



**Merseyside**  
PENSION FUND

# Report & Accounts 2015/16





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# Management Structure

## 1. Pension Fund Management Committee

**Chair:**

Cllr P Doughty **Wirral**

**Vice Chair:**

Cllr A McLachlan **Wirral**

Cllr P Cleary	<b>Wirral</b>
Cllr G Davies	<b>Wirral</b>
Cllr K Hodson	<b>Wirral</b>
Cllr T Johnson	<b>Wirral</b>
Cllr A Jones	<b>Wirral</b>
Cllr B Kenny	<b>Wirral</b>
Cllr C Povall	<b>Wirral</b>
Cllr GCJ Watt	<b>Wirral</b>
Cllr W Weightman	<b>Knowsley</b>
Cllr N Crofts	<b>Liverpool</b>
Cllr P Lappin	<b>Sefton</b>
Cllr J Fulham	<b>St Helens</b>

## Employee Representatives (Non-voting)

Mr P Cleary	<b>Unison</b>
Mr B Ellis	<b>Unison</b>
Mr D Walsh	<b>Unite</b>

## Officers of the Fund

Joe Blott	<b>Strategic Director Transformation &amp; Resources</b>
Peter Wallach	<b>Director of Pensions</b>
Yvonne Caddock	<b>Principal Pension Officer</b>
Surjit Tour	<b>Head of Legal &amp; Democratic Services</b>
Colin Hughes	<b>Group Solicitor</b>

## 2. Advisors to Investment Monitoring Working Party

Strategic Director Transformation & Resources  
Director of Pensions  
Senior Investment Manager  
Aon Hewitt  
Noel Mills  
Rohan Worrall

## 3. Advisors to Governance and Risk Working Party

Strategic Director Transformation & Resources  
Director of Pensions  
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 Advisors**  
Pensions and Investment Research Consultants Ltd

**Property Advisors**  
C B Richard Ellis

**Property Managers**  
C B Richard Ellis

**Property Valuers**  
Savills

**Performance Measurement**  
The WM Company

**Solicitor**  
Wirral Council

**AVC Providers**  
Equitable Life Assurance Society  
Standard Life  
Prudential

# Chair's Introduction



As Chair of Pensions Committee, I am pleased to present Merseyside Pension Fund's Annual Report for the year ended 31 March 2016. 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.

**P Doughty**

## 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 advisors, to ensure that they remain appropriate.

## Investment performance

Looking back on the twelve months to March 2016, a great deal of change has occurred politically and in financial markets.

The period under review commenced with Greece as the overriding theme with a backdrop of soaring then collapsing Chinese A shares and volatility in sovereign bond markets. Negotiations between the Greek government, led by the anti-austerity Syriza party, and European leaders lurched, on a near daily basis, from optimism to pessimism culminating in a surprise referendum on the creditors' Greek bailout proposals. Twelve months on, Grexit has been replaced by Brexit.

The summer proved to be particularly volatile for global equities. The trigger for steep falls in markets in August was the decision by Chinese authorities to devalue the renminbi. With two of the other three BRIC nations, Brazil and Russia, already in recession, investors panicked and equities fell sharply, emerging markets in particular. Brent crude also fell 24% to less than \$50 per barrel. However, with the US Federal Reserve hanging fire on a decision to raise interest rates, markets rallied into the year end.

December saw the first rate hike by the US Federal Reserve since June 2006 with rates increasing to 0.5%. Meanwhile, the European Central Bank cut the official deposit rate by 0.10% to bring it to -0.30%. It appears that we are set for a period of interest rate divergence. Brent crude fell a further 23% ending the year at \$37 per barrel.

Volatility continued into the first quarter of 2016 but steadied as economic fears of a slowdown in China and the US abated. For the year to March, equity markets were flat to modestly lower whilst bond markets were slightly higher. More detail is provided in the Investment Report.

Against this backdrop, the Fund returned 1.2% compared to its bespoke benchmark return of -0.4%.

As anticipated last year, volatility in financial markets is picking up and we have positioned the Fund cautiously. Nonetheless, it is helpful to bear in mind that local authority Pension funds invest over the long-term to pay benefits in forty to fifty years' time and it is imperative that we maintain this long-term perspective in our investment strategy.

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

## Actuarial Valuation

The next triennial valuation is at 31 March this year. At the last triennial valuation, assets stood at £5.8bn with liabilities calculated to be nearly £7.7bn, giving a whole fund funding position of 76%. The interim position at March 2016 suggests little change to the funding position. Despite the increase in assets to nearly £7bn, quantitative easing by the government has been unhelpful to the valuation of liabilities and our funding level is still estimated to be around 76%.

## 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. We were very pleased that the Fund collected a further award from aiCIO magazine; Best Public Pension Fund below £15bn.

With increasing numbers of members affected by early retirement and redundancy programmes by employers, 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's websites continue to be updated regularly and we are seeing increasing use of the Employers' website.

The Annual Employers' Conference held at Aintree Racecourse, in November 2015, was again well attended and featured speakers from the Fund's actuary and officers of the Fund.

## Past Changes and the Future

The Pension Board, introduced last year, is now fully established. Details of its activities, reports and minutes of its meetings are available on the Wirral website.

Implementing the new career average Scheme continues to be a significant project. It has required significant changes to systems, policies and procedures and we continue to look for and implement efficiencies in the way in which we work.

The 'Investment Reform Criteria and Guidance' consultation, known more familiarly as 'Pooling', was launched by the government in November. In the July Budget 2015, the Chancellor announced the government's intention to work with the Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs while maintaining overall investment performance. Proposals for pooling will be assessed against four principal criteria:

- Asset pools with at least £25bn of Scheme assets
- Strong governance and decision making
- Reduced costs and excellent value for money
- An improved capacity to invest in infrastructure

The Fund has announced that it is working with Greater Manchester Pension Fund and West Yorkshire Pension Fund to develop proposals. This will be a significant undertaking and the resources and costs required to deliver the changes required should not be under-estimated.

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 Paul Doughty.

In 2015/16, the Committee comprised Councillors from the Wirral Labour group (6), Conservatives (3), Green Party (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 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 (IMWP). The IMWP 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 advisors, Aon Hewitt and members of the in-house investment team.

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

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 investment managers, mandates and advisors 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 (GRWP) 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:

**<https://mpfund.uk/risk>**

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

These documents are all subject to regular scrutiny by Pensions Committee 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 Council's legal team and from external sources where appropriate.



## Knowledge and Skills

Merseyside Pension Fund recognises the importance of ensuring that all staff and members charged with the financial management and decision making with regard to the pension scheme, are fully equipped with the knowledge and skills to discharge the duties and responsibilities 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 & 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 regular working parties. The IMWP's 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 GRWP's enable matters relating to other risks, governance and pensions administration to be covered in greater depth, as necessary.

This year, the Fund's direct property portfolio was identified as an area of development. Members received a presentation from one of the Fund's advisors on the operational management of the Fund's properties. In addition, investment pooling quickly became an area of interest and officers briefed Members on potential legal and operational structures.

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 the Pensions 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	GRWP
September	IMWP
September	Pensions Committee
September	LGC Investment Summit
October	IMWP
October	LGE Fundamentals
October	Elected Member Educational Event
October	NAPF Annual Conference
November	IMWP
November	Pensions Committee
November	LGE Fundamentals
November	MPF Annual Employers' Conference
December	Annual LAPFF Conference
December	LGE Fundamentals
January	Pensions Committee
January	GRWP
January	Blackrock Seminar
March	LGC Investment Conference
February	Elected Member Educational Event
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 of Transformation & 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.

# Pension Board Report

Local Pension Boards (LPB) have been established across the Local Government Pension Scheme to assist administering authorities in their role as managers of the Scheme.

## Statement of Purpose for the Wirral Local Pension Board

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

- Secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pension Regulator in relation to the Scheme and;
- Ensure the effective and efficient governance and administration of Merseyside Pension Fund.
- Provide the Scheme Manager with such information as it requires ensuring that any member of the Pension Board or person to be appointed to the Board does not have a conflict of interest.

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

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

## Constitution/Management arrangements

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

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

Additional information is included in the Board's Terms of Reference available on the Fund's website.

## Executive Summary

As required by the regulations, Wirral's Local Pension Board was established by 1 April 2015 and meetings were held on 14 July 2015 and 13 October 2015 (see below).

In addition, a rigorous training programme was undertaken involving internal and external training as detailed in the table below. A number of Board members have attended Working Parties to gain greater familiarity with the activities and procedures of Pensions Committee.

### Work plan 14 July meeting:

1. Appointment of Chair
2. Review of Pension Board policies
3. Business Planning
4. Presentation of Grant Thornton survey - Stronger Futures: Development of the LGPS
5. Policy on Compliance with the Pensions Regulator
6. Training Programme

### Work plan 13 October meeting:

1. LGPS update
2. Review of MPF's Annual Report & Accounts
3. Gifts & Hospitality Policy agreed
4. Pension Board Work Plan
5. CIPFA's Knowledge & Skills Framework for Pension Boards
6. Review of IMWP/GRWP minutes

A work plan for 2016/17 has identified a number of key areas where the Board will provide assurance to the Administering Authority as to compliance with regulations and policies. Not all board meeting dates have yet been set.



## Pension Board Work Plan 2016-17

Agenda Item	14/4/16	28/6/16	11/10/16	2017
LGPS update	•	•	•	•
Administration KPI report	•	•	•	•
Pooling update	•	•		
Audit Plan	•			
LGPS Investment Regulations consultation	•			
The Pensions Regulator Breaches policy	•			
Member Development Programme	•			•
Pension Board Development Programme	•			•
IMWP/GRWP minutes	•	•	•	•
Pension Board Annual Report			•	
Investment Performance			•	
Audit Findings Report			•	
Annual Report & Accounts			•	
Review of Actuarial Valuation				•
Fund discretions				•
AVC arrangements				•
tPR self-assessment				•

## Attendance & Training Record

ATTENDANCE RECORD 2015-16	PENSION REGULATOR PUBLIC SECTOR TRAINING	TRAINING EVENT FOR PENSION BOARD MEMBERS	MPF TRAINING DAY	NAPF ANNUAL CONFERENCE	MPF ANNUAL CONFERENCE	PENSION BOARD MEETINGS		IMWP*		GRWP*
		28 May	29 Sep	14 Oct	26 Nov	14 Jul	13 Oct	17 Sep	10 Mar	28 Jan
John Raisin (Chair)	•	•	•		•	•	•	•		•
Kerry Beirne	•		•	•	•	•	•	•	•	•
Geoff Broadhead	•		•		•	•	•			
Robin Dawson	•	•	•	•	•		•			
Phil Goodwin				•	•	•				
Mike Hornby	•	•	•	•		•	•			
Pat Moloney	•	•	•	•	•	•	•			
Donna Ridland	•	•		•	•	•	•			
Paul Wiggins	•	•	•		•	•	•			

\*Places limited to 2 members of Pension Board per meeting.

