be deemed to be invested in corporate bonds of the appropriate duration to the liabilities and be credited with the returns derived from such assets on the advice of the Actuary.
- 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.

In determining the above objectives the Administering Authority has had regard to:

- the responses made to the consultation with employers on the FSS principles
- relevant guidance issued by the CIPFA Pensions Panel
- the need to balance a desire to attain the target as soon as possible against the short-term cash requirements which a shorter period would impose, and the Administering Authority’s views on the strength of the participating employers’ covenants in achieving the objective.

- The need to minimise the risks to the Fund from its admission arrangements by strengthening its admission arrangements and pursuing a policy of positive engagement.

## Deficit recovery plan

If the assets of the scheme relating to an employer are less than the funding target at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the employer to meet the shortfall.

Additional contributions will be expressed as a monetary lump sum.

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.
- Length of expected period of participation in the Fund.

For those employers with 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.

When considering the recovery period for an individual employer in the Fund the Administering Authority has the discretion to vary the recovery periods from those set out above. In all cases this will be limited to the maximum period of 22 years as applied to Scheme Employers subject to satisfactory evidence of the financial covenant of an employer.

As well as the above we would also apply the following criteria to the valuation when determining employer contribution rate:

- i. there being no reduction from that implied by the 2010 funding strategy. For the avoidance of doubt this means that the monetary value of each employer's deficit contributions payable including future indexation of the annual monetary amounts
- ii. an assessment of the strength of the employer's financial covenant by the Administering Authority or any alternative contingent security (after taking appropriate advice) could support employer specific adjustments to the parameters being applied
- iii. recognition of the need to use any improvements in the funding position and/or affordability of contributions for an individual

employer at the 2013 valuation to reduce the deficit recovery period initially towards a more manageable period.

## **The normal cost of the Scheme (future service contribution rate)**

In addition to any contributions required to rectify a shortfall of assets below the funding target contributions will be required to meet the cost of future accrual of benefits for members after the valuation date (the “normal cost”). The method and assumptions for assessing these contributions on the normal valuation basis are also set out in the Appendix.

For certain employers in the Fund, at the discretion of the Administering Authority, an allowance for members to opt into the 50/50 Scheme under the new LGPS from 1 April 2014 may be built into the assessment of the required future service contribution rate payable.

## **Funding For Non-III Health Early Retirement Costs**

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

## **Link to Investment Policy in the SIP**

The results of the 2013 valuation show the liabilities to be 76% (compared to 78% at 31 March 2010) covered by the current assets, with the funding deficit of 24% being covered by future deficit contributions.

In assessing the value of the Fund’s liabilities in the valuation, allowance has been made for asset out-performance as described in the Appendix on page 14, taking into account the investment strategy adopted by the Fund, as set out in the SIP.

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 closely matches the liabilities and represents the least risk investment position. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts.

Investment of the Fund’s assets in line with the least risk portfolio would minimise fluctuations in the Fund’s ongoing funding level between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out the valuation it would not be appropriate to make any allowance for out-performance of the investments or any adjustment to the market implied



inflation assumption due to supply / demand distortions in the bond markets. On this basis of assessment, the assessed value of the Fund's liabilities at the 31 March 2013 valuation would have been significantly higher and the declared funding level would be correspondingly lower at 55%.

Departure from a least risk investment strategy, in particular to include equity investments, gives the prospect that out-performance by the assets will, over time, reduce the contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

## Proposed Benchmark Investment Strategy and Asset Allocation

The proposed benchmark investment strategy and asset allocation to be set out in the SIP is shown in Table 1

Asset	Benchmark	Benchmark Index
UK Equities	23	FTSE ALL SHARE INDEX
Overseas Equities	30	
US Equities	8	FTSE AW NORTH AMERICA UK
European Equities	8	FTSE WORLD EUROPE EX UK
Japan	4	FTSE AW JAPAN
Pacific	4	FTSE AW DEV ASIA PAC EX JAPAN
Emerging Markets	6	MSCI EMERGING MARKETS FREE
Fixed Interest	19	
UK Gilts	4	FTSE A ALL STOCKS
Overseas Gilts	0	JPM GLOBAL GOVT EX UK
UK Index Linked	11	FTSE UK GILTS INDEXED ALL STKS
Corporate Bonds	4	ML 3 NON GILTS
Property	8	IPD ALL PROPERTIES INDEX
Alternatives	20	
Private Equity	5	GBP 7 DAY LIBID
Hedge Funds	5	GBP 7 DAY LIBID
Thematic Fund of Funds	5	GBP 7 DAY LIBID
Infrastructure	5	GBP 7 DAY LIBID
Cash	0	GBP 3 MONTH LIBID
Total	100	SPECIFIC BENCHMARK

(Table 1: MPF Multi Asset Portfolio)

The funding strategy adopted for the 2013 valuation was based on an assumed overall asset out-performance of 1.4% p.a.

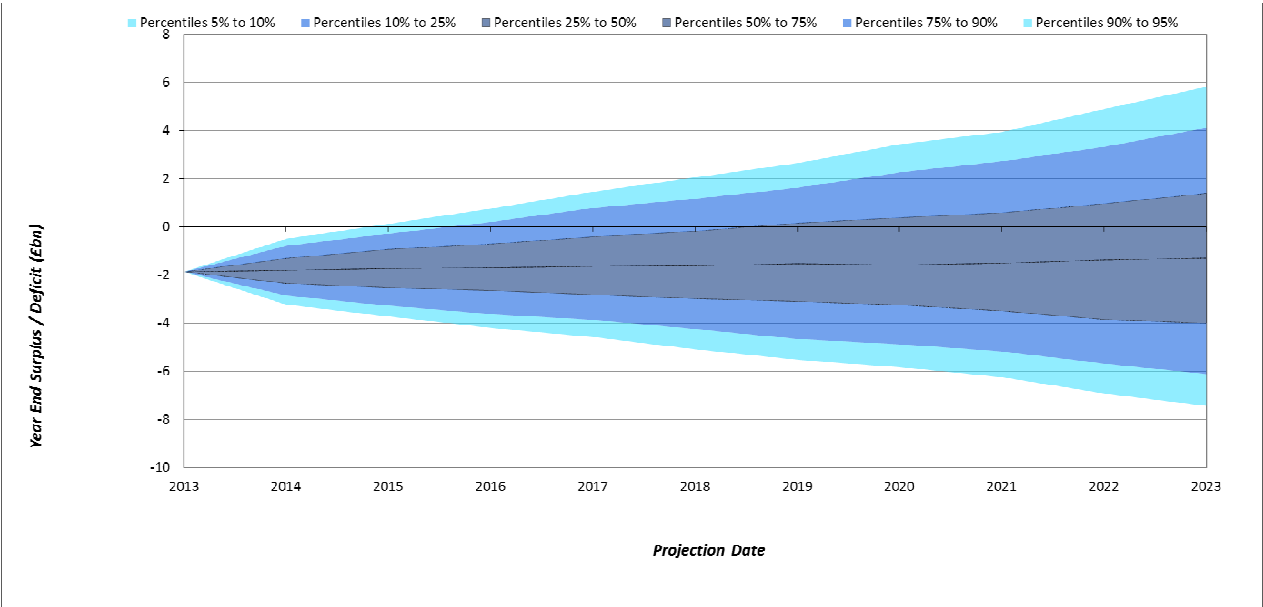
The Administering Authority believes that this is a reasonable and prudent allowance for asset out-performance, based on the investment strategy adopted as set out in the SIP.

## Identification of risks and counter-measures

The funding of defined benefits is by its nature uncertain. Funding of the Fund 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 Fund’s funding is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from the overall 1.4% per annum assumed in the long term.

