

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

23 SEPTEMBER 2009

REPORT OF THE DIRECTOR OF FINANCE

MERSEYSIDE PENSION FUND: AUDITED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

1. EXECUTIVE SUMMARY

- 1.1 This report presents the final audited accounts for Merseyside Pension Fund for the year ended 31 March 2009.

2. FINANCIAL IMPLICATIONS

- 2.1 On 18 June 2009, Pensions Committee formally approved the accounts (Minute 3 refers) prior to their submission to the Audit Commission, who undertook an audit of the accounts and will now report back to this meeting of the Pensions Committee. This has been the first year in which the Pension Fund accounts were prepared in accordance with the new Pensions Statement of Recommended Practice (the Pensions SORP), but the audit was completed with regard also to the Local Authority SORP. The levels at which the Auditor need not report on issues of triviality reduced from 10% to 1% of materiality, meaning levels of £24k for expenses and benefits, and £352k for investments. This would be expected to lead to an increase in the number of items which are reported.
- 2.2 Following the audit, the accounts have been amended, and are attached as an appendix. The net assets of the Fund have decreased from £3,524.219 million to £3,521.496 million, a net decrease of £2.723million.
- 2.3 The changes to these figures are the results both of late, but critical information received from external sources, regarded as adjusted post balance sheet events, and of agreed changes reflected in the Auditor's Report to Those Charged with Governance.
- 2.4 The following is an analysis of those changes which have affected the value of the Fund:
- a net increase in investment management fees of £341k, being the inclusion of a late creditor, and an overprovision for another.
 - a reduction in the valuation of 2 alternative investments, totalling £1.834m
 - an increase in lump sum benefits paid after year end of £1.129m, due to extending the period covered
 - a reduction in debtors of £43k, following closer analysis

- a net reduction in the value of derivatives of £10k, following further clarification from the investment manager
- an increase of £634k in the value of the Fund following revised guidance on the impairment re Icelandic banks, and a reduction in the calculated loss of interest

2.5 The following amendments have affected the analysis but have no impact on the overall value of the Fund:

- revised classification as investment assets (£19.8m) and investment liabilities (£22.8m) of monies due from and to stockbrokers, which have previously been shown in current assets and liabilities
- revised classification of cash balances of £40.7m with investment managers from current assets to investment assets
- revised classification of a loss on exchange of £2.922m to be shown as current asset of £0.325m from "Contributions Due" to "Sundries".
- separate identification of Provision for Bad Debt of £473k within the Current Assets and Liabilities section (Note 9)
- A sub-category of Augmentation within "Employers' Contributions" is now shown, with corresponding reductions in "Normal" and "Deficit Funding" headings (Note 3)

In these cases, a Prior Period Adjustment has been made in respect of the accounts for year ended 31 March 2008.

2.6 In addition to the amended notes relating to the changes indicated in paragraphs 2.4 and 2.5 above, Note 11 has been amended or added to reflect a recalculation of the recharges from the Administering Authority.

2.7 I have prepared a Letter of Representation on behalf of the Committee which gives assurances to the District Auditor on various aspects relating to the Fund.

2.8 Draft guidance on the detailed content of the Annual Report was received from CLG after the submission of the draft accounts this Committee on 18 June 2009. At the time of writing, final guidance is still awaited, but I have included as a final note (note 14) a commentary on the financial performance of the Fund, with particular reference to the budgetary position.

2.9 The accounts as now shown will form the basis of the Annual Report for the year ended 31 March 2009.

2.10 The Audit Commission has provisionally indicated that the audit was completed within its financial estimate.

3. **STAFFING IMPLICATIONS**

3.1 There are no implications as a result of this report.

4. **EQUAL OPPORTUNITY IMPLICATIONS**

4.1 There are none arising directly from this report.

5. HUMAN RIGHTS IMPLICATIONS

5.1 There are none arising directly from this report.

6. COMMUNITY SAFETY IMPLICATIONS

6.1 There are no specific implications arising from this report.

7. LOCAL MEMBER SUPPORT IMPLICATIONS

7.1 There are no specific implications for any Member or Ward.

8. LOCAL AGENDA 21 IMPLICATIONS

8.1 There are no specific implications arising from this report.

9. PLANNING IMPLICATIONS

9.1 There are no specific implications arising from this report.

10. BACKGROUND PAPERS

10.1 Pensions Committee June 2009, Agenda Item 3: Pension Fund Accounts for Year Ended 31 March 2009.

11. RECOMMENDATION

11.1 That the Committee receives the audited accounts for the year ended 31 March 2009.

**IAN COLEMAN
DIRECTOR OF FINANCE**