## Costs of Operation

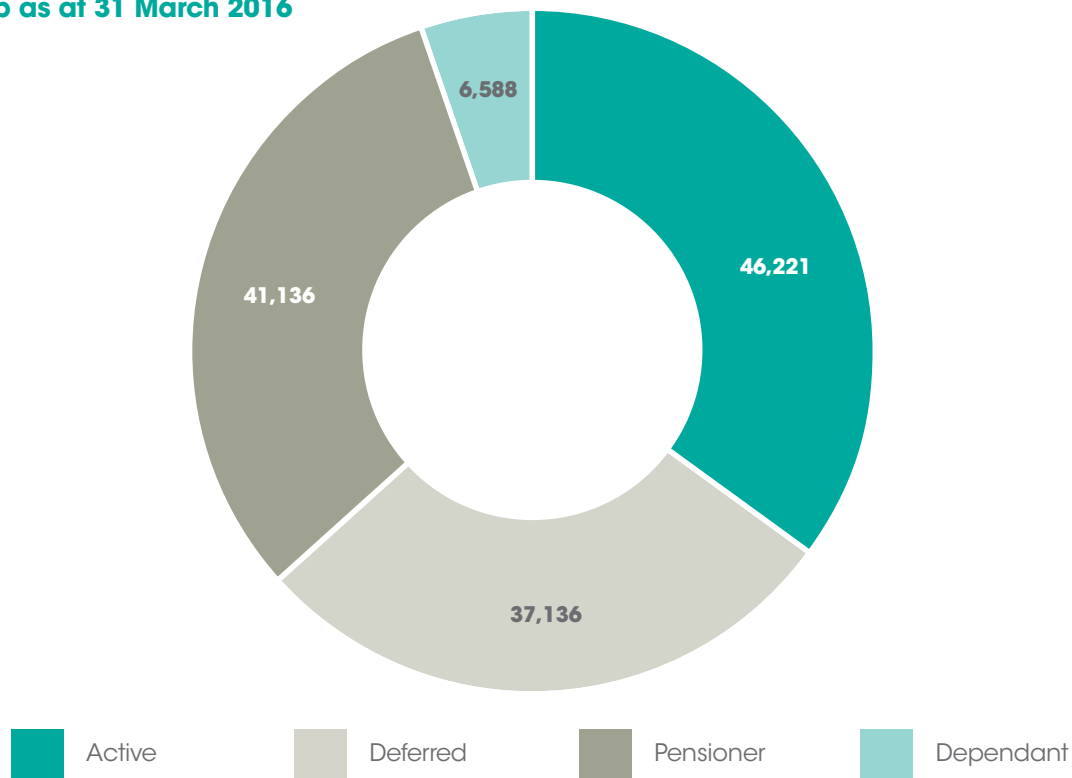
Training	£10,584
Transport	£2,088
Allowances	£12,772
Other	£1,487
<b>Total</b>	<b>£26,931</b>

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

A detailed review of the activities of the Pension Board was undertaken by the Independent Chair and will be reported to Pensions Committee on 19 September 2016.

# Membership Statistics

## Membership as at 31 March 2016



## 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				345	1,798	2,963	3,729	4,343	5,479	7,655	8,875
Deferred				7	333	2,015	3,435	3,606	4,783	6,756	8,438
Pensioner						2	3	8	64	293	684
Dependant	1	17	46	146	64	10	11	22	27	84	187

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	6,925	3,288	687	134							46,221
Deferred	6,635	1,025	88	15							37,136
Pensioner	2,955	8,804	10,595	6,961	5,058	3,303	1,684	602	105	15	41,136
Dependant	300	461	707	860	1,015	1,153	893	452	112	20	6,588
<b>Total</b>											<b>131,081</b>

## Key Membership Statistics 2012 - 2016

Year	Active	Deferred	Pensioner	Dependant	Total
31 March 2016	46,221	37,136	41,136	6,588	131,081
31 March 2015	45,417	36,237	39,918	6,682	128,254
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

# Scheme Administration Report

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. It also operates the Scheme for support staff employed in Academies and members of other organisations, which have made admission agreements with the Fund.

Over the reporting period the Fund has experienced an increase to its employer base, as service delivery transformations and outsourced local government contracts are becoming more prevalent for local authorities - due to the increasing pressures on public sector expenditure. In addition, the number of schools choosing to convert to Academy status has continued to increase following the introduction of the 2010 Academies Act.

Furthermore, the increase in the number of third party HR and payroll providers, favoured by a number of local education authority schools, has added a further layer to the process and provision of data.

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 and exempt approved for tax purposes. The Scheme was formerly contracted out of the additional State Pension until the introduction of the new single-tier State Pension on 6 April 2016, which as a matter of course, resulted in the ending of the Scheme's contracted out status.

## What does the 'end of contracting out' mean for employers and active members?

The headline impact resulting from the ending of contracting out status is the increased National Insurance costs for both employers and members of 3.4% and 1.4% respectively on earnings between certain thresholds.

However, in regards Scheme administration, this is not solely a cost pressure in communicating the reduction of 'take home pay' to active Scheme members and increased payroll costs to employers; there are other administrative implications which could affect Scheme benefits and liabilities.

The most significant impact on the Scheme's administration is the requirement to complete a Guaranteed Minimum Pension (GMP) reconciliation project by December 2018. This is a specialised, resource intensive and time-consuming process of comparing Scheme records with HM Revenue & Customs (HMRC) records to resolve any discrepancies. Failure to undertake

this project could lead to additional liabilities if the Fund cannot reconcile its records against HMRC's recorded GMPs for Scheme members.

There are no plans to change the benefits that the LGPS provides as a result of the introduction of the new State Pension and the ending of contracting out.

## 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, children's pensions including ill health, redundancy and death cover.

Quite clearly it is a comprehensive scheme and yet, through the co-operation of the government, Scheme Advisory Board, 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 have been national concerns 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.

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.



# Scheme Administration Report

Lord Hutton's report was published on 10 March 2011 and made a number of recommendations about the future design of public service pension schemes. As a result the government set out to future proof the LGPS, along with other public service schemes, to ensure the cost of providing pensions is sustainable for future generations.

## LGPS 2014

The position of the previous coalition government was that public service pension schemes, including the LGPS should remain the very best available, providing a defined benefit pension entitlement for all employees. Following in depth consultation with the unions and the LGA a new overarching benefit structure was delivered across the public sector.

On 1 April 2014, the new Local Government Pension Scheme (LGPS) came into effect being a career average revalued earnings (CARE) scheme and replaced the final salary scheme going forward.

The LGPS now:

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

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

- preserve member benefits accrued under the former LGPS regulations
- retain the final salary benefits and normal pension age of 65 in respect of pre-2014 membership
- provide an 'underpin' for people born before 1 April 1957 to ensure 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 from age 60
- ability for employers to switch on the '85 Year Rule' in regard a member's benefits if they voluntarily retire between age 55-60.

## Governance Changes

The Public Service Pensions Act 2013 and the LGPS Governance Regulations 2015 introduced the following provisions:

- local pension boards to assist each Administering Authority with ensuring compliance and the effective governance and administration of the fund
- the establishment of a national Scheme Advisory Board to advise the Secretary of State, administering authorities and local pension boards
- the extension of the work of the Pension Regulator (TPR) to the LGPS
- an employer cost capping regime

The objective of this strengthened governance framework is to support sound decision making and increase the transparency of the administering authorities accountability for the management and stewardship of the Scheme.

## The Local Pension Board

The regulations recognise differing local arrangements for the management of LGPS Funds and are not overly prescriptive - permitting flexibility around the structure of local pension boards.

The Pension Board does not have quasi-trustee status and is not a decision making body, but works with the Administering Authority to help ensure compliance with its statutory responsibilities in the administration and management of the Scheme.

Given the existence of the Pensions Committee it is important that there is clarity of roles and responsibilities between the two functions and it is crucial that the Pension Board delivers visible improvements in Fund governance.

Details on the representation of both Pensions Committee and the Pension Board can be accessed from the Fund's website at the following link:

**<http://mpfund.uk/fund-gov>**

## The Scheme Advisory Board

The purpose of the Scheme Advisory Board (SAB) is to be both reactive and proactive in encouraging and coordinating best practice and transparency throughout LGPS funds. The SAB also provides advice to the Secretary of State on the desirability of changes to the Scheme, while also assisting funds themselves on their effective and efficient management and administration.

A key work stream of the SAB is to produce Key Performance Indicators (KPIs) to benchmark funds in ensuring effective governance and administration. As part of a pilot, the Fund undertook a self-assessment exercise against the suggested performance measurements and provided general feedback to the SAB. It is expected that the KPIs will be implemented across the LGPS as part of the valuation process to assess and support funds accordingly.

## Key Legislative Change

The main endeavour amongst the Scheme stakeholders is to strive to meet the government's requirement to deliver an affordable, cost effective, sustainable Scheme taking account of developments across the pension industry.

To achieve this outcome the DCLG introduced specific amendments to the LGPS regulatory framework during 2015 to support streamlined administration and compliance with overriding pension industry developments as follows:

### Local Government Pension Scheme (Amendment) Regulation 2015

The Amendment Regulations came into force on 11 April 2015 and amend the LGPS Regulations 2013 and the Transitional Provisions, Savings and Amendment Regulations 2014.

The key revisions relate to the following regulatory provisions:

- a clarifying amendment to explicitly define that, where a member dies in service, regardless of membership length, a member shall be deemed to have met the two year vesting period required for entitlement to a survivor and child pension
- an amendment to deliver the policy intent where a member dies in service with a deferred benefit or pension in payment, the death grant should be the greater of:

a) the death in service grant and;

b) the aggregate of the death grants due in respect of the deferred pension and pension in payment.

It is noteworthy that if the sum payable in respect of the previous deferred benefit or pension is greater than the death in service grant, then the current employer is responsible for paying the higher death grant from its section of the Fund.

## Pension Act 2015

The Pension Act 2015 implemented changes announced at the 2014 'Budget'. These changes allow individuals over age 55 to access their defined contribution benefits in more flexible ways from April 2015. These provisions are referred within the industry as 'Freedom & Choice'.

The most significant impact on the LGPS is the requirement to disclose information relating to the changes and the additional safeguard responsibilities governing the transfer of benefits. This radical change in policy direction has required the Fund to revise procedures and literature, in order to provide all leavers with transfer options and to apply a robust framework in ensuring members wishing to transfer, obtain appropriate independent financial advice.

Increased flexibility in accessing pensions may potentially flow through to the LGPS at a future date as a mechanism to manage future pension liabilities. Draft regulations, including increased flexibilities within the LGPS have been issued at the time of drafting this report and are subject to consultation.

### The Pension Regulators Code of Practice No.14 Governance and Administration of Public Service Pension Schemes

In April 2015, the Pension Regulator issued the above Code of Practice, setting out the legal requirements and standards of conduct for the administration, management and governance of public service pension schemes.

The Fund is developing a model to assess compliance against the ninety key definitive legal requirements measured by the Code. There is work in progress to undertake a gap analysis, identifying any corrective actions to tighten controls, and to create a robust monitoring framework against the Code.

# Scheme Administration Report

## The Public Service Pensions (Record Keeping and Miscellaneous Amendment) Regulations 2014

The above regulations came into force in April 2015 and set out a list of the records the Fund must keep in relation to members, beneficiaries, transactions and Pension Board meetings. The Pensions Regulator has issued guidance to scheme managers encouraging a proportionate risk based approach to regular data monitoring - noting that significantly more data needs to be recorded to effectively operate the CARE scheme.

The Fund's operational procedure for testing data quality has been reviewed during the year to reflect the new benefit and governance structure. This has resulted in a shift from annual data reviews to more frequent data reconciliations with employers - to ensure the Fund's core business function to pay the right person, the right pension, at the right time.

## Summer Budget and Finance (No.2) Act 2015

The Chancellor, in delivering his summer budget, committed to further radical reform of the pension industry and announced material changes to 'taper the Annual Allowance (AA)' for high earners, in addition, a plan to reduce the Life Time Allowance (LTA) from £1.25m to £1m from April 2016. These announcements were notwithstanding the government plans to work with Administering Authorities on pooling investments to deliver savings, whilst maintaining investment returns.

The Finance (No.2) Act incorporated into legislation the reduction to the AA by £1 for every £2 of income earned over £150,000, to be tapered down and set at £10,000 for those with earnings over £210,000.

To facilitate this change, the LGPS Pension Input Period (PIP) will change from 31 March to align with tax years from 2016/17 - with transitional arrangements for 2015/16. Under the transitional arrangements, members will have an Annual Allowance of £80,000 for 31 March 2015 to 5 April 2016 with a limit of £40,000 over the period 9 July 2015 to 5 April 2016.