The chart below shows a “funnel of doubt” funding level graph, which illustrates the probability of exceeding a certain funding level over a 10 year period from the valuation date. For example, the top line shows the 95th percentile level (i.e. there is a 5% chance of the projected funding level at each point in time being better than the funding level shown and a 95% chance of the funding level being lower). The graph adopts the 2013 actuarial valuation results as a starting point, and allows for the expected contributions into the Fund assuming a 22 year recovery period. An overall out-performance over and above gilts yields has been assumed in line with best estimate market expectations, together with a continuation of the current investment strategy as outlined above.



## **The following key risks have been identified:**

### **Financial**

- 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 significantly more or less than anticipated
- Effect of possible increase in employer's contribution rate on service delivery and admitted/scheduled bodies

### **Demographic**

- Longevity horizon continues to expand
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health)

### **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.

### **Regulatory**

- Changes to Regulations, e.g. changes to the benefits package, potential new entrants to Fund, and retirement age
- Changes to national pension requirements and/or Inland Revenue rules

### **Governance**

Wirral 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 ten Members nominated by Wirral, one nominated from each of the other four metropolitan authorities and a representative of the other admitted and scheduled bodies elected by ballot. There are three members drawn from trade unions representing all actives, deferred members and pensioners. Aside from the representative Member, changes to Committee membership 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. The Committee has delegated powers to the Director of Finance 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 and Deputy Director of Finance 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. The employer should notify the administering authority of the following events.

- Structural change in employer's membership e.g. large fall in employee numbers or large number of retirements.
- A closure in accessibility of the scheme to new entrants.
- An employer ceasing to exist.

## **Monitoring and Review**

The Administering Authority has taken advice from the actuary in preparing this Statement, and has also 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 then 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
- If there have been significant changes to the Fund membership, or LGPS benefits
- If there 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
- If there have been any significant special contributions paid into the Fund.

# Appendix 1

## Actuarial Valuation as at 31 March 2013

### Method

The actuarial method to be used in the calculation of the 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, unless specifically agreed otherwise, an alternative method is adopted (the Attained Age method), which makes advance allowance for the anticipated future aging and decline of the current closed membership group.

### Financial assumptions

#### Investment Return (Discount Rate)

A yield based on market returns on UK Government gilt stocks and other instruments which reflects a market consistent discount rate for the profile and duration of the Scheme's accrued liabilities, plus an overall Asset Out-performance Assumption ("AOA") of 1.4%.

The asset out-performance assumptions represent the allowance made, in calculating the funding target, for the long term additional investment performance on the assets of the Fund relative to the yields available on long dated gilt stocks as at the valuation date. The allowance for this out-performance is based on the liability profile of the Fund, and the fact that the Fund is invested predominantly in higher return assets as detailed in Section 7. If the return actually achieved is higher than this the Fund deficit will be reduced; if the return is lower then the Fund deficit will increase (provided that all the other assumptions remain valid).

#### Inflation

The market implied RPI inflation assumption will be taken to be the investment market's expectation for 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. Pensions in payment and deferment are linked to CPI inflation and the CPI assumption will be calculated by making a 1% p.a. downward adjustment to the market implied RPI assumption at the valuation date. This adjustment is to take account of general market trends, the risk premia and the fact that the CPI is systematically lower than RPI in the long term due to methodology.

## **Salary increases**

The assumption for real salary increases (salary increases in excess of CPI price inflation) will be determined by an allowance of 1.5% p.a. over the CPI inflation assumption as described above. This includes allowance for promotional increases.

Allowance for short term pay can be included for the if justifiable and in line with the advice of the Fund Actuary.

## **Pension increases**

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 in respect of service prior to April 1997).

## **Mortality**

The mortality assumptions will be based on the most up-to-date information published by the Continuous Mortality Investigation Bureau, making allowance for future improvements in longevity and the experience of the scheme. The mortality tables used are set out below, with loadings reflecting Scheme specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. 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 3 years older for current retirees, and 4 years older for future cases (reflecting the updated ill health criteria). 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 subject to a minimum rate of improvement of 1.5% per annum.

## **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 ill health, death before retirement, retirement in normal health and proportions married assumptions have been modified from the 2010 valuation. Other assumptions are as per the 2010 valuation.

## Method and assumptions used in calculating the cost of future accrual

The cost of future accrual (normal cost) will be calculated using the same actuarial method and assumptions as used to calculate the funding target except that the financial assumptions adopted will be as described below. The financial assumptions for assessing the future service contribution rate should take account of the following points:

- Contributions will be invested in market conditions applying at future dates, which are unknown at the effective date of the valuation, and which are not directly linked to market conditions at the valuation date; and
- The future service liabilities for which these contributions will be paid have a longer average duration than the past service liabilities.
- Allowance for market real yields to revert to higher levels over the longer term.

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real return (i.e. return in excess of price inflation) of 3.0% per annum using an assumption for price inflation of 2.6% per annum. These two assumptions give rise to an overall discount rate of 5.6% p.a.

Adopting this approach the future service rate will not be subject to variation solely due to different market conditions applying at each successive valuation, which reflects the requirement in the Regulations for stability in the “Common Rate” of contributions. In market conditions at the effective date of the 2013 valuation this approach gives rise to a slightly more optimistic stance in relation to the cost of accrual of future benefits compared to the market related basis used for the assessment of the funding target.

At each valuation the cost of the benefits accrued since the previous valuation will become a past service liability. At that time any mismatch against gilt yields and the asset out-performance assumptions used for the funding target is fully taken into account in assessing the funding position but over the long term you would expect the variation to average out.

For certain employers the normal cost will be calculated using the assumptions adopted for the funding target.



## Summary of key whole Fund assumptions used for calculating funding target and long term cost of future accrual (the “normal cost”) for the 2013 actuarial valuation

Long-term gilt yields (derived for the full yield curve)		31 March 2013
Fixed Interest		3.2% p.a.
Index-Linked		-0.4% p.a.
Funding Target financial assumptions		
Investment return		4.6% p.a.
CPI price inflation		2.6% p.a.
Salary increases		4.1% p.a.
Pension increases		2.6% p.a.
Long Term Future service accrual financial assumptions		
Investment return		5.6% p.a.
CPI price inflation		2.6% p.a.
Salary increases		4.1% p.a.
Pension increases		2.6% p.a.

### Demographic assumptions

The mortality tables adopted for this valuation are as follows (male/female):

Life expectancy at 65 in 2013		Base table	Adjustment	Improvement model	Long term rate
CURRENT ANNUITANTS	Normal health	S1PxA	106% / 100%	CMI_2012	1.5%
	Ill health	S1PxA	Normal health + 3 years	CMI_2012	1.5%
	Dependants	S1PMA/S1DFA	173% / 120%	CMI_2012	1.5%
	Future dependants	S1PMA/S1DFA	115% / 108%	CMI_2012	1.5%
CURRENT ACTIVES / DEFERREDS	Actives normal health	S1PxA	104% / 94%	CMI_2012	1.5%
	Actives ill health	S1PxA	Normal health + 4 years	CMI_2012	1.5%
	Deferreds	S1PxA	130% / 110%	CMI_2012	1.5%
	Future dependants	S1PMA/S1DFA	111% / 106%	CMI_2012	1.5%

Other demographic assumptions are noted below:

Commutation	One half of members take maximum lump sum, others take 3/80ths
Other demographics	Based on and LG wide analysis experience adjusted for Fund specific factors.

(Version updated 07/03/2014)

## Appendix 2

### 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 Scheme, the Actuary will be asked to make a termination assessment and depending on the circumstances of the termination this assessment may incorporate a more cautious basis of assessment of the final liabilities for the employer.

The appropriate method which is adopted depends on the characteristics of the admitted body (and in particular whether there is another employer in the MPF who is prepared to act as sponsor for any residual liabilities) and the risk in the context of the potential impact on other employers' rates. 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.