The regulations for both the pre-April 2014 Scheme and the current Scheme can be accessed from the following links:

### Pre April 2014

[www.lgpsregs.org/timelineregs/Default.html](http://www.lgpsregs.org/timelineregs/Default.html)

### Post April 2014

[www.lgpsregs.org/index.php/regs-legislation/lgpsregs2013-resources](http://www.lgpsregs.org/index.php/regs-legislation/lgpsregs2013-resources)

## LGPS National Insurance Database and DWP 'Tell Us Once' Service

The Fund is participating in a data sharing exercise with other LGPS pension funds in England, Wales and Scotland to ensure the correct payment of death grants.

A National Insurance Database has been developed by the Local Government Association and hosted by the South Yorkshire Pension Authority, to enable Fund officers to enquire if a member has an LGPS pension record at any other pension fund.

An extract of the membership information contained in the National Insurance database will also be periodically shared with the Department for Work and Pensions (DWP) for use in by the 'Tell Us Once' Service.

'Tell Us Once' is a service offered by a registrar when a person attends a register office to report a death. The service will alert the Fund of registered deaths for our members on a timelier basis, thus reducing the chance of pension overpayment and unnecessary bureaucracy for recently bereaved relatives.

## Cost of the Scheme to Employers and Employees.

The 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 and as such a 'two pronged' cost management process, governed by the Scheme Advisory Board and HM Treasury is embedded within the regulations.

Past service deficits are outside of the cost management process, but the Shadow Scheme Advisory Board has set up a Deficit Working Group to consider an innovative approach to deficit management at both Fund and employer level in the LGPS.



## Earning Bands for Employee Contributions

The employee contribution banding for 2016/17 is unchanged from 2015/16.

The following pay ranges and employee contribution rates apply from April 2016 as follows:

Pay Bands	Contribution Rates (per employment)
Up to £13,600	5.5%
£13,601 - £21,200	5.8%
£21,201 - £34,400	6.5%
£34,401 - £43,500	6.8%
£43,501 - £60,700	8.5%
£60,701 - £86,000	9.9%
£86,001 - £101,200	10.5%
£101,201 - £151,800	11.4%
Over £151,800	12.5%

Unless the process for allocating the appropriate contribution rate from the above bands has been automated on the payroll system, employers must determine the appropriate employee contribution rate for each employee from 1 April 2016 and notify this to payroll. Any reductions in pensionable pay at that time due to sickness, child related leave, reserve forces service leave or other absence from work are to be disregarded when determining the appropriate contribution rate.

## Consultation on Tax Relief and Public Sector Exit Payments

During the year, the Fund responded to the government's green paper on whether there is a case for reforming pension tax relief, with the stated aim of encouraging more people to save for the future.

The conclusion reached by the Fund in its response to the consultation, was that a single rate of tax relief was likely to incentivise pension saving amongst those on low to middle incomes. Whereas the removal of upfront tax relief may signify the end of pensions if people do not receive any direct benefit from contributing to a scheme.

The Fund also kept Scheme employers apprised of the three separate government consultations on Public Sector Exit Payments. Specifically, the intent to legislate for a £95,000 cap on the total value of payments made to an individual in relation to their exit from a public sector employer - including any pension fund shortfall.

The Fund raised awareness of LGA's commitment to coordinate employers' views and prepare a joint response on behalf of the Local Government sector.

The outcome of the consultation was the Enterprise Act 2016, which gives Treasury the power to restrict public sector exit payments.

The Act requires the Treasury to introduce secondary legislation to implement a cap on public sector exit payments; the legislation must be approved by both the House of Commons and the House of Lords for it to become law.

The draft regulations to affect this change have been published and are expected to come into force in October 2016.

## Pension Fund Policies

During 2015/16 the Governance Compliance Statement was updated to take account of the changes in the regulations and primarily to include the Pension Board within the Fund's governance structure.

An Admission policy was drawn up to alert local authorities and prospective employers of the key considerations when outsourcing local authority contracts, together with the operational and governance requirements to gain access as a Scheme employer.

A breaches policy was also formulated to assist elected members, officers of the Fund and the local pension board to comply with the statutory requirement to identify and, where necessary, report breaches of the law relating to the management and administration of the Fund to the Pension Regulator.

## Administration Arrangements

### The Administration Team

The administration team is accountable to the Pensions Committee, participating employers and Scheme members. The team are 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;

# Scheme Administration Report

- undertake the calculation and payment of retirement benefits and transfer values;
- provide direction and guidance to Scheme members and Employers;

The team structure is currently being reviewed by officers in regards its appropriateness for the efficient administration of the new Scheme as a consequence of legislative changes effective from April 2015; specifically the Fund is subject to new standards and reporting requirements, including increased oversight from both the Pension Regulator and the Scheme Advisory Board.

In addition, the Fund has significant projects ahead, including the 2016 actuarial valuation and following the ending of contracting out in April 2016, the reconciliation of Guaranteed Minimum Pension records with HMRC.

The review of the team's capacity demonstrates a positive response to the Scheme Advisory Board's 'Call for Action' in 2015, when the Board wrote to all LGPS Administering Authorities reinforcing their statutory obligation to ensure sufficient resources are maintained to manage the Fund.

The Fund plans to seek Pensions Committee approval of a revised administration structure during 2016 to ensure compliance with statutory duties and increased data quality obligations.

## Pensions Administration Strategy

The Fund's formal Pension Administration Strategy sets out the Fund's policy for administering the Fund, the standard of service to be delivered and the Fund's requirement of the employers.

The primary objective of the strategy seeks to ensure that the Fund can continue to deliver a high quality cost effective pension service at a time when the operating environment is becoming more complex.

The focus of the administration section is to promote more effective working arrangements between the Fund and employers in order to meet future challenges, and deliver a high quality level of service to members.

Key elements are the improvements of communications between employers and the Fund, training of both Fund and employer staff, and the utilisation of technology as effectively as possible to capture and process data. One of the administration objectives is for all data to be reviewed and sent electronically between the Fund and employers

The strategy incorporates performance targets for both the Fund and employers and performance is monitored monthly by the Fund's Operating Group.

The Fund is currently reviewing the strategy in view of its migration to a digital operating model and the rigorous data requirements introduced under the revised governance regime and record keeping legislation.

The primary objective is to strengthen the Fund's quality assurance in regards data provision; identifying reasons for any gaps in data, supporting employers in meeting their statutory responsibilities under the Scheme and to overall improve employer engagement.

The Fund is revisiting its charging policy in circumstances of employer failure to meet prescribed deadlines in submitting data and where those failures lead to the Fund incurring additional resource costs, or the inability to comply with its statutory duties in administering the LGPS.

## Collaborative Working

The Fund keeps abreast of best practice by participating in collaborative groups such as the Local Government Association's Communication Group and the Shrewsbury Pensions Officer Group meeting. These offer the opportunity to discuss topical pension issues and to share best practice and innovations.

## 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 surveys funds to collect administration and fund management costs of the LGPS - this is referred to as the 'SF3' statistical return. Submitted under Section 168 of the Local Government Act 1972, the data provide government with a benchmark of Scheme costs and is also used in compiling the National Accounts, showing the role of pension funds in the economy.

In 2014, the Chartered Institute of Public Finance & Accountancy (CIPFA) issued guidance for 'accounting for local government pension scheme management costs'. The administration cost reported in the 2015-16 'SF3' statistical return is £15.95 per member. In 2014-15 the administration cost was £16.37 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 is reviewing the policy in view of its migration to a digital operating model, the current policy can be found on our website at <http://mpfund.uk/commopol>

## Scheme Member Communications

The principal communication issued to active and deferred members each year is the Annual Benefit Statement and the accompanying newsletter to update members on significant changes to the Scheme, state pension reform and the impact of industry wide developments such as 'Freedom and Choice' and the pitfalls of pension liberation.

Pensioner members received a newsletter in March and the topics included the changes to the State Pension, the Local Pension Board and notice that there would be no pensions increase in April 2016 but remain at the same level of payment.

In March, the Fund wrote a letter to the home address of all active members, who will reach State Pension Age after 5 April 2016. The letter described how the new single-tier State Pension will replace the existing basic and additional State Pension from 6 April 2016 and the communication was a regulatory requirement under Schedule 2 of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.

Further to informing contributing members that they will no longer be participating in a contracted-out pension scheme, the letter raised awareness of the 50/50 section of the LGPS should the rise in National Insurance contributions place the member into financial difficulty - offered as an alternative to members 'opting out' of future pension saving. The letter also provided another means of communicating the availability of the online 'MyPension' service, encouraging members to register in advance of the production of the 2016 Annual Benefit Statements.

In addition, to the routine centralised presentations that are carried out by the communications team, they have continued to deliver presentations to active members upon employer request. As many organisations are facing restructure the team have produced tailored presentations to support staff and provide information on how their pension benefits may be affected.

### Presentations for Scheme Members

	Events	Approx. Attendees
<b>Retirement Planning Course</b>		
Hosted at Employer Premises	9	180
Centrally Arranged Course (for Smaller Employers)	1	20
<b>Presentations on the LGPS</b>		
Hosted at Employer Premises	15	335
<b>Total</b>	<b>25</b>	<b>535</b>

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



# Scheme Administration Report

The Fund has continued to update the comprehensive administration information to employers in the HR and Payroll Guides. Based on national guidance, these Fund specific documents provide detailed information on administrative and operational practice. During the year, the Fund provided employers with resources on the New State Pension, the ending of contracting out and a reminder to employers about their Automatic re-enrolment obligations.

The Fund has organised numerous training sessions for Fund employers to provide guidance on employer duties, operational practice and direction in completing Fund forms.

## Events for Employers

	Events	Approx. Attendees
<b>Practitioner Training</b>	6	84
<b>Topic Specific Seminar</b>		
Changes to the Annual & Lifetime Allowance from 6 April 2016	1	46
<b>Annual Employers' Conference</b>	1	93

## 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 inline with the requirements detailed in the Pensions Administration Strategy (PAS).

The PAS does provide the Fund with the means to recover any additional costs arising from the continued poor performance of an employing authority. During 2015-16, 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. Officers have continued to actively engage with the key supplier, Aquila/Heywoods, in ensuring that the Pensions Administration & Pensioner Payroll system continues to meet the needs of the Fund. Updates to calculations have continued to be delivered by the supplier, in response to the significant complexity involved in the administration of the LGPS.

During the year, the Fund has been working with Aquila/Heywoods on improving the 'MyPension' online member portal that was re-launched in October 2012. The portal allows members to view their pension records and also securely update any changes to their contact details.

Since 2013, members have been able to view their Annual Benefit Statements via the portal and it has been actively promoted during the last year, as the Fund plan to only issue the majority of the 2016 Annual Benefit Statements in electronic format.

## Performance Standards

Results of performance against target are shown below:

Performance Targets	Target	Within Target (%)
1. Payment of Retirement Benefits	7 days	97
2. Payment of Monthly Pensions	100%	100
3. Payment of Transfer Values	7 days	99
4. Provision of Inward Transfer Quotes	10 days	99
5. Notification of Deferred Benefits	22 days	87
6. Provide Valuation in Divorce Cases	10 days	99
7. Respond to Members Enquiries	10 days	85

(Details given in respect of 12 month period to 31 March 2016)

## Internal Dispute Resolution Cases

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

The appeals received over the reporting period are:

### Breakdown of IDRP Cases 2015 - 2016

#### Total IDRP Cases (Against Fund and Employer Decisions)

Refused Deferred Benefit on Ill Health Grounds	5
Refused Termination of Employment on Ill Health Grounds	1
Refused Early Release of Deferred Benefit on Employer Consent	1
Discretionary Award of Death Grant	1
Determination of Pensionable Pay	1
<b>Total Appeals</b>	<b>9</b>

#### Appeals Against Employer Decisions

Employer	Number	Employer Decision
Liverpool	3	1 Upheld / 2 Granted
Wirral	1	Upheld
Merseyside Fire & Rescue Authority	1	Upheld
Police	1	Granted
Riverside Housing	1	Granted
<b>Total Employer Appeals</b>	<b>7</b>	

#### Appeals Against Fund Decisions

Reason for Appeal	Number	Fund Decision
Discretionary Award of Death Grant	1	Upheld
Determination of Pensionability of Non-Contractual Bonus	1	Granted
<b>Total Fund Appeals</b>	<b>2</b>	

## Pension Ombudsman

There were no Pension Ombudsman rulings on Fund determinations over the reporting period.