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:-

- i. Assessing the final termination liabilities using assumptions consistent with the most recent valuation basis i.e. a basis including allowance for asset outperformance over gilts returns.
- ii. Assessing the final liabilities using assumptions consistent with the FRS17 accounting standard where the discount rate used is based on AA rated corporate bond yields.
- iii. Assessing the final liabilities using assumptions consistent with the most recent valuation basis but removing the allowance for asset outperformance i.e. a "least risk" basis.

The approach to be adopted would be varied dependent on whether there is a guarantor who participates in MPF who would be prepared to stand behind the liabilities and the type of admission as follows:-

#### (i) Admission Bodies Participating by Virtue of a Contractual Arrangement

Under the Regulations any payment requested from the outgoing admission body is ultimately guaranteed by the parent authority if it cannot be reclaimed by MPF from the body or bond provider. In addition there are usually contractual arrangements between the parent authority and the body which means the parent bears the cost of some, if not all, of the termination payment.

Given this, if the parent authority confirms that it is prepared to absorb any residual assets and liabilities going forward (i.e. the deferred pensioner and pensioner members left behind along with the corresponding assets) and those assets and liabilities return to the authority then in the view of the Actuary the valuation basis should be adopted for the termination calculations. Indeed it may be that MPF is prepared to accept that all assets/liabilities can simply be absorbed by the guarantor. 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 parent authority 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 membership with the admission body. As the transfer would normally be affected on a "fully funded" valuation basis the termination payment required would vary depending on the circumstances of the case.

(ii) Non contract based admission bodies with a guarantor in MPF

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. Indeed it may be that MPF is prepared to accept that no actual termination payment is needed (even if one is calculated) and that all assets/liabilities can simply be absorbed by the guarantor.

(iii) Admission bodies with no guarantor in MPF

These are the cases where the residual liabilities would be orphaned within MPF. It is possible that a bond would be in place. The termination calculation would be on the more cautious basis.

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 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 in accordance with The Local Government Pension Scheme Regulations 2013**

Regulation 64 set 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 –

(i) 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 "),

(ii) a revision of any rates and adjustments certificate for any Pension Fund which is affected, showing the revised contributions due from the outgoing admission body. Where it is not possible for any reason to obtain revised contributions from the outgoing admission body, or from an insurer or any person providing an indemnity or bond on behalf of that admission 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 outgoing admission 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.

3.8. Regulation 64 (4) provides that an Administering Authority 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,-

(a) the contribution at the common rate should be adjusted, or

(b) 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.

# **GOVERNANCE POLICY**

# **JUNE 2011**



(Approved by: Pensions Committee June 27 2011)



## **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 an ‘administering authority’ under the Local Government Pension Scheme (Administration) Regulations 2008 and, as such, is simply authorised to manage assets held for the scheme and carry out any other specified activities associated with the operation of the scheme. The authority is not authorised to give investment advice generally.**

**Due to this status, the Fund is not required to be regulated by the Financial Services Authority (FSA) in order to operate its business. It is regulated by the Department for Communities and Local Government (DCLG).**

**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.**



## **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.

### **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 on page 6.

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.

## **Pension Committee Terms of Reference**

**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:**

- 1. To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance.**
- 2. To appoint and terminate professional advisers to, and external managers of, the Fund and agree the basis for their commission and remuneration.**
- 3. To receive actuarial valuations of the Fund and determine the level of employers' contributions necessary to balance the Fund.**
- 4. To monitor the Local Government Pension Scheme including the benefit regulations and payment of pensions and their day to day administration and to be responsible for any policy decisions relating to the administration of the Scheme.**
- 5. To consider any views expressed by employing organisations, staff representatives and other stakeholders relating to the Fund.**
- 6. 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.**
- 7. 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.**
- 8. 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).**

## **Scheme of delegation of functions to Officers**

### **The Director of Finance**

The following functions, particular to the Pension Fund, are delegated to the Director of Finance pursuant to Section 101 of the Local Government Act 1972 and by the Executive under Section 15 of the Local Government Act 2000.

- 1. 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 transferee admission bodies pursuant to Best Value arrangements, as required by the Local Government Pensions Scheme Regulations.**
- 2. 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 Finance 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 Director of Finance and must be taken in his name, and he shall remain accountable and responsible for such decisions.

## Decision Making Structure

The structure for the management of the Fund is as follows:

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### **Pensions Committee**

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**14** elected members

**1** employer representative

**3** active, deferred and pensioner member representatives

(minimum of **5** meetings per annum)



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### **Investment Monitoring Working Party**

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Members of Pension Committee

Director of Finance

Head of Pension Fund

Independent advisers

(**6** meetings per annum)



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### **Governance & Risk Working Party**

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Members of Pension Committee

Director of Finance

Head of Pension Fund

Other officers as required

(**1 or 2** meetings per annum)



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### **Fund Operating Group**

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Director of Finance

Deputy Director of Finance

Head of Pension Fund

Principal Pension Officer

Senior Investment Manager

Financial Controller (and deputies)

(**monthly** meetings)



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### **Head of Pension Fund**

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### **Pensions Committee**

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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

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### **Investment Monitoring Working Party (IMWP)**

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Has responsibility for reviewing the performance of the Fund's investments and its asset allocation and regularly reporting their findings to the Pensions Committee.

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### **Governance & Risk Working Party (GRWP)**

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Has responsibility for reviewing governance and risk issues and regularly reporting their findings to the Pensions Committee.

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### **Fund Operating Group (FOG)**

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Forum for formal monthly reports to the Director of Finance on the day to day operations of the Fund.

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### **Head of Pension Fund**

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Responsible to the Director of Finance 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.

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## **Policy on Training and Expenses**

Details of the policy on training and payment of expenses in respect of members of the Pensions Committee is set out in **Annex One** on page 14.

## **Accountability and Publication of Information**

**Details of Pensions Committee meetings are published on the Wirral Council website together with agendas, reports to be considered by the Committee and minutes of proceedings. The meetings of the Pensions Committee which are held at Wallasey Town Hall are open to the public.**

**An Annual Pension Fund Report and 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. Extracts of the annual report and details of its availability are also reported in the “beeline” newsletter sent to all scheme members.**

## **Meetings with Stakeholders**

**An Annual Employer Conference is held to which all Fund employers and elected members of the Pensions Committee 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. Those held in recent years have considered the Funding Strategy, Proposed changes to Inland Revenue Treatment of Pensions, Internal Dispute Resolution and Ill Health Retirement Policy and Procedures.**



## **Compliance Statement**

The Fund fully complies with the best practice guidelines on governance issued by the DCLG and details can be found at **Annex Two** on page 16.

## **Annex One – Training and expenses policy for the members of Pension Committee**

### **Training and expenses policy for the members of Pension Committee**

#### **Introduction**

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.

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**

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, and individual decisions about investments.

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....”

#### **Training Policy and Plan**

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 process receive all relevant training required to properly discharge their responsibilities.

The Fund arranges an annual program of external and internal training events throughout the year designed to meet the requirements both of new members of the Committee and the ongoing needs of existing members.

These events are reported, formally, to Members on an annual basis. Individual reports, to authorise attendance by Wirral members at these events are put to Committee on an event by event basis.

### **Policy for Payment of Expenses**

The Fund will reimburse all reasonable costs and expenses incurred in undertaking approved training for all members of the Pensions Committee including the representatives of the active, deferred and pensioner members.

Claims should be submitted to the Fund and supported by an official receipt.

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 Two – Merseyside Pension Fund Governance Compliance Statement

### Merseyside Pension Fund Governance Compliance Statement

Part	Governance Requirement	Fully Compliant
<b>II/A</b>	<b>Structure:</b>	
(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.	<b>YES</b>
(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.	<b>YES</b>
(c)	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	<b>YES</b>
(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.	<b>YES</b>
<b>II/B</b>	<b>Representation:</b>	
(a)	That all key stakeholders are afforded the opportunity to be represented, within the main or secondary committee structure. These include:- <ul style="list-style-type: none"> <li>(i) Employing authorities (including non-scheme employers, e.g. admitted bodies);</li> <li>(ii) Scheme members (including deferred and pensioner scheme members),</li> <li>(iii) Independent professional observers, and</li> <li>(iv) Expert advisors (on an ad-hoc basis).</li> </ul>	<b>YES</b>
(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.	<b>YES</b>

<b>II/C</b>	<b>Selection and role of lay members:</b>	
<b>(a)</b>	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.	<b>YES</b>
<b>II/D</b>	<b>Voting:</b>	
<b>(a)</b>	<p>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.</p> <p>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.</p> <p>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.</p>	<b>YES</b>
<b>II/E</b>	<b>Training/Facility time/Expenses:</b>	
<b>(a)</b>	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.	<b>YES</b>
<b>(b)</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.	<b>YES</b>
<b>II/F</b>	<b>Meetings (frequency/quorum):</b>	

(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

# **STATEMENT OF INVESTMENT PRINCIPLES 2013**





(As approved by Pensions Committee - 19 November 2013)



## **Merseyside Pension Fund and the 2008 Myners Principles**

This Statement of Investment Principles (SIP) was approved by the Pension Committee of Wirral Council (constituting the primary governing and decision-making body of the Merseyside Pension Fund) at its meeting on 19th November 2013. The statement has been prepared in accordance with **Regulation 12 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No. 3093)**.

The SIP describes the high-level principles governing the investment decision-making and management of Merseyside Pension Fund (MPF) and the policy that has been developed to ensure their implementation. It has been prepared, in line with guidance received from the Secretary of State for Communities and Local Government, with reference to the Chartered Institute of Public Finance & Accountancy (CIPFA) Pensions Panel publication, **'Principles for Investment Decision Making and Disclosure in the LGPS in the United Kingdom 2009 – A Guide to the Application of the 2008 Myners Principles to the Management of LGPS Funds'**.

It is accepted that these six principles form the code of best practice for LGPS Funds; this SIP reports the extent of MPF's compliance with each of the **six** principles. A statement of compliance can be found on page 21 of this document.

This statement supersedes the SIP approved by Pensions Committee on 20 November 2012. The SIP, and the policy approaches it describes, has been developed with the benefit of proper advice from the Fund's consultants and advisers, whom it considers to be suitably qualified and experienced in investment matters. The Fund consults its stakeholders over matters of policy, including scheme employers, trade unions and other interested parties.

The SIP will be made available on the Fund's website at: **<http://tinyurl.com/btomqfe>** and compliance with the CIPFA Principles will be reported in the Fund's Annual Report. This statement should be read in conjunction with the following statements, also available on the Fund's website:

- Funding Strategy Statement;
- Governance Policy Statement; 2013 Actuarial Valuation and Review; Communications Strategy Statement

## Principle 1 - Effective Decision Making



### **Administering Authorities should ensure that:**

*Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and*

*Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.*

- Wirral Council is the Administering Authority with overall responsibility for Merseyside Pension Fund (MPF), which it delegates to its Pensions Committee. This body comprises 10 Wirral councillors, with representation from other principal employers in the Fund (5) and Trade Unions (3), representing beneficiaries' interests. There is also an Investment Monitoring Working Party (IMWP) and a Governance and Risk Working Party (GRWP) to which all members of the Pensions Committee and Trade Unions are invited; the IMWP meets at least six times a year and the GRWP twice.
- The terms of reference for the Committee, IMWP and the Strategic Director of Transformation and Resources are set out in the scheme of delegation for Wirral Council; the structural and operational details of the delegation are set out in a Governance Policy Statement for Merseyside Pension Fund, which can be viewed at: [http://mpfmembers.org.uk/pdf/gov\\_policy.pdf](http://mpfmembers.org.uk/pdf/gov_policy.pdf)
- The Pensions Committee takes strategic decisions on asset allocation, investment manager selection and other high-level investment policy matters and delegates tactical asset allocation and investment monitoring through the IMWP. The IMWP is a deliberative body, acting as a forum where investment issues can be discussed in depth, with the power to make recommendations to Committee. The Strategic Director of Transformation and Resources is delegated to implement Committee policy and delegates the management of the Fund to the Head of Pension Fund who leads a well qualified and experienced internal team (Fund officers). The Section 151 Officer of Wirral also has a role in ensuring appropriate financial reporting of the Fund's activities, and adequate internal controls.
- The Committee receives what it considers to be proper advice from Fund officers and, in addition, has appointed an external consultant to provide advice on its high-level investment strategy. The Committee has also appointed independent advisors to the IMWP, to further inform and support decision-making across the breadth of issues that are considered by the IMWP.

- The Committee considers that its strategic objectives are best met by further delegating investment decision-making, at the level of portfolio management, to a combination of Fund officers and a roster of external investment managers. Fund officers are tasked with making recommendations to Committee regarding the appointment of external managers; a task supported by use of a Committee-approved 'framework list' of investment manager selection consultants. Fund officers also make use of specialist advisers in managing those areas over which they exercise delegated responsibility (including property, private equity, hedge funds and responsible ownership).
- The Fund has an ongoing training programme (updated annually) for Committee Members and Fund officers to ensure that decision-making is on an informed basis. Members have each been issued with a manual which outlines the regulatory framework of the LGPS, the Fund's governance structure, fundamental concepts in pensions administration and investment policy and a glossary of technical terminology. The manual emphasises the quasi-trustee status and fiduciary role of Committee Members. The manual also serves as a tool for Members to assess where their individual training needs may lie.

## Principle 2 - Clear Objectives



### **An overall investment objective(s) should be set out for the Fund that:**

*Takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers; and*

*The attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisers and investment managers.*

- 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, as described in MPF's Funding Strategy Statement, which can be viewed at: <http://mpfmembers.org.uk/content/funding-strategy-statement>
- The Fund's investment objective over the long term is to match the assumptions within the actuarial valuation of achieving returns 1.4% in excess of the liabilities. There are three sources of achieving this return; strategic asset allocation, medium term asset allocation and active investment management. At the same time these sources mean that the fund has to allow for a level of risk or volatility of returns in the short, medium and long terms from the liability matching return.
- With regard to this investment objective, and following advice from its investment consultants, the Fund has agreed, both a bespoke strategic benchmark for asset classes and an out performance target of this benchmark. This bespoke strategic benchmark is formally reviewed every 3 years at the time of the actuarial valuation but can be subject to interim review if there are significant changes in the liability profile or investment environment.

## Focus on Asset Allocation

Following an asset/liability study from the Fund's actuaries and consultation with its various advisers and officers, the following strategic benchmark was agreed by the Pensions Committee on 19 November 2013.

Asset	Benchmark	Benchmark Index
<b>UK Equities</b>	<b>23</b>	FTSE ALL SHARE INDEX
<b>Overseas Equities</b>	<b>30</b>	
US Equities	8	FTSE AW NORTH AMERICA
European Equities	8	FTSE WORLD EUROPE EX UK
Japan	4	FTSE AW JAPAN
Pacific	4	MSCI DEV ASIA PAC EX JAPAN
Emerging Markets	6	MSCI EMERGING MARKETS FREE
<b>Fixed Interest</b>	<b>19</b>	
UK Gilts	4	FTSE A ALL STOCKS
Overseas Gilts	0	JPM GLOBAL GOVT EX UK
UK Index Linked	11	FTSE UK GILTS INDEXED ALL STKS
Corporate Bonds	4	ML 3 NON GILTS
<b>Property</b>	<b>8</b>	IPD ALL PROPERTIES INDEX
<b>Alternatives</b>	<b>20</b>	
Private Equity	5	GBP 7 DAY LIBID
Hedge Funds	5	GBP 7 DAY LIBID
Thematics Fund of Funds	5	GBP 7 DAY LIBID
Infrastructure	5	GBP 7 DAY LIBID
<b>Cash</b>	<b>0</b>	GBP 3 MONTH LIBID
<b>TOTAL</b>	<b>100</b>	<b>SPECIFIC BENCHMARK</b>

*(Table 1: MPF Multi Asset Portfolio)*

**PLEASE NOTE:** The control range around the main asset classes is +/-5%

- The Fund has set an out-performance target against the bespoke strategic benchmark of 1.25%p.a. on a 3 yearly basis. This out-performance target assumes that 0.25% can be made from tactical asset allocation decisions and 1% from active management. The active management target assumes that on a capital weighted basis the Fund achieves 2/3<sup>rd</sup>s of targeted returns. The Fund has set up a medium term asset allocation framework, including the appointment of an overlay manager to both control risk and achieve active returns.