# Investment Report

Year ended 31 March 2016

Over the financial year to the end of March 2016, asset markets were buffeted by concerns over slowing global growth and the response of many central banks acting over the year to support economic activity. At the beginning of the year investors were anguishing over a possible Grexit from the EU. Relief finally came in July when a resolution to the Greek bail-out program was accepted by both the Greek government and its creditors. There were positive developments elsewhere in Europe as economic growth surprised on the upside, the unemployment rate moved lower.

In August, however, there was a sharp reversal in mood. Evidence of a slowing Chinese economy became more pronounced and this prompted the Chinese regime to pursue a significant devaluation of the Yuan. Slowing Chinese growth caused particular pain for the global commodity markets and the price of oil fell to a decade low of \$27 per barrel. Amidst the turmoil the European Central Bank suggested that, if necessary, it could increase its quantitative easing programme. In the US the Federal Reserve postponed a rise in interest rates that had been anticipated for the September meeting: a small increase of a quarter of a percentage point to 0.5% was voted through in December once markets and commodity prices had rebounded from their low levels.

Concerns over China continued to dominate investors' attention through the first quarter of 2016 causing another sell off in equities and corporate bonds and a flight to the traditional 'safe-haven' assets such as developed market government bonds and precious metals. However, concerns abated somewhat into the end of the quarter as central banks detailed yet further monetary policy accommodation.

Against the challenging economic backdrop, global equity markets struggled to deliver positive returns. For UK based investors the UK and European stock markets both delivered negative 4% returns, Asia Pacific, including Japan, delivered a negative return of 5.9% and Emerging Markets suffered the most with a loss of nearly 9%. Of the major regions only the US S&P 500 Index delivered positive returns of +4%, but this was driven by the strength of the US dollar against Pounds Sterling rather than a broad positive move in the underlying US stock prices.

The property market sector continued to deliver strong returns rising over 11% during the year with capital value growth contributing 6.4% and income 5%.

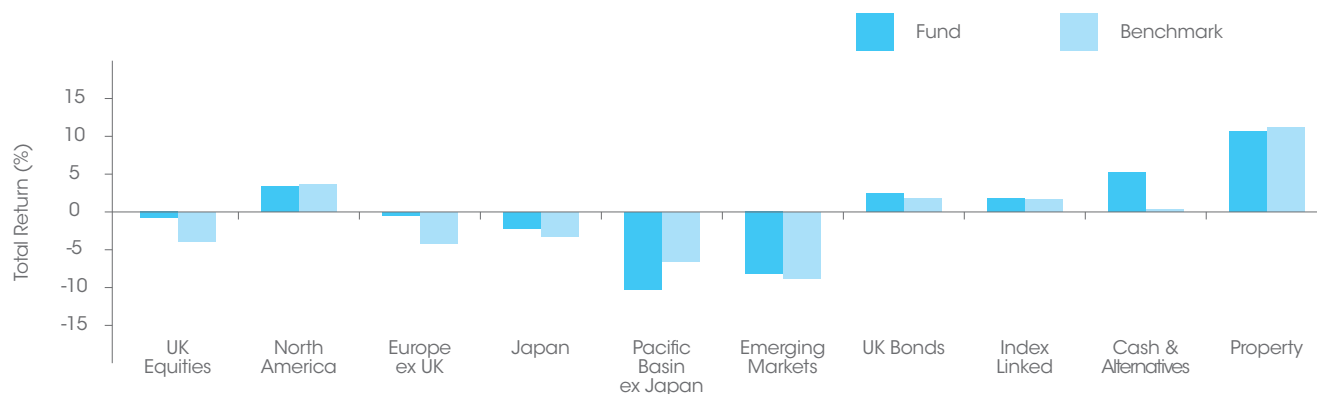
In fixed income, renewed demand for safe-haven assets helped to send long-term interest rates near historic lows across developed markets. This drove a positive performance from UK government bonds and UK corporate bonds with returns over the year of 0.47% and 3.30% respectively.

The annualised performance of the Fund against its benchmark and against CPI and UK average weekly earnings indices for 1, 3, and 5 year periods is tabulated below.

	1 Year	3 Year	5 Year
MPF	1.2%	6.50%	7.10%
Benchmark	-0.40%	4.80%	5.90%
Relative Return	1.60%	1.70%	1.20%
CPI	0.20%	0.60%	1.50%
Average Earnings	1.80%	2.50%	1.60%

Source: WM Quarterly Review Periods to End March 2015

Figure 1.  
Total Return by Asset Class in year ended 31 March 2016



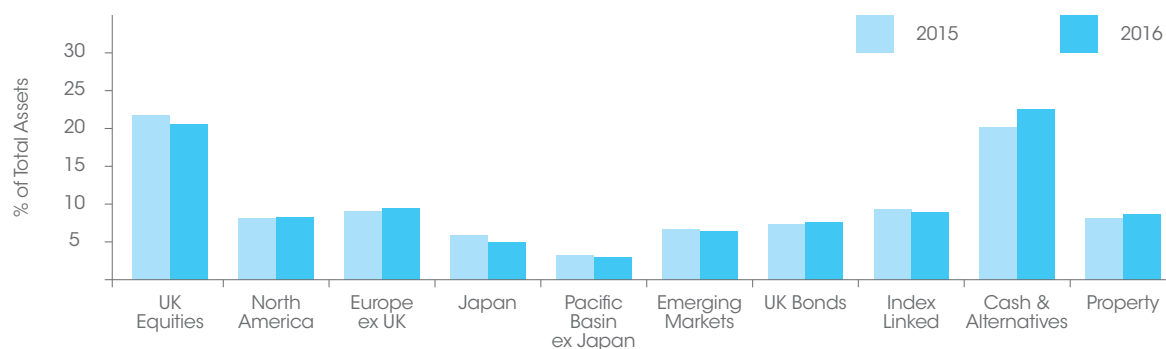


The Merseyside Pension Fund returned 1.2% in the financial year to the end of March 2016 compared to its bespoke benchmark return of -0.4%, an outperformance of 1.6%. This was comfortably ahead of the Consumer Price Index, but behind the increase in Average Earnings.

The Fund's investment performance against its benchmarks across all asset classes is illustrated in Figure 1.

Figure 2 illustrates the asset allocation of the Fund at end March 2016 against the Fund's asset allocation as at end March 2015.

Figure 2.  
Asset Allocation



### Largest UK Property Holdings as at 31 March 2016

Property	Market Value £'000
Fort Retail Park, Birmingham	30,450
Tesco Supermarket, Telegraph Road	30,000
Tunsgate Square, Guildford	24,250
Farnham Retail Park	20,450
Middlemarch Business Park, Coventry	20,200
Willowbrook Retail Park, Derby Road	19,100
Premier Park, Winsford	19,000
Brighton 134-138 North Street	16,600
Horns Road, Ilford	16,500
Mitre Bridge Industrial Estate, Mitre Way	16,500

### 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
Cash		
<b>Total</b>	<b>100</b>	

# Financial Performance

The table below describes the Fund's performance for key financial variables against forecasts (forecast January and June 2015) for the 12 months to 31 March 2016.

2015/16 or at 31 March 2016		
	Predicted £'000	Actual £'000
<b>Fund Size 2015</b>	<b>6,862,705</b>	<b>6,862,705</b>
<b>Fund Size 2016</b>	<b>7,553,340</b>	<b>6,849,756</b>
Pensions Paid	(295,185)	(300,320)
Contributions Received	192,303	223,439
Net Transfers	0	(7,284)
<b>Net cash flow from members</b>	<b>(102,882)</b>	<b>(84,165)</b>
<b>Net management expenses</b>	<b>(19,455)</b>	<b>(32,626)</b>
Investment Income	128,195	139,903
Change in valuation of assets	684,777	(36,061)
<b>Return from Investments</b>	<b>+812,972</b>	<b>+103,842</b>
<b>Net change overall</b>	<b>+690,635</b>	<b>(12,949)</b>

The key variance between the forecast and the actual performance was the return on investments, the change in the valuation of assets; this is largely out of the control of the Fund.

The variance in management expenses is largely due to a change in accountancy policy during the year, actual management expenses includes property related expenditure (£5.1m), private market management fees (£6.3m) and transaction costs (£3.5m) in accordance with Cipfa 'Accounting for Local Government Management Costs', the predicted management expenses did not take account of these costs.

The contributions received in 2015/16 are lower than in previous years, due to a number of employers opting to pay their three year deficits calculated by the actuary in year 1 (2014/15), therefore 2015/16 and 2016/17 have been reduced accordingly.

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

12 months to 31 March 2016		
	Budget £'000	Actual £'000
Employees	3,140	2,672
Premises	252	252
Transport	41	27
Investment Fees - operating budget	13,380	12,560
Other Supplies and Services	1,522	1,235
Third Party	619	528
Recharges	501	461
<b>Total</b>	<b>19,455</b>	<b>17,735</b>

*Note: Premises' expenditure is agreed as a notional charge based on market rates, as MPF owns the building.*

*For the purposes of the operating budget, Investment fees above refers to invoiced investment costs only and is therefore lower than the figure disclosed in the Fund Account.*

Overall the actual out-turn for 2015/16 was £17.7 million, lower than the original budget of £19.5 million approved by Pensions Committee June 2015.

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

	2016/17 £'000	2017/18 £'000	2018/19 £'000
Employees	3,326	3,359	3,393
Premises	284	288	291
Transport	53	54	54
Investment Fees	12,611	13,482	14,412
Other Supplies and Services	1,784	1,807	1,831
Third Party	658	667	675
Recharges	530	530	530
<b>Total</b>	<b>19,246</b>	<b>20,187</b>	<b>21,186</b>

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 changes in the Scheme administration. Investment fees shown above are for

invoiced investment management costs only and do not include any fees for private market assets, any property related expenditure nor any investment changes associated with pooling.

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

	2016/17 £'000	2017/18 £'000	2018/19 £'000
<b>Fund Size Start of Year</b>	<b>6,849,756</b>	<b>7,209,003</b>	<b>7,640,242</b>
<b>Fund Size End of Year</b>	<b>7,209,003</b>	<b>7,640,242</b>	<b>8,098,300</b>
Pensions Paid	(307,828)	(315,524)	(323,412)
Contributions Received	229,025	286,001	293,151
Net Transfers	-	-	-
<b>Net Inflow from Members</b>	<b>(78,803)</b>	<b>(29,523)</b>	<b>(30,261)</b>
<b>Net Management Expenses</b>	<b>(34,584)</b>	<b>(36,659)</b>	<b>(38,858)</b>
Investment Income	149,556	159,876	170,907
Change in Valuation of Assets	323,078	337,545	356,270
<b>Return from Investments</b>	<b>472,634</b>	<b>497,421</b>	<b>527,177</b>
<b>Net change overall</b>	<b>359,247</b>	<b>431,239</b>	<b>458,058</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 (7% 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.