## Explicit Mandates

- The Fund mandates are governed in compliance with the following principles.
- Investment managers are prohibited from holding investments not defined as such in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 by clear reference in their Investment Management Agreements. Clear instructions for fund managers as to how the investment portfolio is to be managed include; the objective, asset allocation, benchmark flexibility, risk parameters, regulatory requirements, performance targets and measurement timescales.

<u>Manager</u>	<u>Asset Type/Brief</u>	<u>Out-performance target % p.a. over 3 years</u>
<b>Legal &amp; General</b>	Active bonds	1
<b>Schroders</b>	Active bonds	1
<b>Internal</b>	Alternatives/private equity	5
<b>Internal</b>	Cash	0
<b>Unigestion</b>	European equities	3
<b>Internal</b>	European equities	1
<b>JP Morgan</b>	European equities	3
<b>Nomura</b>	Japan equities	3
<b>Black Rock</b>	Far East equities	3
<b>Maple Browne</b>	Far East equities	3
<b>Amundi</b>	Emerging markets equities	3
<b>M&amp;G</b>	Emerging markets equities	3
<b>State Street</b>	Passive equities & bonds	0
<b>Internal</b>	Property	1
<b>Internal</b>	UK equities	1
<b>BlackRock</b>	UK equities (unconstrained)	3
<b>M&amp;G</b>	UK equities (unconstrained)	3
<b>Newton</b>	UK equities (unconstrained)	3
<b>TT International</b>	UK equities (unconstrained)	3

**(Table 2: Managers - appointed by the Fund)**

This strategic benchmark and the out-performance target comprise the investment strategy. This strategy is underpinned by certain core beliefs.

- There is an equity or volatility risk premium i.e. investors are rewarded in 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 in the longer term for making illiquid investments
- Active management of asset allocation is possible and can generate addition returns. Therefore the Fund can make additional returns by taking active positions against the strategic benchmark, within constraints to control risk.
- Active management within asset classes is possible by internal and external managers, i.e. over the medium and long term active managers can generate returns above specific benchmark indices. There are persistent anomalies within asset pricing that can be exploited.
- Active management requires taking on risk i.e. volatility from the specific benchmark index returns in the short and medium terms.

The Fund has written investment philosophies for each of the internally managed portfolios which draw on the core beliefs above. These portfolios are; UK Equities, European Equities, Opportunities, Direct Property, Indirect Property, Private Equity, Hedge Funds, Infrastructure

These are different for each asset class but a consistent theme is that:

The internal team has a capability to assess investments and does so looking at key factors:

- Thorough analysis and validation of the investment strategy,
- Analysis of the ability of the firm to execute it, including track record.
- The fit within MPF portfolio
- Suitability of terms and security of operations

## Principle 3 - Risk and Liabilities



### **In setting and reviewing their investment strategy, administering authorities should:**

*Take account of the form and structure of liabilities. These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.*

The Fund is required, as detailed in the section on objectives, to take investment risk compared to the liabilities to achieve the 1.4% out-performance required in the assumptions underpinning the actuarial valuation.

The key risks taken are in strategic asset allocation, tactical asset allocation and active management. The sources of return are diverse and to some extent uncorrelated which reduces the overall level of risk.

For strategic asset allocation, which is the primary risk taken, the Fund is advised by its investment consultant, which considers the risk or expected volatility of asset classes when formulating the overall asset allocation. The table below outlines the predicted risk which includes the risks of holding assets overseas i.e. foreign currency risk. The performance and volatility of asset classes is reviewed by the IMWP on a quarterly basis.

Expected Volatility 10 years p.a.		Expected Volatility 10 years p.a.	
Cash	1.4%	Corporates	9.0%
UK Equities	20.0%	Private Equity	29.3%
US Equities	22.6%	Infrastructure	20.2%
European Equities	23.4%	Hedge Funds	14.6%
Japan Equities	20.4%	Opportunities	13.3%
EM Equities	28.8%	Property	14.5%
UK Gilts	11.0%		
UK ILG	9.0%		

*The Fund has implemented a Medium Term Asset Allocation Framework which will control risk by reducing unintended variances from benchmark by correcting positions created by market movements For active positions, limits are set on the size and number of positions that can be taken and the positions and results are reviewed by the IMWP on a quarterly basis. For active investment management, the Fund has comprehensive monitoring procedures including internal officers and scrutiny by elected Members. These procedures are documented in the Compliance Manual.*

There are other ways of analysing the risks through holding investment instruments.

### **Interest rate risk**



Interest rates primarily affect the Fund's liabilities through the transmission mechanism from interest rates to government bond yields and ultimately 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 16%. 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.

## **Liquidity**

The Fund considers that, for the medium term, liquidity risk is not significant for meeting its cash flows. However, reports are made to the IMWP on a quarterly basis (from Q4 2012 onwards) detailing the liquidity profile of the investments as follows:

Realisable in a period up to 7 days  
Realisable in a period up to 30 days  
Realisable in a period up to 90 days  
Not realisable in a period up to 90 days

The justification for the risk undertaken is that it can enhance returns and meet the investment objective; this is based on the core beliefs set out in Section 2 Objectives. The Fund's ability to tolerate these risks is underpinned by the strong employer covenant, maturity profile and cash flow profile.

## **Credit Risk**

The Fund does not hold any fixed interest securities directly and the managers of the pooled fixed income vehicles are responsible for managing credit risk. The volatility arising from credit risk is included in the figure for 'Corporates' in the table shown on page 11.

For short-term cash deposits and other investment balances, the risk is controlled through the Fund's Treasury Management Policy. This policy is compliant with current best practice and includes regular reporting to management and elected Members.

The Fund complies with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, where use of the extensions in investment limits per Schedule 1 are utilised. The Fund utilises two of the allowable extensions at present

#### Limited Partnerships up to 15% (from 5%)

The Fund has considered after advice from investment consultants, that given cash flow profile it is prudent to have up to 15% of investments in limited partnerships.

#### Unitised Insurance contracts up to 35% (from 25%)

The Fund has considered after advice from investment consultants, that given the contractual protection afforded in arrangements it is prudent to have up to 35% of investments in unitised insurance contracts in its mandates with State Street for passive investments and L&G for fixed income.

The Fund manages operational risks through the following measures as illustrated in this SIP.

- The use of a global custodian, Northern Trust, for custody of assets.
- Having formal contractual arrangements with investment managers.
- Maintaining independent investment accounting records.
- Having access to the internal audit service of Wirral Council.

#### Stock Lending

The Fund engages in a stock lending programme with the Fund's Custodian as agent lender. The key document for controlling the risks associated with this activity is the [Securities Lending Agreement](#) which is agreed with the Custodian on appointment, following review by legal advisors and investment consultants and which is reviewed on a regular basis. The document controls the Fund's risk exposure to the following key factors.