# Financial Statements

## Fund Account - for year ended 31 March 2016

	Note	2015/16 £'000	2014/15 £'000
<b>Dealing with Members, Employers and Others Directly Involved in the Fund</b>			Reanalysed
Contributions Receivable	7	223,439	365,003
Transfers In	8	7,162	45,937
		<b>230,601</b>	<b>410,940</b>
Benefits Payable	9	(300,320)	(291,685)
Payments to and on Account of Leavers	10	(14,446)	(124,520)
		<b>(314,766)</b>	<b>(416,205)</b>
<b>Additions/(Withdrawals) from Dealing with Members</b>		<b>(84,165)</b>	(5,265)
<b>Management Expenses</b>	11	<b>(32,626)</b>	(25,801)
<b>Return on Investments:</b>			
Investment Income	12	140,290	126,242
Profit and Losses on Disposal of Investments and Change in Market Value of Investments	13	(36,061)	643,704
Taxes on Income	12	(387)	(469)
<b>Net Return on Investments</b>		<b>103,842</b>	<b>769,477</b>
Net Increase/(Decrease) in the Fund During the Year		(12,949)	738,411
Net Assets of the Fund at the Start of the Year		6,862,705	6,124,294
<b>Net Assets of the Fund at the End of the Year</b>		<b>6,849,756</b>	<b>6,862,705</b>

## Net Assets Statement - for the year ended 31 March 2016

	Note	2015/16 £'000	2014/15 £'000
<b>Investment Assets</b>	13		
Equities		2,020,418	2,053,353
Pooled Investment Vehicles		4,264,626	4,275,613
Derivative Contracts		254	2,233
Direct Property		377,000	382,210
Short Term Cash Deposits		40,031	47,098
Other Investment Balances		114,660	92,169
		<b>6,816,989</b>	<b>6,852,676</b>
<b>Investment Liabilities</b>	17	(4,527)	(24,868)
		<b>6,812,462</b>	<b>6,827,808</b>
Long Term Assets	18	9,236	11,655
Current Assets	19	39,270	39,635
Current Liabilities	19	(11,212)	(16,393)
<b>Net Assets of the Fund as at 31 March</b>		<b>6,849,756</b>	<b>6,862,705</b>



# Notes to the Accounts

## 1. Description of the Fund

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 overall responsibility for the management of the Fund rests with the Pensions Committee, which for 2015/16 included 10 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. The more detailed consideration of governance and risk issues is considered by the Governance and Risk Working Party.

During 2015/16 a local Pensions Board has been introduced in accordance with the Public Service Pensions legislation and regulations. The Board's aim is to assist the Administering Authority with ensuring compliance and the effective governance and administration of the Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to Merseyside Pension Fund Annual Report 2015/16 and the underlying statutory powers underpinning the Scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

### a. General

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

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

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

### b. Membership

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

There are 170 employer organisations within Merseyside Pension Fund including Wirral Council itself as detailed below:

	31/3/16	31/3/15
Number of Employers with Active Members	170	162

	31/3/16	31/3/15
Number of Employees in Scheme	46,221	45,417
Number of Pensioners	41,136	39,918
Number of Dependants	6,588	6,682
Number of Deferred Pensioners	37,136	36,237
<b>Total</b>	<b>131,081</b>	128,254

### c. Funding

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

# Notes to the Accounts

## d. Benefits

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

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

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

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

## 2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2015/16 financial year and its position at year end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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. Contributions are made by active members of the Fund in accordance with LGPS Regulations and employers contributions are based on triennial actuarial valuations.

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

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

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

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

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

### Transfers to and from Other Schemes

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

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

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

### **Management Expenses**

The Fund discloses its management expenses split between administration expenses, investment management expenses and oversight and governance costs.

#### Administration Expenses

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

#### Investment Expenses

All investment expenses are accounted for on an accruals basis.

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

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

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

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

For certain unquoted investments including Private Equity, Hedge Funds, Opportunities and Infrastructure, the Fund 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. If the Fund has been charged directly for fund manager costs they are shown as external investment management fees.

#### Oversight and Governance Expenses

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

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

### **Investment Income**

Income from Equities is accounted for when the related investment is quoted ex dividend. Income from 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.

Rental income from properties is taken into account by reference to the periods to which the rents relate and is shown gross of related expenses. The Fund accrues rent up to 24 March each year. Rent received on the Quarter Day, 25 March, is accounted for in full in the following year.

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

### **Taxation**

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

### **Valuation of Investments**

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.

- Indirect Property is valued at net asset value or capital fair value basis provided by the Fund Manager. For listed

# Notes to the Accounts

Funds the net asset value per unit is obtained through data vendors.

- The freehold and leasehold interests in the properties held within the Fund were independently valued as at 31 March 2016 by Savills (UK) Limited, acting in the capacity of External Valuers as defined in the RICS Red Book (but not for the avoidance of doubt as an External Valuer of the Fund as defined by the Alternative Investment Fund Managers Regulations 2013). The valuations accord with the requirements of IFRS 13, SSAP 19 and the 9th Edition of the RICS Valuation - Professional Standards (incorporating the International Valuation Standards) ('the RICS Red Book').
- Pooled Investment Vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of Pooled Investment Vehicles that are Accumulation Funds, change in market value also includes income which is reinvested by the Manager of the vehicle in the underlying investment, net of applicable withholding tax.

## Translation of Foreign Currencies

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

## Derivatives

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

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

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

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

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

## Short Term Deposits

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

## Financial Liabilities

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

## Additional Voluntary Contributions

The 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.

## 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 2016 was £1,670 million (£1,540 million at 31 March 2015).

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 2016, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

## 7. Contributions Receivable

	2015/16 £'000	2014/15 £'000
<b>Employers</b>		
Normal	110,735	108,369
Pension Strain	13,492	15,334
Deficit Funding	45,843	187,858
<b>Employees</b>		
Normal	53,369	53,442
	<b>223,439</b>	<b>365,003</b>
Relating to: Administering Authority	36,338	38,375
Statutory Bodies	139,618	290,324
Admission Bodies	47,483	36,304
	<b>223,439</b>	<b>365,003</b>

Contributions are made by active members of the Fund in accordance with the LGPS and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2016. Employee contributions are matched by employers' contributions which are based on triennial actuarial valuations. The 2016 contributions above were calculated at the valuation dated 31 March 2013. The 2013 actuarial valuation calculated the average employer contribution of 22.5% (2010 18%).

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

'Deficit Funding' includes payments by employers for past service deficit and additional payments by employers to reduce a deficit. During 2015/16 the Fund received additional and upfront payments covering the period until the next actuarial valuation in 2016, totalling £1.6 million, (in 2014/15, a number of employers opted to pay their three years deficit as a lump sum payment in year 1 totalling £96.8 million).

The Fund does reserve the right to levy interest charges on late receipt of contributions from employers. In 2015/16 no such charges were levied.

## 8. Transfers In

	2015/16 £'000	2014/15 £'000
Group Transfers	-	39,832
Individual Transfers	7,162	6,105
	<b>7,162</b>	<b>45,937</b>

There were no group transfers to the Fund during 2015/16.

On 1 April 2014 MPF became 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 was received during 2014/15 with a value of £39.8 million.

## 9. Benefits Payable

	2015/16 £'000	2014/15 £'000
Pensions	243,390	235,364
Lump Sum Retiring Allowances	51,958	50,118
Lump Sum Death Benefits	4,972	6,203
	<b>300,320</b>	<b>291,685</b>
Relating to: Administering Authority	42,817	40,478
Statutory Bodies	210,017	206,877
Admission Bodies	47,486	44,330
	<b>300,320</b>	<b>291,685</b>

## 10. Payments to and on Account of Leavers

	2015/16 £'000	2014/15 £'000
Refunds to Members Leaving Service	429	172
Payment for Members Joining State Scheme	222	84
Income for Members from State Scheme	(14)	(1)
Group Transfers to Other Schemes	1,411	116,523
Individual Transfers to Other Schemes	12,398	7,742
	<b>14,446</b>	<b>124,520</b>

There were two group transfers out of the Fund during 2015/16.

As part of the transforming rehabilitation programme, MPF transferred the Probation Trust liabilities on 1 June 2014 to Greater Manchester Pension Fund and transferred assets with a value of £116.5 million during 2014/15.

# Notes to the Accounts

## 11. Management Expenses

	2015/16 £'000	2014/15 £'000
		Restated
Administration Expenses	2,421	2,369
Investment Expenses	28,697	22,079
Oversight and Governance Expenses	1,838	1,620
Other Income	(330)	(267)
	<b>32,626</b>	<b>25,801</b>

\*Management expenses are analysed into three categories, in accordance with CIPFA 'Accounting for local government management costs'.

### 11a. Administration Expenses

	2015/16 £'000	2014/15 £'000
Employee Costs	1,643	1,576
IT Costs	404	457
General Costs	320	261
Other Costs	54	75
	<b>2,421</b>	<b>2,369</b>

### 11b. Investment Expenses

	2015/16 £'000	2014/15 £'000
		Restated
External Investment Management Fees	15,850	10,456
External Investment Management Performance Fees	3,111	1,845
External Services	640	718
Internal Investment Management Fees	483	500
Property Related Expenses	5,093	4,834
Transaction Costs	3,520	3,726
	<b>28,697</b>	<b>22,079</b>

In accordance with CIPFA 'Accounting for Local Government Management Costs' guidance, transaction costs and property related expenses are now shown under investment expenses. Transaction costs was previously added to purchases and netted against sales proceeds in table 13. Property related expenses were previously netted against rental income in table 12. The 2014/15 figures have been restated to reflect these changes.

In 2015/16 external investment management fees includes management fees paid for unlisted assets where the Fund has paid them directly, this amounted to £6.3 million, comparable data has not been restated for 2014/15 in the above table as the data was not collected in a way that allows reclassification.

## 11c. Oversight and Governance Expenses

	2015/16 £'000	2014/15 £'000
Employee Costs	449	418
External Services	733	495
Internal Audit	30	28
External Audit	40	39
Other Costs	586	640
	<b>1,838</b>	<b>1,620</b>

Actuarial fees included within External Services above (note 11c) are shown gross of any fees that have been recharged to employers. Included within Other Income for 2015/16 is £317,434 relating to recharged Actuarial fees (2014/15 £146,172).

External Audit fees also include £2,180 relating to additional services in respect of IAS19 assurances for admitted body auditors, which are recharged to those admitted bodies.

## 12. Investment Income

	2015/16 £'000	2014/15 £'000
		Restated
Dividends From Equities	58,649	55,896
Income from Pooled Investment Vehicles	37,075	36,316
Rents from Properties	23,502	22,180
Interest on Short Term Cash Deposits	421	837
Income from Private Equity	19,385	9,840
Income from Derivatives	171	35
Other	1,087	1,138
	<b>140,290</b>	<b>126,242</b>
Irrecoverable Withholding Tax	(387)	(469)
	<b>139,903</b>	<b>125,773</b>

Rental income is shown gross of any property related expenses, with related expenses shown under investment expenses (note 11b), 2014/15 figures have been updated to reflect this change.

Investment income figures are shown gross of tax. Included in these figures is recoverable taxation of £4.1 million (2014/15 £2.7 million).

The Fund is seeking to recover tax withheld by UK and overseas tax regimes under the EU principle of free movement of capital within its borders, but is not accruing for future receipt of such income within these accounts. Repayments received in 2015/16 £75,522 (2014/15 £233,029).