- Agent Lender Risk
- Counterparty Risk
- Collateral Risk
- Market Risk
- Currency Risk
- Settlement Risk
- Operational Risk

## Principle 4 - Performance Assessment



### Arrangements should be in place for:

*The formal measurement of performance of the investments, investment managers and advisers. Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.*

- In setting the overall investment objective and asset allocation and in the award of mandates to individual investment managers the Pensions Committee has set benchmarks for each asset class, and out-performance targets. These are set out in the Objectives section.
- The different benchmarks culminate in the specific benchmark for the Fund, which is determined by the core asset allocation, which has been made with reference to the Fund's Investment Objectives.
- The Fund engages the WM Company to provide an independent measurement of investment returns. These are used for comparison purposes against specific and peer group benchmarks. The reporting from the WM Company also comprises performance attribution broken down by asset class, and the impacts of asset allocation and stock selection. The Fund has dedicated internal staff resource to providing timely valuations of its assets.
- The Pensions Committee and IMWP receive WM reports and are therefore able to consider the performance of all asset classes and managers against a variety of time frames on a regular basis. These considerations form the basis of decision making.
- The Fund is aware of the need to monitor transaction costs for external managers and uses Inalytics Ltd to monitor the explicit and implicit costs arising from transactions.
- The Fund does not practice soft commissions through its internal managers. Where external managers operate a soft commission policy the Fund has, where possible, set up recapture arrangements.
- The Fund has appointed internal monitoring officers to closely monitor the external managers and ensure compliance with mandates.

- The Investment Monitoring Policy, which can be viewed at: <http://mpfmembers.org.uk/content/fund-policies> establishes the framework for the monitoring of the Fund's internal and external investment managers. This framework is linked into the reporting and governance framework of the Fund and defines a range of status levels linked to management actions, which are assigned to each investment manager. It takes account of quantitative measures, such as performance against benchmark and target, but assessment of status is weighted toward longer-term measures, such as one and three-year annualised returns. The monitoring policy is not felt to be overly prescriptive, as it does allow for qualitative factors to be taken into account in status assessment, as well as flexibility over the range of management actions to be taken and the outcomes expected.
- Neither the Pensions Committee, nor the IMWP, presently undertake a formal self-assessment of their effectiveness as decision-making bodies. Historically, the reasons for this lie in the lack of a suitable framework for conducting such an assessment. However, this position will be reviewed following publication of the CIPFA Pensions Panel's knowledge, skills and competencies framework for elected Members and officers involved in managing the LGPS. Likewise, there is no performance framework in place for monitoring the effectiveness of the Fund's consultants and advisers. However, as these are contractual relationships, they will be subject to a formal review and re-tendering exercise on a five-to-seven yearly cycle.

## Principle 5 - Responsible Ownership



### Administering Authorities should:

*Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee (ISC) Statement of Principles on the responsibilities of shareholders and agents include a statement of their policy on responsible ownership in the SIP; and report periodically to scheme members on the discharge of such responsibilities.*

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- Merseyside Pension Fund has long since regarded the fiduciary duty it has toward its stakeholders as fully including a duty of stewardship over the assets owned by the Fund. As the core purpose of the Fund involves being a long-term investor to meet long-term liabilities, the Fund considers it prudent to view the long-term absolute performance of its investments as being subject to a wide range of factors. Such factors, as may not appear to be materially or financially pertinent in the present, may well prove to be so in the future; and, as such, the Fund considers its interests not best served by a disengaged attitude to asset ownership.
- It is a core belief within the investment philosophy of Merseyside Pension Fund that environmental, social and governance (ESG) factors can affect investment performance and, therefore, should be a feature of investment analysis and management. The Fund is mindful of legal opinion on the nature of its fiduciary responsibility and regards the 'Freshfield opinion' (as commissioned by the United Nations Environmental Project Finance Initiative) as being authoritative. This states that it is a breach of fiduciary duty not to have due regard to ESG issues within the framework of investment policy.
- Therefore, the Fund has adopted a policy of responsible investment and, in November 2007, became a signatory to the United Nations Principles for Responsible Investment (UNPRI). The UNPRI are:
  1. Integrate ESG factors into investment analysis and decision-making;
  2. Active ownership - integrating ESG factors into asset ownership;
  3. Seek effective ESG disclosure in investee entities;
  4. Promote acceptance of UNPRI within the investment industry;
  5. Work with others to enhance our effectiveness in implementing the Principles;
  6. Report on our activities and progress toward implementing the Principles.
- The Fund's policy for acting on its UNPRI commitment can be summarized as one of constructive engagement with its investee companies and asset managers on ESG matters; often acting in collaboration with other like-minded investors. Engagement

encompasses a broad range of activity, including meaningful dialogue with companies and active use of voting rights. The Fund considers the engagement approach to be best suited to meeting its investment objectives and fulfilling its fiduciary duty to stakeholders; as opposed to an approach based on the positive or negative screening of assets from a portfolio on ESG or ethical grounds. This latter approach could be seen as effectively negating the value of responsible ownership.

- Active use of the voting rights attached to equity shares is the principal tool used in the Fund's engagement strategy. The Fund considers voting rights to be part of the intrinsic value of share ownership; and the use of these rights is an important mechanism for communicating the Fund's views to the management of investee companies. Therefore, the Fund has appointed a specialist adviser (Pensions Investment & Research Consultants Ltd, aka PIRC) to assist in implementing a comprehensive voting policy that covers the Fund's global equities portfolio. The Fund considers PIRC's Global Shareholder Voting Guidelines to insist upon the highest standards of corporate governance and responsibility. Accordingly, MPF's voting policy at all company meetings, in all markets, where it has a vote, is to vote in line with PIRC guidance.
- MPF does not view its voting policy as seeking to enforce a 'tick box' compliance regime within its equity portfolio, but rather as a means of promoting the highest standards of corporate governance. The practical arrangements for implementing the voting policy are determined by the Fund's preference for retaining the beneficial ownership of its equity investments, separate from its investment managers, by using a single global custodian. PIRC are mandated by the Fund to issue voting instructions to the custodian.
- MPF further pursues its engagement strategy through its active membership of the Local Authority Pension Fund Forum (LAPFF). It states its mission thus, "LAPFF exists to promote the investment interests of local authority pension funds, and to maximize their influence as shareholders whilst promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest." The LAPFF membership agree annual research and engagement work-plans that cover a broad range of ESG subjects and are appropriate to the typical member's investment portfolio. LAPFF members then work with a partner organization (PIRC Ltd) to implement these work-plans. The combined ownership influence of LAPFF enables it to conduct high-level engagement with investee companies and policy-makers, both on a sustained long-term basis and with pertinent issues as they arise.
- The Fund recognizes the importance of global climate change and the impact it, and efforts to adapt to and mitigate its effects, will have on its investment strategy. MPF is a member of the Institutional Investors Group on Climate Change (IIGCC), which brings together asset owners and asset managers to catalyse greater investment in a low carbon

economy by bringing investors together to use their collective influence with companies, policymakers and investors.

- MPF has taken account of the recommendations of the Walker Review, ([http://www.hm-treasury.gov.uk/walker\\_review\\_information.htm](http://www.hm-treasury.gov.uk/walker_review_information.htm)) and the publication of the Institutional Shareholders' Committee (ISC) Code on the Responsibilities of Institutional Investors. Although Walker's main focus was on the governance of banks and other financial institutions, the Review placed a welcome emphasis on the role of institutional shareholders and their duty of stewardship by recommending adoption of the ISC Code. The ISC Code sets out best practice for institutional investors that choose to engage with the companies in which they invest. The Fund considers that its responsible ownership policy already complies with, and may even exceed, the principles in the ISC Code. However, the Fund believes it has direct relevance for managing its relationships with external investment managers, and will require its managers to state their approach to the ISC Code on a 'comply or explain' basis, while highlighting the Fund's policy on engagement and support for the UNPRI.
- The Fund does not believe that it is necessary, nor practicable, to make responsible ownership an explicit part of its investment manager mandates. It considers that it best promotes its belief in responsible investment, and guards against the dilution of its ownership principles, by urging adoption of the ISC Code and promoting the UNPRI as the highest standard of best practice. Therefore, the Fund's selection criteria for investment manager selection will reflect a preference for investment managers that adopt the ISC Code and are signatories to the UNPRI. MPF wishes to see the consideration of ESG factors, and the fulfillment of a duty of stewardship, become part of the mainstream of investment management practice.
- The Fund will publish annually a Responsible Investment Review. The Review will report on the Fund's activities and progress in implementing its responsible investment policy over the calendar year. This will include disclosure of the Fund's voting record, the activity of LAPFF and IIGCC and a review of the approach of the external investment managers toward responsible investment and ownership practice.

## Principle 6 - Transparency and Reporting



### **Administering Authorities should:**

*Act in a transparent manner, communicating with stakeholders on issues relating to their management of investments, its governance and risks, including performance against stated objectives; and provide regular communication to scheme members in the form they consider most appropriate.*

The decision making structure for the Fund has been set out earlier. The key decision making forum is the Pensions Committee. The minutes of this Committee are available to the public through the Wirral Council website at: <http://www.wirral.gov.uk>.

This SIP will be made available to stakeholders on request and its availability will be publicised through newsletters, the annual conference and on the Fund's Website.

The Fund will also make available other documents relating to investment decision making and performance to interested stakeholders.

In accordance with LGPS (Administration) Regulations 2008, MPF has published a Communications Policy Statement, which can be viewed at: <http://mpfmembers.org.uk/content/fund-policies> , which describes the Fund's policy on:

- Providing information to members, employers and representatives,
- The format, frequency and method of distributing such information,
- The promotion of the Fund to prospective members and their employing bodies.

The Fund recognises the need to communicate its purpose and ethos to a wider body of stakeholders, and in furtherance of this, it has developed a media protocol supported by Wirral Council's corporate communications division. The protocol outlines engagement with local and national media, as well as the pensions and investment industry trade media.

The Fund will continue to develop its website, which it considers to be its primary communications channel.



## Compliance with CIPFA Principles 2010

### Applying the 2008 Myners Principles to the Management of LGPS Funds

<b>1</b>	<b>Effective Decision Making</b>	The Fund is wholly or substantially compliant with the CIPFA principles.
<b>2</b>	<b>Clear Objectives</b>	The Fund is wholly or substantially compliant with the CIPFA principles.
<b>3</b>	<b>Risk and Liabilities</b>	The Fund is wholly or substantially compliant with the CIPFA principles.
<b>4</b>	<b>Performance Assessment</b>	The Fund is substantially compliant with the CIPFA principles.
<b>5</b>	<b>Responsible Ownership</b>	The Fund's policy and practice exceed compliance requirements.
<b>6</b>	<b>Transparency and Reporting</b>	The Fund's policy and practice exceed compliance requirements.

(As approved by Pensions Committee - 19 November 2013)

# Appendix A

Scheme employers with active members as at 31 March 2014

## Scheduled Bodies

Arena & Convention Centre Liverpool  
Billinge Chapel End Parish Council  
Birkenhead Sixth Form College  
Carmel College  
Halewood Parish Council  
Hugh Baird College  
King George V College  
Knowsley Community College  
Knowsley M.B.C.  
Knowsley Parish Council  
Liverpool City Council  
Liverpool Community College  
Liverpool John Moores University  
Merseyside Fire & Rescue Authority  
Merseyside Integrated Transport Authority (MITA)  
Merseyside Passenger Transport Executive (MPTE)  
Merseyside Valuation Tribunal  
Merseyside Waste Disposal Authority  
National Probation Service  
Office of the Police and Crime Commissioner for Merseyside (OPCCM)  
Prescot Town Council  
Rainford Parish Council  
Rainhill Parish Council  
Sefton M.B.C.  
Southport College  
St. Helens College  
St. Helens M.B.C.  
Whiston Town Council  
Wirral Council  
Wirral Metropolitan College

## Scheduled Bodies (Academies)

Academy of St. Francis  
Bellerive FCJ Catholic College  
Belvedere Academy  
Birkdale High School  
Birkenhead High School Academy  
Blue Coat School  
Calday Grange Grammar School  
Chesterfield High School  
Childwall Sports & Science Academy  
De la Salle Academy  
Deyes High School  
Enterprise South Liverpool Academy  
Everton Free School  
Formby High School  
Greenbank High School  
Halewood Centre for Learning  
Harmonize Academy  
Hawthornes Free School  
Hillbre High School

Hope Academy  
Kirkby High School  
Liverpool Life Science UTC  
Lord Derby Academy  
Maghull High School  
North Liverpool Academy  
Oldershaw Academy  
Our Lady of Pity RC Primary School  
Preston High School for Girls  
Range High School  
St. Anselms College  
St. Edwards College  
St. Francis Xavier's College  
St. John Plessington Catholic College  
St. Margaret's Church of England Academy  
Sutton Academy  
The Studio  
University Academy (Liverpool)  
University Academy of Birkenhead  
Upton Hall School  
Weatherhead High School  
West Derby School (Academy)  
West Kirby Grammar School  
Wirral Grammar School for Boys  
Wirral Grammar School for Girls  
Woodchurch High School (Academy)

## Admission Bodies (Community)

Age UK – Liverpool  
Arriva North West  
Association of Police Authorities  
Beechwood and Ballantyne Housing Assoc.  
Berrybridge Housing Ltd.  
Birkenhead School (2002)  
Care Quality Commission  
Catholic Children's Society  
CDS Housing  
Cobalt Housing Ltd.  
Comtechsa Limited  
Glenvale Transport Ltd/Stagecoach  
Greater Hornby Homes  
Greater Merseyside Connexions  
Helena Partnerships Ltd.  
Knowsley Housing Trust  
Lee Valley Housing Association Ltd.  
Liverpool Association for the Disabled  
Liverpool Citizens Advice Bureau  
Liverpool Hope University  
Liverpool Housing Trust  
Liverpool Mutual Homes Ltd.  
Local Government Association  
Magenta Living  
Merseyside Lieutenancy  
Merseyside Society for Deaf People

Merseyside Welfare Rights  
Merseyside Youth Association  
North Huyton Communities Future  
North Liverpool Citizens Advice Bureau  
One Vision Housing Ltd.  
Partners Credit Union  
Port Sunlight Village Trust  
Sefton Education Business Partnership  
South Liverpool Housing Ltd.  
Southern Neighbourhood Council  
Vauxhall Neighbourhood Council  
Village Housing Association Ltd.  
Wavertree Citizens Advice Bureau  
Welsh Local Government Association  
Wirral Autistic Society  
Wirral Citizens Advice Bureau

## Admission Bodies (Transferee)

Addaction Limited  
Agilisys Limited  
Amey Services Ltd - Highways  
Amey Services Ltd - Cleansing  
arvato Public Sector Services Limited  
Birkenhead Market Services Ltd.  
Cofely Fire Project  
Cofely PFI SEN School  
Cofely Workplace  
COLAS  
Compass (Scolarest) Liverpool Schools  
Compass (Scolarest) Wirral Schools  
Computacenter (UK) Ltd.  
Elite Cleaning & Environmental Services Ltd.  
Enterprise Liverpool Neighbourhood Grounds  
Geraud Markets Liverpool Ltd.  
Glendale (Liverpool Parks Services) Ltd.  
Graysons Education Ltd  
Hall Cleaning Services  
Hochtief Liverpool Schools  
Hochtief Wirral Schools  
Interserve (Facilities Mgmt) Ltd.  
Kingswood Colomendy Ltd.  
Liberata (UK) Ltd.  
Liverpool Vision Limited  
Mack Trading  
Mellors Catering Services  
Mouchel (2020 Knowsley Ltd.)  
Northgate Managed Services  
RM Education PLC  
Sefton New Directions Ltd.  
SSE Contracting Ltd.  
Taylor Shaw (Meols Cop)  
Taylor Shaw (the Grange)  
Veolia ES Merseyside & Halton

# Appendix B

## Pensions Committee Items

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### 24 June 2013

External Audit Plan 2012-13  
LGPS Update  
Annual Investment Performance  
Treasury Management Annual Report  
Budget Financial Year 2013/2014  
Budget Out Turn 2012/13 and Annual Report 2012/13  
LGC Investment Summit  
Pensions Administration Strategy Statement  
Official Opening of Gwynedd AD Plant  
Compliance Manual - Section 6  
Personal Conduct Arrangements.  
Tactical Asset Allocation  
Tunsgate Square - Roofing Tender  
IMWP Minutes  
Castle Chambers 4th Floor Refurbishment  
Essentials Training for Local Authority Pension Schemes.