## 12a. Property Income

	2015/16 £'000	2014/15 £'000
Rental Income	23,502	22,180
Direct Operating Expenses	(5,093)	(4,834)
<b>Net Rent from Properties</b>	<b>18,409</b>	<b>17,346</b>

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

## 12b. Property Operating Leases

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

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

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

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

	2015/16 £'000	2014/15 £'000
<b>Age profile of lease income</b>		
No later than one year	1,152	2,510
Between one and five years	8,335	4,821
Later than five years	10,187	13,313
<b>Total</b>	<b>19,674</b>	<b>20,644</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. Investments

	Market Value 31/3/15 £'000	Purchases at Cost and Derivative Payments £'000	Sale Proceeds and Derivative Receipts £'000	Change in Market Value* £'000	Market Value 31/3/16 £'000
<b>2015/16</b>					
Equities	2,053,353	894,655	(852,802)	(74,788)	2,020,418
Pooled Investment Vehicles	4,275,613	288,302	(330,982)	31,693	4,264,626
Derivative Contracts	2,233	736,508	(737,780)	(707)	254
Direct Property	382,210	30,332	(42,916)	7,374	377,000
	<b>6,713,409</b>	<b>1,949,797</b>	<b>(1,964,480)</b>	<b>(36,428)</b>	<b>6,662,298</b>
Short Term Cash Deposits	47,098			(326)	40,031
Other Investment Balances	92,169			693	114,660
	<b>6,852,676</b>			<b>(36,061)</b>	<b>6,816,989</b>

# Notes to the Accounts

	Market Value 31/3/14 £'000	Purchases at Cost and Derivative Payments £'000	Sale Proceeds and Derivative Receipts £'000	Change in Market Value* £'000	Market Value 31/3/15 £'000
<b>2014/15</b>					
		Restated	Restated	Restated	
Equities	1,838,855	933,352	(873,642)	154,788	2,053,353
Pooled Investment Vehicles	3,822,027	318,536	(295,485)	430,535	4,275,613
Derivative Contracts	4,131	2,893,922	(2,916,839)	21,019	2,233
Direct Property	310,650	57,326	(23,240)	37,474	382,210
	<b>5,975,663</b>	<b>4,203,136</b>	<b>(4,109,206)</b>	<b>643,816</b>	<b>6,713,409</b>
Short Term Cash Deposits	31,780			380	47,098
Other Investment Balances	52,889			(492)	92,169
	<b>6,060,332</b>			<b>643,704</b>	<b>6,852,676</b>

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

Transaction costs had previously been added to purchases and netted against sales proceeds; however, they are no longer shown in the above tables and instead are shown under investment expenses in accordance with CIPFA guidance.

Indirect costs are incurred through the bid-offer spread on investments in pooled vehicles. The amount of indirect costs is not provided directly to the Fund.



### 13a Analysis of investments

	2015/16 £'000	2014/15 £'000
<b>Equities (segregated holdings)</b>		
UK Quoted	865,482	863,066
Overseas Quoted	1,154,936	1,190,287
	<b>2,020,418</b>	<b>2,053,353</b>
<b>Pooled Investment Vehicles</b>		
<b>UK Managed Funds:</b>		
Property	8,180	3,000
Equities	249,694	260,501
Private Equity	246,283	218,173
Hedge Funds	51,440	52,724
Corporate Bonds	242,219	236,946
Infrastructure	118,184	78,304
Opportunities	269,768	237,918
<b>Overseas Managed Funds:</b>		
Equities	365,890	365,471
Private Equity	209,515	175,779
Hedge Funds	180,803	214,935
Infrastructure	136,449	108,225
Opportunities	104,647	105,452
<b>UK Unit Trusts:</b>		
Property	96,506	82,913
<b>Overseas Unit Trusts:</b>		
Property	94,901	82,954
<b>Other Unitised Funds</b>	1,890,147	2,052,318
	<b>4,264,626</b>	<b>4,275,613</b>
<b>Derivative Contracts</b>	<b>254</b>	<b>2,233</b>
<b>UK Properties</b>		
Freehold	338,200	344,560
Leasehold	38,800	37,650
	<b>377,000</b>	<b>382,210</b>
Balance at 1 April	382,210	310,650
Additions	30,332	57,326
Disposals	(42,916)	(23,240)
Net gain/(loss) of fair value	10,629	459
Transfers in/(out)	-	-
Other changes in fair value	(3,255)	37,015
<b>Balance at 31 March</b>	<b>377,000</b>	<b>382,210</b>

As at 31 March 2016 the Fund had committed to a redevelopment project of an existing retail centre at Guildford, approved expenditure for the redevelopment is £20 million.

	2015/16 £'000	2014/15 £'000
<b>Short Term Cash Deposits</b>		
Sterling	38,946	46,067
Foreign Currency	1,085	1,031
	<b>40,031</b>	<b>47,098</b>

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.

	2015/16 £'000	2014/15 £'000
<b>Other Investment Balances</b>		
Amounts Due from Brokers	-	35
Outstanding Trades	22,765	18,495
Outstanding Dividends Entitlements and Recoverable Withholding Tax	13,373	12,005
Cash Deposits	78,522	61,634
	<b>114,660</b>	<b>92,169</b>

As at 31 March 2016 there were no amounts of restrictions on the realisability of investment property or of income and proceeds of disposal.

There were no obligations to purchase new properties.

# Notes to the Accounts

## 13b Analysis of Derivatives

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 currency and the sterling equivalent is £626,265. DJ Euro STOXX 50 have a contract multiplier of x10 therefore the notional value underlying the futures contracts is £-0.81 million.

### Futures

Type of Contract	Expires	Economic Exposure £'000	Market Value £'000
<b>Assets</b>			
EURO STOXX 50 Index Futures	Jun-16	(810)	(81)
<b>Total Assets</b>			<b>(81)</b>
Liabilities			-
<b>Total Liabilities</b>			<b>-</b>
<b>Net Futures</b>			<b>(81)</b>
<b>Derivatives as at 31 March 2015</b>			
<b>Assets</b>			
EURO STOXX 50 Index Futures	Jun-15	350	35
<b>Total Assets</b>			<b>35</b>
Liabilities			-
<b>Total Liabilities</b>			<b>-</b>
<b>Net Futures</b>			<b>35</b>

### Forward currency contracts

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

Settlement Date	Currency Bought '000	Currency Sold '000	Asset £'000	Liability £'000
Up to 1 month	GBP 7,154	EUR 9,050	0	(23)
Up to 3 months	GBP 25,062	JPY 4,000,000	254	-
			<b>254</b>	<b>(23)</b>
<b>Net Forward Currency Contracts at 31 March 2016</b>				<b>231</b>
Prior Year Comparative				
Open Forward Currency Contracts at 31 March 2015			2,647	(449)
Net Forward Currency Contracts at 31 March 2015				<b>2,198</b>

### 13c Summary of Managers' Portfolio Values at 31 March 2015

	2015/16		2014/15	
	£'m	%	£'m	%
<b>Externally Managed</b>				
JP Morgan (European equities)	213	3.1	220	3.2
Nomura (Japan)	311	4.6	317	4.6
Schroders (fixed income)	242	3.6	237	3.5
Legal & General (fixed income)	277	4.1	270	3.9
Unigestion (European Equities and Pooled Emerging Markets)	266	3.9	262	3.8
M&G (UK Equities)	150	2.2	168	2.5
M&G (Global Emerging Markets)	127	1.9	138	2.0
TT International (UK Equities)	204	3.0	197	2.9
Blackrock (UK Equities)	212	3.1	212	3.1
Blackrock (Pacific Rim)	118	1.7	133	1.9
Blackrock (QIF)	71	1.0	66	1.0
Newton (UK Equities)	235	3.4	216	3.2
Amundi (Global Emerging Markets)	125	1.8	137	2.0
Maple-Brown Abbot (Pacific Rim Equities)	122	1.8	136	2.0
State Street Global Advisor (Passive Manager)	1,614	23.8	1,782	26.0
	<b>4,287</b>	<b>63.0</b>	<b>4,491</b>	<b>65.6</b>
<b>Internally Managed</b>				
UK Equities	322	4.7	328	4.8
European Equities	179	2.6	186	2.7
Property (Direct)	377	5.5	382	5.6
Property (Indirect)	214	3.1	176	2.6
Private Equity	456	6.7	394	5.7
Hedge Funds	232	3.4	268	3.9
Infrastructure	255	3.7	187	2.7
Opportunities	394	5.8	363	5.3
Global Emerging Markets	25	0.4	-	-
Short Term Deposits and Other Investments	76	1.1	78	1.1
	<b>2,530</b>	<b>37.0</b>	<b>2,362</b>	<b>34.4</b>
	<b>6,817</b>	<b>100.0</b>	<b>6,853</b>	<b>100.0</b>

### 13d Stock lending

As at 31 March 2016, £149.3 million of stock was on loan to market makers, which was covered by cash and non-cash collateral, totalling £161.7 million. Collateral is marked to market, and adjusted daily. Income from Stock Lending amounted to £1.0 million 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'.

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

	2015/16		2014/15	
	£'m	%	£'m	%
SSGA Pooled UK Index Linked Gilts	603	8.8	637	9.3
SSGA USA Equity Tracker	548	8.0	544	7.9
SSGA Pooled UK Equities	381	5.6	445	6.5

# Notes to the Accounts

## 14. Financial Instruments

### 14a. 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.

	Loans and Receivables £'000	Financial Liabilities at Amortised Cost £'000	Fair Value Through Profit and Loss £'000
<b>31 March 2016</b>			
<b>Financial Assets</b>			
Equities			2,020,418
Pooled Investment Vehicles			4,264,626
Derivatives			254
Cash Deposits	40,031		
Other Investment Balances	114,660		
Long Term and Current Assets	48,506		
<b>Total Financial Assets</b>	<b>203,197</b>	<b>-</b>	<b>6,285,298</b>
<b>Financial Liabilities</b>			
Other Investment Balances		(4,527)	
Current Liabilities		(11,212)	
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(15,739)</b>	<b>-</b>
<b>Net</b>	<b>203,197</b>	<b>(15,739)</b>	<b>6,285,298</b>

	Loans and Receivables £'000	Financial Liabilities at Amortised Cost £'000	Fair Value Through Profit and Loss £'000
<b>31 March 2015</b>			
<b>Financial Assets</b>			
Equities			2,053,353
Pooled Investment Vehicles			4,275,613
Derivatives			2,233
Cash Deposits	47,098		
Other Investment Balances	92,169		
Long Term and Current Assets	51,290		
<b>Total Financial Assets</b>	<b>190,557</b>	<b>-</b>	<b>6,331,199</b>
<b>Financial Liabilities</b>			
Other Investment Balances		(24,868)	
Creditors		(16,393)	
<b>Total Financial Liabilities</b>	<b>-</b>	<b>(41,261)</b>	<b>-</b>
<b>Net</b>	<b>190,557</b>	<b>(41,261)</b>	<b>6,331,199</b>

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.

## 14b. Net gains and losses on financial instruments

	2015/16 £'000	2014/15 £'000
<b>Financial Assets</b>		
Fair Value Through Profit and Loss	(43,802)	602,616
Loans and Receivables	(326)	380
<b>Total Financial Assets</b>	<b>(44,128)</b>	<b>602,996</b>
<b>Financial Liabilities</b>		
Financial Liabilities at Amortised Cost	693	(492)
Loans and Receivables	-	-
<b>Total Financial Liabilities</b>	<b>693</b>	<b>(492)</b>
<b>Net</b>	<b>(43,435)</b>	<b>602,504</b>

## 14c. 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.

## 14d. 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.

Values at 31 March 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Assets</b>				
Financial Assets at Fair Value Through Profit and Loss	4,992,756	63,959	1,228,583	6,285,298
<b>Total Financial Assets</b>	<b>4,992,756</b>	<b>63,959</b>	<b>1,228,583</b>	<b>6,285,298</b>

Values at 31 March 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Assets</b>				
Financial Assets at Fair Value Through Profit and Loss	5,173,596	57,365	1,100,238	6,331,199
<b>Total Financial Assets</b>	<b>5,173,596</b>	<b>57,365</b>	<b>1,100,238</b>	<b>6,331,199</b>



# Notes to the Accounts

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 table above 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.