### 16 September 2013

Grant Thornton - Annual Governance Report  
Draft Annual Report  
Fund Accounts 2012/13  
LGPS Update  
Future Structure of the LGPS  
Tactical Asset Allocation  
IT Costs 2014 Reform

Annual Employers' Conference  
LGPS Fundamentals Training  
LAPFF Conference  
Infrastructure and Private Equity Seminar  
NAPF Conference  
Amey Services  
Tunsgate Square Tender  
GRWP Minutes 18/7/13

### 19 November 2013

LGPS Update  
Actuarial Valuation  
Funding Strategy Statement  
Asset Allocation  
Statement of Investment Principles  
Authorised Signatories  
Gifts and Hospitality Returns  
LGC Investment Conference  
LGC Investment Awards  
Investing 4 Growth  
Strategic Property Advisors Contract  
Cunard Building  
National Express Visit  
Mosscroft Childcare  
IMWP Minutes 08/10/13 and 23/10/13

### 20 January 2014

LGPS Update  
Pension Fund Budget  
Member Development Programme 2014  
Treasury Management Policy  
Update on Anaerobic Digestion Projects  
NAPF Investment Conference  
Appointment of Transition Manager Framework  
Manager Reviews and Tender Exercises  
Property Arrears  
IMWP Minutes 20/11/13

### 24 March 2014

Audit Plan 2013/14  
LGPS Update  
Compliance Manual  
MPF Contracts  
NAPF Local Authority Conference  
LGPC Annual Trustees Conference  
Cunard Building  
IMWP Minutes  
GRWP Minutes  
Tunsgate Development

# Appendix B

## Pensions Committee Items

### Pensions Committee and Sub-committee meetings – Members Attendance Record 2013/14

	Pensions Committee					Training Day	GRWP		IMWP					
	24-Jun	16-Sep	19-Nov	20-Jan	24-Mar	20-Mar	18-Jul	23-Jan	10-Apr	12-Jun	11-Sep	23-Oct	20-Nov	20-Feb
Cllr. George Davies	•	•	•		•	•		•	•				•	
Cllr. Paul Doughty*			•	•	•				•		•			
Cllr. John Fulham (St. Helens MBC)	•			•					•		•			
Cllr. Pat Glasman			•	•		•	•	•	•	•	•	•	•	•
Mr. Phil Goodwin									•					
Cllr. Tom Harney		•	•	•	•				•		•			
Cllr. Sylvia Hodrien*	•								•					
Cllr. Mike Hornby	•		•	•	•	•		•	•		•	•		•
Cllr. Patrick Hurley (Liverpool CC)		•					•			•				
Cllr. Cllr. Peter Johnson (present as substitute)									•		•		•	
Cllr. Adrian Jones		•	•	•	•		•	•	•		•		•	
Cllr. Norman Keats (Knowsley MBC)	•	•	•	•	•					•		•		
Mr. Patrick McCarthy		•	•	•			•		•	•		•		
Cllr. Ann McLachlan	•	•		•	•		•				•			
Cllr. Moira McLaughlin (present as substitute)		•		•					•	•	•			
Cllr. Cherry Povall	•	•	•	•	•				•	•	•			
Cllr. Harry Smith	•	•	•	•	•		•		•			•	•	•
Cllr. Paul Tweed (Sefton MBC)		•												
Cllr. Geoffrey Watt	•	•	•	•	•	•	•	•		•	•	•	•	•
Mr. Paul Wiggins									•		•		•	•

\*Cllr. Sylvia Hodrien replaced by Cllr. Paul Doughty.

	Conferences											
	NAPF Gloucester <sup>2</sup>	PIRC <sup>1</sup>	LGPS Trustees Conference, Sheffield <sup>3</sup>	CIPFA Conference London <sup>1</sup>	LGC Newport <sup>2</sup>	Axa Investments Essentials Manchester <sup>3</sup>	NAPF ANNUAL CONFERENCE Manchester <sup>3</sup>	ANNUAL EMPLOYERS CONFERENCE <sup>3</sup>	UK Infrastructure Conference & Expo <sup>1</sup>	Annual LAPFF - Bournemouth <sup>2</sup>	LGC CARDEN PARK <sup>3</sup>	NAPF <sup>1</sup>
	20-22 May	13 Jun	17-28 Jun	9-11 Jul	5-6 Sep	10-Sep	16-18 Oct	28-Nov	02-03 Dec	04-06 Dec	27-28 Feb	5-7 Mar
Cllr. George Davies												
Cllr. Paul Doughty*												
Cllr. John Fulham (St. Helens MBC)												
Cllr. Pat Glasman	•	•	•	•	•		•	•	•	•	•	•
Mr. Phil Goodwin						•						
Cllr. Tom Harney												
Cllr. Sylvia Hodrien*												
Cllr. Mike Hornby			•				•	•			•	
Cllr. Patrick Hurley (Liverpool CC)												
Cllr. Adrian Jones											•	
Cllr. Norman Keats (Knowsley MBC)												
Mr. Patrick McCarthy												
Cllr. Ann McLachlan												
Cllr. Cherry Povall			•			•	•				•	
Cllr. Harry Smith			•								•	
Cllr. Paul Tweed (Sefton MBC)												
Cllr. Geoffrey Watt	•		•		•		•	•		•	•	
Mr. Paul Wiggins												

\*Cllr. Sylvia Hodrien replaced by Cllr. Paul Doughty.

#### Committee Members Invited to Attend:

<sup>1</sup> Chair Only    <sup>2</sup> Chair and Spokesperson Only    <sup>3</sup> All Committee Members

# Appendix C

## Information Contacts

Position	Name	Telephone number
Head of Pension Fund	Peter Wallach	0151 242 1309
Principal Pension Officer	Yvonne Caddock	0151 242 1333

Area	Name	Telephone number
Accounts	Donna Smith	0151 242 1312
Investments	Leyland Otter	0151 242 1310
Member Services	Margaret Rourke/Sue Roberts	0151 242 1369
Benefits/Payroll	Barbara King/Keith Higgins	0151 242 1354
Operations (IT/Communications)	Guy Hayton	0151 242 1361

Resolution of Disputes		
Employer Decisions	Principal Pension Officer	0151 242 1333
Fund Decisions	Head of Benefits, Revenue & Customer Service	0151 666 3056

Scheme Employers Contacts		
Arriva North West	Anne Hughes	0151 522 2807
Knowsley MBC	Yvonne Ashton	0151 443 4177
Liverpool City Council	Richard Arnold	0151 225 2216
Liverpool John Moores University	Jayne Brown	0151 231 8756
Merseyside Fire & Rescue Service	Helen Jones	0151 296 4219
Merseytravel	Linda Gedman	0151 330 1191
Merseyside Waste Disposal Authority	Paula Pocock	0151 255 2539
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	Cathy O'Connor	0174 467 6627
Wirral Council	Helen Watkins	0151 666 3524



## **Report & Accounts 2013/14**

### **Merseyside Pension Fund**

Castle Chambers  
43 Castle Street  
Liverpool  
L2 9SH

Tel: 0151 242 1390

Email: [mpfadmin@wirral.gov.uk](mailto:mpfadmin@wirral.gov.uk)

[www.merseysidepensionfund.org.uk](http://www.merseysidepensionfund.org.uk)