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

	2015/16 £'000	2014/15 £'000
<b>Opening Balance</b>	1,100,238	902,823
Aquisitions	207,933	208,094
Disposal Proceeds	(54,992)	(84,591)
Total Gain/(Losses) Included in the Fund Account:		
On Assets Sold	3,440	1,890
On Assets Held at Year End	(28,036)	72,022
<b>Closing Balance</b>	<b>1,228,583</b>	<b>1,100,238</b>

## 15. 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.

### 15a. 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.

	Value March 2016 £'m	Potential Variance %	Value on Increase £'m	Value on Decrease £'m
UK Equities (all Equities include Pooled Vehicles)	1,496	19.0	1,780	1,211
US Equities	566	17.0	663	470
European Equities	626	19.0	745	507
Japan Equities	328	20.0	394	263
Emerging Markets Equities including Pac Rim	638	30.0	829	446
UK Fixed Income Pooled Vehicles	520	11.0	577	462
UK Index Linked Pooled Vehicles	603	9.0	657	549
Pooled Property	200	12.5	225	175
Private Equity	456	25.0	570	342
Hedge Funds	232	9.0	253	211
Infrastructure	255	18.5	302	208
Other Alternative Assets	365	14.0	416	314
Short Term Deposits and Other Investment Balances	188	0.0	188	188
<b>Total</b>	<b>6,473</b>			

	Value March 2015 £'m	Potential Variance %	Value on Increase £'m	Value on Decrease £'m
UK Equities (all Equities include Pooled Vehicles)	1,569	19.0	1,867	1,271
US Equities	563	17.0	659	467
European Equities	613	19.0	729	496
Japan Equities	402	20.0	482	321
Emerging Markets Equities including Pac Rim	685	30.0	891	480
UK Fixed Income Pooled Vehicles	507	11.0	563	451
UK Index Linked Pooled Vehicles	637	9.0	695	580
Pooled Property	169	12.5	190	148
Private Equity	394	25.0	492	295
Hedge Funds	268	9.0	292	244
Infrastructure	187	18.5	221	152
Other Alternative Assets	336	14.5	384	287
Short Term Deposits and Other Investment Balances	151	0.0	151	151
<b>Total</b>	<b>6,481</b>			

# Notes to the Accounts

## 15b. 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 2016 was £40.0 million (31 March 2015 £47.1 million). This was held in instant access accounts with the following institutions:

	Rating S&P	Balances as at 31 March 2015 £'000	Balances as at 31 March 2016 £'000
Royal Bank of Scotland	Long BBB+ Short A-2	1	0
Lloyds Bank	Long A Short A-1	45,686	38,945
Northern Trust	Long AA- Short A-1+	0	1
Iceland Escrow Account		1,411	1,085
<b>Total</b>		<b>47,098</b>	<b>40,031</b>

## 15c. Liquidity Risk

The Fund's key priority is to pay pensions in the long and 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 £40.0 million. The Fund also has £4,918 million in assets which could be realised in under 7 days notice, £721 million in assets which could be realised in under 90 days notice and £646 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 2015/16 in its dealing with members of £84 million and management expenses of £32 million, this is offset by investment income of £140 million.

## 15d. 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.

## 16. Funding Arrangements

In line with The Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation will take place as at 31 March 2016.

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 key elements of the funding policy 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
- to manage employers' liability effectively
- to ensure that sufficient resources are available to meet all liabilities as they fall due
- to maximise the returns from investments within reasonable risk parameters.

## Summary of key whole Fund assumptions used for calculating funding target

	31 March 2013 % p.a.
<b>Long Term Gilt Yields</b>	
Fixed Interest	3.2
Index-linked	(0.4)
<b>Funding Target Financial Assumptions</b>	
Investment Return	4.6
CPI Price Inflation	2.6
Salary Increases	4.1
Pension Increases	2.6
<b>Long Term Future Service Accrual Financial Assumptions</b>	
Investment Return	5.6
CPI Price Inflation	2.6
Salary Increases	4.1
Pension Increases	2.6

## 17. Investment Liabilities

	2015/16 £'000	2014/15 £'000
Derivative Contracts	104	-
Amounts Due to Stockbrokers	4,423	24,868
	<b>4,527</b>	<b>24,868</b>

## 18. Long Term Assets

	2015/16 £'000	2014/15 £'000
Assets Due in More than One Year	9,236	11,655
	<b>9,236</b>	<b>11,655</b>
<b>Relating to:</b>		
Central Government Bodies	2,767	3,689
Other Local Authorities	5,548	6,733
Public Corporations and Trading Funds	441	548
Bodies External to General Government	480	685
	<b>9,236</b>	<b>11,655</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 onwards are included above. Also included are future payments of pension strain to be paid by employers in 2017/18 onwards.

# Notes to the Accounts

## 19. Current Assets and Liabilities

	2015/16 £'000	2014/15 £'000
<b>Assets</b>		
Contributions Due	20,636	21,883
Amounts Due from External Managers	921	1,126
Accrued and Outstanding Investment Income	367	543
Sundries	15,889	13,352
Provision for Bad Debts	(166)	(32)
Cash at Bank	1,623	2,763
	<b>39,270</b>	<b>39,635</b>
Relating to:		
Central Government Bodies	1,856	1,893
Other Local Authorities	14,761	15,892
NHS	2	2
Public Corporations and Trading Funds	170	202
Bodies External to General Government	22,481	21,646
	<b>39,270</b>	<b>39,635</b>
<b>Liabilities</b>		
Retirement Grants Due	2,372	2,185
Provisions	247	369
Miscellaneous	8,593	13,839
	<b>11,212</b>	<b>16,393</b>
Relating to:		
Central Government Bodies	2,570	2,290
Other Local Authorities	1,920	4,129
Public Corporations and Trading Funds	171	23
Bodies External to General Government	6,551	9,951
	<b>11,212</b>	<b>16,393</b>
<b>Total Current Assets and Liabilities</b>	<b>28,058</b>	<b>23,242</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 2016.

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-imburement.

## 20. Contractual Commitments

Commitments for investments amounted to £325.41 million as at 31 March 2016 (2014/15 £386.17 million). These commitments relate to Private Equity £164.69 million, Infrastructure £60.58 million, Opportunities £20.48 million, Indirect Property £79.66 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 favour 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.

Management expenses include charges by Wirral Council in providing services in its role as Administering Authority to the Fund, which amount to £3.3 million (2015 £3.4 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 £16.0 million (2015 £15.8 million) and a creditor of £259,834 as at 31 March 2016 (2015 £2 million).

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 2016 payroll are included within the debtors figure in note 19.



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

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

Peter Wallach, Director of Pensions, acts in an un-remunerated board advisory capacity on three investment bodies in which the Fund has an interest, Eclipse (£6.6 million), Standard Life (£15.5 million) and F&C (£21.9 million).

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 (£7.5 million), by whom travel expenses and accommodation were paid.

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

# Notes to the Accounts

## Key Management Personnel

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

<b>Financial Year 2015/16</b>	<b>Employment Period</b>	<b>Salary £</b>	<b>Pension Contributions £</b>	<b>Total Including Pension Contributions £</b>
Director of Pensions	01/04/15 - 31/03/16	79,277	10,782	<b>90,059</b>
Senior Investment Manager	01/04/15 - 31/03/16	56,965	7,747	<b>64,712</b>

<b>Financial Year 2014/15</b>	<b>Employment Period</b>	<b>Salary £</b>	<b>Pension Contributions £</b>	<b>Total Including Pension Contributions £</b>
Director of Pensions	01/04/14 - 31/03/15	73,474	9,992	<b>83,466</b>
Senior Investment Manager	01/04/14 - 31/03/15	56,046	7,622	<b>63,668</b>

## 23. Additional Voluntary Contribution Investments

	<b>2015/16 £'000</b>	<b>2014/15 £'000</b>
<b>The Aggregate Amount of AVC Investments is as Follows:</b>		
Equitable Life	2,158	2,297
Standard Life	6,064	6,204
Prudential	5,525	5,417
	<b>13,747</b>	<b>13,918</b>
<b>Changes During the Year were as Follows:</b>		
Contributions	2,026	1,869
Repayments	2,241	2,493
Change in Market Values	44	901

# 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 2016.

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 gives a true and fair view of the financial position of the Fund at 31 March 2016, and its income and expenditure for the year then ended.

**Tom Sault**  
**Section 151 Officer**  
**16 September 2016**

# Audit Report

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WIRRAL METROPOLITAN BOROUGH COUNCIL ON THE CONSISTENCY OF THE PENSION FUND FINANCIAL STATEMENTS INCLUDED IN THE MERSEYSIDE PENSION FUND ANNUAL REPORT

The accompanying Merseyside Pension Fund financial statements of Wirral Metropolitan Borough Council (the 'Authority') for the year ended 31 March 2016 which comprise the fund account, the net assets statement and the related notes are derived from the audited pension fund financial statements for the year ended 31 March 2016 included in the Authority's Statement of Accounts. We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 8 September 2016. The pension fund annual report, and the pension fund financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements is not a substitute for reading the audited Statement of Accounts of the Authority.

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

### Head of Financial Services (Section 151 Officer's) responsibilities for the pension fund financial statements in the pension fund annual report

Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer is responsible for the preparation of the pension fund financial statements, which must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Authority Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

### Auditor's responsibility

Our responsibility is to state to you whether the pension fund financial statements in the pension fund annual report are consistent with the pension fund financial statements in the Authority's Statement of Accounts in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

In addition we 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 Management Structure; Chair's Introduction; Management Report; Pension Board Report; Membership Statistics; Scheme Administration Report; Investment Report; and Financial Performance.

### Opinion

In our opinion, the Merseyside Pension Fund financial statements in the pension fund annual report derived from the audited pension fund financial statements in the Authority Statement of Accounts for the year ended 31 March 2016 are consistent, in all material respects, with those financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### Jackie Bellard

for and on behalf of Grant Thornton UK LLP,  
Appointed Auditor  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

September 2016



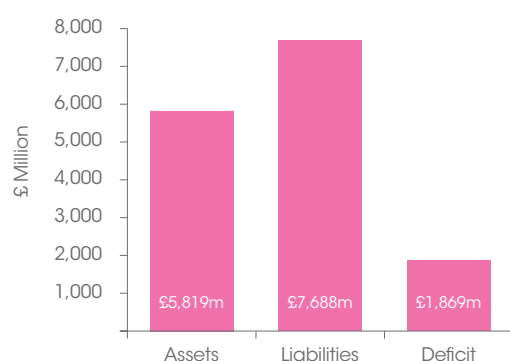
# Consulting Actuary's Statement

## Accounts for the Year Ended 31 March 2016 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 allowed for the new LGPS benefit structure which became 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)
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 2016 (the 31 March 2015 assumptions are included for comparison):

	31 March 2015	31 March 2016
Rate of Return on Investments (Discount Rate)	3.3%	3.6%
Rate of Pay Increases	3.5%*	3.5%*
Rate of Increases in Pensions in Payment (In Excess of Guaranteed Minimum Pension)	2.0%	2.0%

*\*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 rose, resulting in a higher discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.6% p.a. versus 3.3% p.a.). There was no change in the expected long-term rate of CPI inflation during the year, resulting in the same assumption for pension increases at the year end than at the beginning of the year (2.0% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2015 was estimated as £9,477 million.

The effect of the changes in actuarial assumptions between 31 March 2015 and 31 March 2016 as described above is to decrease the liabilities by c£462 million. Adding interest over the year increases the liabilities by c£312 million. The net effect of allowing for benefits accrued/paid over the period decreases the liabilities by c£35million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2016 is therefore £9,292 million.



**Paul Middleman**  
Fellow of the Institute and Faculty of Actuaries  
Mercer Limited  
June 2016

# Appendix A

Scheme employers with active members as at 31 March 2016

## Scheduled Bodies (33)

Billinge Chapel End Parish Council  
Birkenhead Sixth Form College  
Carmel College  
Chief Constable  
Cronton Parish Council  
Edsential SLE  
Halewood Town Council  
Hugh Baird College  
King George V College  
Knowsley Community College  
Knowsley M.B.C.  
Knowsley Town Council  
Liverpool City Council  
Liverpool John Moores University  
Merseyside Fire & Rescue Authority  
Merseytravel (MPTE)  
Merseyside Waste Disposal Authority  
Office of the Police and Crime Commissioner for Merseyside (OPCCM)  
Prescot Town Council  
Rainford Parish Council  
Rainhill Parish Council  
School Improvement Liverpool Ltd.  
Sefton M.B.C.  
Shared Education Services Ltd.  
Southport College  
St. Helens College  
St. Helens M.B.C.  
The ACC Liverpool Group  
The City of Liverpool College  
Whiston Town Council  
Wirral Council  
Wirral Evolutions Ltd.  
Wirral Metropolitan College

## Scheduled Bodies (Academies) (59)

Academy of St. Francis of Assisi  
Bellerive FCJ Catholic College  
Birkdale High School  
Birkenhead High School Academy  
Blue Coat School (Academy)  
Calday Grange Grammar School  
Chesterfield High School  
Childwall Sports & Science Academy  
De la Salle Academy  
Deyes High School  
Emslie Morgan Academy  
Enterprise South Liverpool Academy  
Everton Free School  
Finch Woods Academy  
Formby High School  
Greenbank High School  
Halewood Academy Centre for Learning  
Harmonize Academy  
Hawthornes Free School  
Heygreen Community Primary (Academy)  
Hillbre High School (Academy)  
Hillside High School (Academy)  
Hope Academy  
Kings Leadership Academy (Liverpool)  
Kirkby High School  
Knowsley Lane Primary School (Academy)  
Litherland High School (Academy)  
Liverpool College (Academy)  
Liverpool Life Science UTC  
Lord Derby Academy  
Maghull High School  
North Liverpool Academy  
Oldershaw Academy

Our Lady of Pity (Academy)  
Park View Academy  
Prenton High School for Girls  
Rainhill St Anns CE Primary School (Academy)  
Range High School  
St. Anselms College  
St. Edwards College  
St. Francis Xavier's College (Academy)  
St. John Plessington Catholic College  
St. Margaret's Church of England Academy  
St Mary & St Thomas CE Primary School (Academy)  
St. Michael's C of E High School (Academy)  
St. Silas C of E Primary School (Academy)  
The Belvedere Academy  
The Birkenhead Park School  
The Kingsway Academy  
The Studio (Academy)  
The Sutton Academy  
Townfield Primary  
Upton Hall School  
Weatherhead High School  
West Derby School (Academy)  
West Kirby Grammar School  
Wirral Academy for Girls  
Wirral Grammar Boys (Academy)  
Woodchurch High School (Academy)

### **Admission Bodies (Community) (34)**

Age Concern - Liverpool  
Arriva North West  
Association of Police Authorities  
Berrybridge Housing Ltd.  
Birkenhead School (2002)  
Care Quality Commission  
Catholic Children's Society  
CDS Housing  
Cobalt Housing Ltd.  
Glenvale Transport Ltd/Stagecoach  
Greater Hornby Homes  
Greater Merseyside Connexions  
Helena Partnerships Ltd.  
Lee Valley Housing Association Ltd.  
Liverpool Hope University  
Liverpool Housing Trust  
Liverpool Mutual Homes Ltd.  
Local Government Association  
Merseyside Lieutenantcy  
Merseyside Welfare Rights  
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 Partnership Homes

### **Admission Bodies (Transferee) (44)**

Addaction Limited  
Agilisys Limited  
Amey Services Ltd. - Highways  
arvato Public Sector Services Limited  
Balfour Beatty PFI SEN School  
Balfour Beatty Workplace Ltd.  
BAM Nuttall Ltd.  
Birkenhead Market Services Ltd.  
Bouygues E&S FM UK Ltd  
City Health Care Partnership CIC  
Compass Contract Services  
Compass (Scolarest) Liverpool Schools  
Compass (Scolarest) Wirral Schools  
Elite Cleaning & Environmental Services Ltd.  
Friends of Birkenhead Council Kennels  
Geraud Markets Liverpool Ltd.  
Glendale (Liverpool Parks Services) Ltd.  
Graysons Education Ltd.  
Hall Cleaning Services  
Hochtief Liverpool Schools  
Hochtief Wirral Schools

Interserve (Facilities Management) Ltd.  
KGB Cleaning & Support Services Ltd.  
Kingswood Colomendy Ltd.  
Knowsley Youth Mutual Ltd.  
Lifeline Project Ltd.  
Liverpool Vision Limited  
Mack Trading  
Mellors Catering - Birkdale  
Mellors Catering - St. Anns  
Mellors Catering - St Mary & St Thomas  
Mellors Catering - St Paul & St Timothy  
Mosscroft Childcare Ltd.  
New Brighton Day Nursery Ltd.  
Northgate Managed Services Ltd.  
Sefton New Directions Ltd.  
Shap Ltd.  
SSE Contracting Ltd.  
Tarmac Trading Ltd.  
Taylor Shaw (Grange)  
Taylor Shaw (Meols Cop)  
Taylor Shaw (Raeburn)  
Taylor Shaw (Range)  
Veolia ES Merseyside & Halton

# Appendix B

## Pensions Committee Items

### 22 June 2015

LGPS Update  
Pension Fund Budget  
Tax Management Update  
Annual Investment Performance  
Treasury Management Annual Report  
Pension Board Update  
NAPF Annual Conference  
LGC Investment Summit  
IMWP Minutes 16/04/2015

### 14 September 2015

Audit Findings Report  
Pension Fund Accounts 2014/15  
Draft Annual Report  
LGPS Update  
Government Consultation on  
Pensions Taxation  
Termination Policy  
LGE Fundamental Training  
Annual Employers' Conference  
LAPFF Annual Conference  
Elected Member Educational Event  
Bond Reviews  
IMWP Minutes 19 June 2015  
GRWP Minutes 30 June 2015

### 28 September 2015 (Special)

Annual Report and Statement of Accounts  
2014/15 - Merseyside Pension Fund

### 16 November 2015

LGPS Update  
The Pensions Regulator Breaches Policy  
Pooling Consultation  
Internal Dispute Resolution Procedure  
Governance Policy  
Responsible Investment and Climate Risk  
Property: Appointment of Strategic Advisor  
Monitoring - Training, Gifts & Hospitality  
Returns  
Authorised Signatories  
IMWP Minutes

### 25 January 2016

LGPS Update  
Pooling Consultation  
Pension Fund Budget  
Member Development Programme 2016  
LGPS Investment Regulations  
Property Management Contract  
Treasury Management Strategy  
LGC Investment Conference  
Elected Member Educational Event  
Local Investment  
IMWP Minutes 10/12/15  
Property Arrears

### 21 March 2016

Audit Plan 2015/16  
LGPS Update  
Pooling Consultation  
Property Valuer Contract  
Carbon Risk  
Tunsgate Quarter Update  
LGPS Trustees Conference  
PLSA Local Authority Conference  
Pension Board Minutes 14/07/15 &  
13/10/15  
IMWP Minutes 10/03/16  
GRWP Minutes 28/01/16



## Attendance Record 2015 - 2016

	Pensions Committee						GRWP		IMWP					
	22 Jun	14 Sep	28 Sep	16 Nov	25 Jan	21 Mar	30 Jun	28 Jan	16 Apr	19 Jun	17 Sep	8 Oct	10 Dec	10 Mar
Cllr Paul Doughty (Chair)	•	•	•	•	•	•	•	•	•	•	•		•	•
Cllr Ann McLachlan (Vice-Chair)	•	•	•	•	•	•	•			•		•		
Cllr George Davies	•	•	•	•	•	•				•				
Cllr Treena Johnson	•	#		•	•	•	•			•		•		
Cllr Adrian Jones	•	•	•		•		•		•	•	•		•	•
Cllr Brian Kenny	•	•			•	•				•	•		•	•
Cllr Geoffrey Watt (Spokesperson)	•	•	•	•	•	•	•	•	•		•	•	•	•
Cllr Kathy Hodson	#	•	#	#	•	•								
Cllr Cherry Povall, JP	•	•	•	•	•	•		•		•	•		•	
Cllr Pat Cleary	•	•	•	•	•	•					•		•	•
Cllr Nick Crofts* (Liverpool City Council)					•									
Cllr John Fulham* (St Helens Council)		•			•					•				
Cllr William Weightman* (Knowsley Council)														
Cllr Paulette Lappin* (Sefton Council)	•		•			•	•					•	•	
Patrick Cleary* (appointed Dec 2015)						•								
Brian Ellis* (Co-Optee 1/1/16)						•								
Cllr Mike Hornby (stood down 16/3/15)														
Cllr Harry Smith (stood down 11/5/15)														
Paul Wiggins (stood down 23/6/15)									•					
Phil Goodwin (stood down 23/6/15)									•					

#Deputy Attended  
\*Co-Optee

#Cllr Treena Johnson substituted by Cllr Anita Leech  
#Cllr Kathy Hodson substituted by Cllr John Hale

#Cllr Kathy Hodson substituted by Cllr David M Elderton  
#Cllr Kathy Hodson substituted by Cllr Adam Sykes

	Conferences								
	NAPF Gloucester	LGC Newport	NAPF ANNUAL CONFERENCE Manchester	EMEE HMS London	ANNUAL EMPLOYERS CONFERENCE	ANNUAL LAPFF Bournemouth	BLACKROCK TRAINING DAY	330 CONSULTING EMEE London	LGC Carden Park
	19 - 21 May	9 - 10 Sep	15 - 17 Oct	7 Oct	26 Nov	3 - 5 Dec	27 Jan	16 - 17 Feb	3 - 6 Mar
Cllr Paul Doughty (Chair)	•	•	•	•	•	•		•	•
Cllr Ann McLachlan (Vice-Chair)								•	
Cllr George Davies							•	•	
Cllr Treena Johnson			•				•		
Cllr Adrian Jones							•		
Cllr Brian Kenny			•	•	•				•
Cllr Geoffrey Watt (Spokesperson)	•	•	•	•	•	•	•		•
Cllr Kathy Hodson									
Cllr Cherry Povall, JP		•	•				•		•
Cllr Pat Cleary							•		
Cllr Nick Crofts* (Liverpool City Council)									
Cllr John Fulham* (St Helens Council)			•						
Cllr William Weightman* (Knowsley Council)									
Cllr Paulette Lappin* (Sefton Council)			•						
Patrick Cleary*									
Brian Ellis*									
Cllr Mike Hornby (stood down 16/3/15)									
Cllr Harry Smith (stood down 11/5/15)									
Cllr Chris Carubia (stood down May 2015)									
Paul Wiggins (stood down 23/6/15)									
Phil Goodwin (stood down 23/6/15)									

\*Co-Optee

# Appendix C

## Information Contacts

Position	Name	Telephone number
Director of Pensions	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 1316
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	Tina Edwards	0151 522 2807
Knowsley MBC	Jaci Dick	0151 443 5161
Liverpool City Council	Richard Arnold	0151 233 0375
Liverpool John Moores University	Jayne Brown	0151 231 8756
Merseyside Fire & Rescue Service	Julie Murdoch	0151 296 4245
Merseytravel (MPTE)	Lynne Gogerty	0151 330 1213
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	Jann Lindoe	0151 691 8529



## Report & Accounts 2015/16

### 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)

Administering Authority Wirral Council

